MORGAN

American Financier

JEAN STROUSE

RANDOM HOUSE

NEW YORK

Morgan had returned in May 1877 to a country in political and economic turmoil. As far as he was concerned, the most important action of the Hayes administration was the appointment of Ohio Senator John Sherman to the Treasury. This adroit politician, brother of Civil War general William Tecumseh Sherman, had years of experience with government finance. He had been chairman of both the Senate Finance and the House Ways and Means committees. Like the Morgans, he had watched European investors pull money out of U.S. markets after the 1873 panic, and he firmly believed that returning the country to the gold standard would bring back foreign confidence and capital. Accordingly, at the urging of then Secretary Bristow, Sherman in the Senate had drafted a bill that would put the United States back on gold for the first time since 1862. Called the Specie Resumption Act and passed by the lame-duck Republican Congress early in 1875, it authorized the Treasury to resume paying all its obligations in gold—at the prewar price of $4.86 to the British pound—by January 1, 1879.

Designed as a compromise, this vaguely worded act had two essential, related problems. The first was financial—how to bring the value of a greenback dollar up to equivalence with gold by the target resumption date. As long as gold, pegged to the pound sterling, was worth more than greenbacks on the market, people would spend the paper and hoard the gold, causing the latter to disappear from circulation (Gresham's law: Bad money drives out good). To solve this problem, the act proposed to make greenbacks scarce and gold more abundant: it set a limit of $300 million on greenback circulation, which required the Treasury to withdraw $82 million in paper dollars, and it authorized the Secretary to build up a gold reserve from sales of U.S. bonds.

By deliberately reducing the money supply, however, this plan led to the second problem. More than ever in the long 1870s depression, people in the crippled rural economies of the South and West wanted "easy" money, and they violently opposed any further currency contraction. Several dissident groups formed an independent Greenback Party in 1875: seeing the move back toward gold as a malignant plot by eastern and foreign capitalists, they demanded *more* greenbacks, abolition of the "money monopoly," an end to foreign investment in the United States, reduction of the federal debt, and repeal of Sherman's Resumption Act—which Ohio's Democratic Governor William Allen denounced as a conspiracy of the "money power" to "drain the life-blood of the American people." The Greenbackers ran a third-party candidate for president in 1876—the eighty-five-year-old former industrialist turned reformer, Peter Cooper—and won about 1 percent of the vote.*

* Cooper had built the country's first locomotive, the *Tom Thumb*, for the Baltimore & Ohio Railroad in 1830. In 1859 he founded Cooper Union on New York's Lafayette Street just

Morgan, like most eastern bankers and international traders, did not see any way to free the United States from dependence on foreign money except through the mechanisms he was promoting—the growth of domestic capital markets and careful reduction of the Civil War debt. Intently focused on the ability of a debtor nation to keep borrowing abroad, he never wavered in his long-term commitment to gold. Cheapening the currency by printing more greenbacks promised to accelerate the flight of foreign capital and increase borrowing costs, since inflation would erode the value of dollar-denominated assets. While monetary easing might provide temporary relief in Iowa and Kansas, Morgan was convinced it would destroy U.S. credit in international markets, and damage the domestic economy even further.

Passage of the 1875 Resumption Act had reassured Europe that U.S. obligations would ultimately be paid in gold, and foreign investors had eagerly taken up the Rothschild/Morgan/Seligman syndicate's 1876 refinancing loan. Most of the bonds sold at a premium, up to four points above the bankers' contract price. In the midst of ferocious conflict over the currency, reports of the profits on this $200 million issue heightened western antipathy to the "money power." The syndicate earned over $3 million—$1 million in commission (one half of 1 percent), plus the spread between their buying and selling price.

Treasury Secretary Sherman began in 1877 to build up a gold reserve through bond sales as authorized by his own Resumption Act. That June he contracted with private bankers for another $235 million re-funding issue, as well as a $40 million loan just for gold. Wall Street's critics in and out of Congress began demanding that the Treasury sell its bonds directly to the public rather than through banking syndicates, and that the debts be payable in greenbacks or silver rather than gold.

Silver added yet another tangle to the monetary confusion. In the 1830s, Andrew Jackson's Treasury had defined the silver–gold ratio as 16 to 1—there was sixteen times as much silver in a silver dollar (371.25 grains) as gold in a gold dollar (23.22 grains). For various reasons, not much silver had been coined after 1848, but the discovery of large lodes in Nevada after the Civil War raised the prospect (on the plains) of more cheap money, and (on Wall Street and in Washington) of another threat to the sound dollar. Congress had "demonetized" silver in 1873, voting no longer to mint it into coin and eliminating it for the moment as a factor in the currency wars. In retrospect, demonetization would be called the "Crime of '73."

Pressure to restore silver as legal tender mounted during the seventies depression, especially after the Resumption Act tied the greenback to gold, limit-

---

below Astor Place, to provide a public forum and education in art and technology for working people. Lincoln gave the speech that won him the Republican nomination at Cooper Union in 1860.

ing its inflationary potential. Silver had wider popular appeal than greenbacks, probably because it seemed like "real" money in a way that paper certificates did not. And the silver coming out of the West drove the price down until a silver dollar was worth only 90¢ in gold—exactly as the inflationists hoped. Support for remonetization was running so high by the fall of 1877 that the House easily passed (163 to 34) a bill proposing "free and unlimited coinage of silver" introduced by Missouri Representative Richard Bland.

August Belmont warned Secretary Sherman that the Bland bill would completely stop sales of the current refunding loan—and in fact the price of the bonds quickly fell below par: the syndicate bought back $750,000 worth to keep the market from collapsing, then suspended sales. A delegation of bankers, including Morgan, called on Sherman in Washington to make the case against silver.

Speaking for the group, Belmont argued that Europe would take the remonetization of silver as an act of repudiation by the federal government. Foreigners had bought hundreds of millions of dollars in U.S. bonds on the assumption that they would be redeemed for gold. Changing the contracts now—substituting silver, worth 10 percent less than gold—would be tantamount to theft. Belmont's rhetoric identified gold with the national honor: Treasury Department records showed the history of "a nation's faith kept inviolate with a most punctilious and chivalrous spirit." At this crucial moment, "sound financial policy and love of our country's fair name alike" demanded from the administration "the most uncompromising hostility to the *blind* and *dishonest* frenzy which has taken hold of Congress."

The bankers made their case in language of high moral necessity, setting "discipline," "sound" money, "inviolate" faith, and America's integrity off against "wild" inflation, a "corrupt" currency, "blind and dishonest frenzy," and "reckless booming anarchy." Despite their Olympian assumptions, they were not neutral observers of this debate but intensely interested participants who represented millions in foreign investment and held substantial wealth of their own. The long-term postwar deflation was *increasing* the value of those assets, while inflation would have exactly the opposite effect. Speaking as experts in international capital markets, the bankers had a powerful point, but the fact that they were also profiting from the course they advocated made it hard for their opponents to see any legitimacy in their claims.

—

The anticapitalist Greenback Party drew most of its strength from the rural West and South. With agricultural productivity on the rise while prices declined worldwide, small farmers slipped further than ever into debt, tenant farmers could not buy land, and agricultural wages fell. Grange cooperatives continued to press for easier money and regulation of railroad rates, and state

legislatures in the Midwest passed laws setting freight rate ceilings in the 1870s. The railroads challenged the power of states to regulate private property, but the Supreme Court ruled in a landmark case, *Munn* v. *Illinois* (1877), that private enterprises operating in the public interest ought to be subject to public regulation.

The overall number of workers employed in manufacturing actually rose during the depression of the seventies, and real wages on average declined only slightly, since falling prices offset cuts in pay. Still, sixty-five months of economic contraction produced pockets of severe unemployment in cities and nominal wage cuts across the country. Many people worked twelve-hour days, seven days a week, for a few cents an hour. In January 1874 New York City police broke up a throng of seven thousand protesters who were demanding "Work or Bread" in Tompkins Square, and sent dozens to jail. A year later a secret order of militant Irish American coal miners called the Molly Maguires waged guerrilla warfare against the owners of Pennsylvania's anthracite coalfields. The miners had been forced to accept medieval living and working conditions, and the owners—chiefly Franklin B. Gowen, head of the Philadelphia & Reading Railroad—fought all attempts to form a trade union. In 1873 Gowen hired a Pinkerton detective to infiltrate the Irish "terrorists," and when, as a result, the Mollys were brought to trial, Gowen served as both a prosecutor (he had a law degree) and a witness. Twenty of the group's leaders were eventually executed. They blamed Gowen.

In the summer of 1877, with railroad income still declining, the Baltimore & Ohio cut wages for the second time in a year. On July 16 B&O workers went out on a strike that quickly spread to other lines and industries across the country. Skilled and unskilled workers joined to demand an eight-hour day, an end to child labor, restoration of wages to predepression levels, and nationalization of the railroads. General strikes shut down Chicago and St. Louis. State governments called out citizen armies. When militiamen shot protesters gathered in the Pittsburgh rail yards, the crowd set fire to engines and cars. Over a hundred people were killed, hundreds more injured, and millions of dollars in property destroyed. President Hayes sent federal troops to restore order, and by July 29 the nationwide Great Strike—the most violent Americans had known—was over. It left widespread fear of class warfare in its wake, and laid bare the country's deep-seated hatred of the railroads.

—

Americans were not entirely preoccupied with politics and economics in this turbulent decade. In 1873 Mark Twain published the satirical novel that he wrote with Charles Dudley Warner, *The Gilded Age*, and *The Adventures of Tom Sawyer* three years later. Louisa May Alcott wrote *Eight Cousins*, *Rose in Bloom*, and *Under the Lilacs*, while Emily Dickinson was quietly composing poems in

Amherst. William Dean Howells edited *The Atlantic Monthly* in the seventies, and published novels and essays of his own. Charles W. Eliot, the new president of Harvard College, appointed Henry Adams an assistant professor of history; from Cambridge Adams edited the literary/political quarterly *North American Review.* Henry James moved permanently to England, where he began to explore his great theme of the American encounter with Europe in *The American* (1877), *Daisy Miller* (1878), and *The Europeans* (1878); he published his first real masterpiece, *The Portrait of a Lady,* in 1880–81.

"It takes an endless amount of history to make even a little tradition," James later wrote, "and an endless amount of tradition to make even a little taste." Looking back on one hundred years of its own history in 1876, the United States did not yet have much aesthetic tradition or taste; it did have ardent cultural nationalism, and its cities were becoming vital centers for the arts. The careers of John Singer Sargent, Thomas Eakins, Winslow Homer, John La Farge, and Augustus St. Gaudens were getting under way, as were those of the architects Henry Hobson Richardson, Ralph Adams Cram, Richard Morris Hunt, Charles Follen McKim, and Stanford White.

Several of the institutions built by America's wealthy elite to endow the country with cosmopolitan culture were completed in the 1870s. The banker William W. Corcoran created the Corcoran Gallery in Washington, D.C., in 1870, to house his private collection of American paintings (by Cole, Bierstadt, Remington, Durand), and Boston's Museum of Fine Arts opened on the Fenway in 1876. In New York the architectural firm of Calvert Vaux and Jacob Wrey Mould was designing the building that would house the Metropolitan Museum on the eastern edge of Central Park (which Vaux had also designed). The museum installed its collections in temporary headquarters during the seventies—first in a dancing academy on 53rd Street and Fifth Avenue, then in a private brownstone called the Douglas Mansion at 128 West 14th Street. Henry James pronounced the Met's early collection not brilliant but useful: "it contains no first-rate example of a first-rate genius; but it may claim within its limits a unity and a continuity which cannot fail to make it a source of profit to students debarred from European opportunities."

Directly across the Park at 77th and Central Park West, President Grant laid the cornerstone for the American Museum of Natural History building in 1874. This five-story red-granite structure, also by Vaux and Mould, was so far from the center of the city that its superintendent found the prospect "desolate and forbidding . . . my only companions were scores of goats. . . . [S]outh of us there was no building near, except the 'Dacotah,' a fine apartment hotel at the corner of Central Park West and Seventy-second Street."

The Morgans played supporting roles in the early lives of these New York institutions—Pierpont as a founding trustee of the Museum of Natural History and a patron of the Met. Junius helped finance one of the art museum's impor-

tant early acquisitions, a collection of Cypriot antiquities unearthed by the American consul in Cyprus (and the Russian consul as well), the Italian-born General Luigi Palma di Cesnola. The museum's president, John Taylor Johnston, paid $60,000 for the Cesnola collections through J. S. Morgan & Co. in 1872–73, and another $60,000 for a second installment three years later. Cesnola was excavating in Cyprus at the same time that Heinrich Schliemann, a self-made German American millionaire, was looking for the sites and objects described by Homer in the *Iliad* and the *Odyssey*. To great public fanfare, Schliemann found the legendary cities of Mycenae and Troy in 1873 (although the materials he discovered actually antedated the Trojan War by almost one thousand years). Cesnola made no such dramatic discovery, but ultimately sent about 35,000 objects to New York—sculpture, vases, bronzes, jewelry, sealstones—dating from prehistoric to Roman times, roughly 3000 B.C. to A.D. 200.

Lax laws in the eastern Mediterranean allowed foreign excavators to take much of what they found, and with the Cesnola purchase New York's Metropolitan Museum secured a wide-ranging collection that remains the finest body of Cypriot antiquities outside Cyprus. The Met repaid Johnston for his advances through donor subscriptions, to which Pierpont contributed $2,500 in 1877. Cesnola, who knew more about these objects than anyone else, was appointed the museum's first director two years later.

—

In New York in the autumn of 1877, a year after America's centennial jubilee, several of the men who had the most to celebrate met for a dinner in honor of Junius Morgan. The Morgan men alternated transatlantic trips, with Pierpont going to England every spring and Junius to America in the fall. On November 8, 1877, ninety-four of America's leading politicians, businessmen, and bankers gathered at Delmonico's Restaurant on Fifth Avenue at 26th Street to pay tribute to "the great service" Junius had rendered his country "in upholding its credit and its honor in the commercial capital of the world."

The guests that Thursday night included the governors of New York, Massachusetts, Connecticut, and Pennsylvania, former Treasury Secretary Hugh McCulloch, railroad presidents Thomas Scott (of the Pennsylvania) and John W. Garrett (the Baltimore & Ohio), along with Cyrus Field, George M. Pullman, Jesse Seligman (Joseph's brother and head of the New York firm), Levi Morton's partner George Bliss, Charles Tracy, A. A. Low, August Belmont, and General Cesnola. Among the Morgan partners were Tony Drexel, Egisto Fabbri, J. Hood Wright, and S. Endicott Peabody, who had just retired from the London bank. Seated together at one end of the M-shaped table was the younger set, including Pierpont (age forty), Jim Goodwin (forty-two), Theodore Roosevelt, Sr. (forty-six, just appointed collector of customs for the Port of New York by President Hayes), Henry Adams (thirty-nine), the bankers Charles Lanier and

Morris K. Jesup, and railroad attorney George MacCulloch Miller. *The New York Times* the next day called the event "one of the most extraordinary testimonials ever offered to a private citizen": "the wealth and brains of the Union . . . turned out a representation that has probably never before been equaled at any gathering of the sort in the history of the Metropolis."

An orchestra played as the guests assembled in an upstairs parlor under British and American flags. Promptly at seven, New York's Democratic Governor Tilden led the party in to dinner with Junius on his arm. Flowers adorned tables, balconies, and wall brackets. Elaborate sugar sculptures showed the American journalist H. M. Stanley traveling through Africa to rescue the British explorer David Livingstone, and a locomotive and cars passing through a tunnel under a mountain of candy. The dinner included oysters, a "timbale à la Périgourdine" (foie gras in a pastry shell), filets of beef, woodcock, canvasbacks, partridge with truffles, baby hens, a "gelée Orientale," "Charlotte Doris," apple pudding, vintage wines and Champagne.

Governor Tilden, who but for a roll of the political dice might have been President Tilden, rose to address the group over coffee and cigars. With an odd mix of irony, sanctimony, flag-waving, and economic acumen, he glancingly acknowledged the country's depression-era conflicts, and referred in wry amusement to his audience's collective wealth.

He opened by assuring the gathering that "every man who, by any effort, reduces the cost or increases the fruits of any service demanded by society, to that extent enlarges the productive capacity of human labor and increases the results of its exercise [Applause]." Although the "owners of colossal capitals and managers of colossal capitals" before him might be under the illusion that they were working for themselves, he—only partly tongue-in-cheek—had "the satisfaction to be able to claim, on behalf of the general public, that they are chiefly working for that public [Applause]." Had they not brought about the nation's great transportation revolution? Tilden remembered when bringing crops to market cost more than the crops. Now, produce from all over the country could be shipped to the East Coast cheaply enough to compete in international markets.

At this moment of intense democratic hostility to private wealth, Tilden repeatedly congratulated his listeners for the noble public service they were performing. Though they might seem "to all human eyes" to be seeking selfish gain, there was "a wise and beneficent over-ruling Providence which directs events so that nearly all they do in lessening the cost of these [transport] services results, not in enlarged profits, but in diminished charges; and thus inures to the benefit of the mass of the people [Applause]." As long as the railroads reinvested the "comparatively small share" of income that did count as profit, they created "better machinery, better processes, and more competition—all resulting in cheaper service to the public." Whatever fraction

of profit *was* taken out for personal use would do its beneficiaries no good at all "when they go on that long journey to the bourne from which no traveller returns [Laughter and applause]."

Tilden then recalled a visit he had paid the previous summer to Junius Morgan at Dover House in Roehampton. While being shown over the estate, "inspecting with pleasure the appliances of comfort and luxury" in its mansion, gardens, stables, dairies, and lawns, the governor had found himself "thinking how much, after all, [Mr. Morgan had] got for himself out of his great wealth and great business [Laughter]." He had remarked to his host at the time, "I don't see but what you are a trustee here; you get only your food, your clothing, your shelter"—and added to the Delmonico's assembly: "Of course, a man may have some delight in a sense of power, in a sense of consequence; but I rather thought his hostler beat him in that particular [Laughter]."

In closing, Tilden saluted Junius's quarter century of service as America's economic standard-bearer in London. He trusted that Morgan, like everyone else in the room, had discovered there was something finer than money—"the merited esteem of their fellows"—and something finer even than that: "a consciousness that human society is better because we have existed."

Junius stood, nodding his white head to quiet the long ovation. As the applause died down he told his hosts that receiving this assurance of their respect and friendship was full compensation "for a life of labor, of responsibilities and of anxieties; a compensation beside which mere money results sink into insignificance. It is the proudest moment of my life."

Paying warm tribute to his mentors, partners, and colleagues, he noted that he had been received in England with such cordiality and confidence "that I should be the most ungrateful of men, if I did not repay it by endeavoring to create the kindest feelings between the two countries." The "three and twenty years" of his London career had begun when few American securities were quoted on any European bourse. Then came the Civil War and a huge national debt. In a first-person plural that accurately reflected his sense of personal responsibility for guiding U.S. economic affairs, Junius described how the country had reduced that debt "with resolution and determination, and with a sound financial intelligence, which enabled us to lighten some of its burdens within an almost unprecedented space of time." Postwar America still needed European funding, but "those who controlled that capital responded liberally to our requirements, because they believed in the ability, in the honor, and in the integrity of our people"—and, Junius did not have to add, because they believed in the bankers who represented American interests abroad. By 1877 U.S. bonds were quoted on almost every exchange in Europe, ranking "side by side with those of the oldest and most wealthy of those countries."

Junius owned a letter that George Washington wrote to an English friend in 1788, just as the States were forging their confederation. He now brought it

out and read aloud: "If this people continue to be animated by the same feelings of patriotism," Washington had predicted, "if they shall continue true to themselves, no power on earth can prevent their becoming a *great, a commercial, and a powerful nation.*"

That forecast had been "wonderfully" fulfilled, Junius Morgan concluded in New York nearly a hundred years later. Would not a similar prediction in 1877 be just as sure to come true? If the nation's legislators were careful to pass only laws that promoted the "honor and integrity of this country in its highest sense" and preserved our "good name pure and unspotted"—that is, if they returned the country to the gold standard—"no power on earth can prevent our continuing to be a free, a powerful, and a respected people." Thanking his hosts again for "the honor you have done me to-night," Junius closed by acknowledging his high sense of stewardship and its even higher source: "A kind Providence has been very bountiful to us, and under this guidance, the future is in our own hands."

It is impossible, another hundred years later, to hear the self-righteousness, jingoism, and presumption in these speeches without a measure of late-twentieth-century cynicism. Even at the end of the Victorian century, Henry James characterized this kind of American triumphalism as "the Eagle's scream." Yet where Tilden winked at democratic doubts about the integrity of the rich, Junius spoke from heartfelt conviction. He saw himself piloting the U.S. economic ship through turbulent seas (his favorite metaphor), and earnestly believed that a republican noblesse oblige had placed the country's future in his hands.

The speakers who followed him that night extolled the nation's "measureless" natural resources, great manufacturing capacity, enterprising people, and infinite prospects. Several addressed the question that was haunting them all—the Bland silver bill recently passed by the House—but former Treasury Secretary McCulloch, now a merchant banker in London, took it up directly.* If ratified, he warned this audience of the converted, the bill would deal a "dangerous, if not fatal blow" to the national credit Junius Morgan had done so much to uphold. It would check the tide of returning prosperity, disrupt business in general, break the pledge under which federal bonds had been sold, and bring debt reduction to a halt. There could be no such thing as a "*double* standard" of gold and silver: silver would drive gold out of circulation and leave the country with a currency "subject to constant and most injurious fluctuations [Applause]." McCulloch concluded with the hope that the Senate would defeat

* McCulloch had been comptroller of the currency in 1863–64, and worked closely with Jay Cooke, who was selling government bonds to national banks. On leaving the Treasury in 1869, McCulloch had gone into partnership with Cooke, and continued their London business alone after Cooke failed in 1873.

the Bland bill, "and that our distinguished friend, soon after his return to his English home, will receive the glad tidings that the national honor is to remain inviolate [Great applause]." The party broke up at midnight.

Early in the new year, former Treasury Secretary Bristow, now practicing law in New York, told Pierpont he had seen nothing like the "fever" over the probable success of the Bland bill in the pro-silver South and West since the secessionist frenzy at the outbreak of the Civil War. Pierpont reported to Junius in mid-January that the press and the public were attacking the refunding syndicate as "interested opposers of the Silver legislation."

The syndicate members *were* interested opponents of the Bland bill—more than ever after Congress passed a resolution at the end of January 1878, authorizing payment of the interest and principal on U.S. bonds in silver. Investors panicked and sold American securities for gold. The bond market collapsed. In early February Pierpont and several associates went to see Treasury Secretary Sherman.

Under the circumstances, Sherman was willing to let them out of their contract to take a new allotment of bonds that March, but he warned that the question of their liability was likely to be brought up and adjudicated in public: the bankers had to decide whether they wanted to take that risk. They unanimously did not. In the current political climate "we should certainly be attacked from one end of the country to the other," Pierpont told Junius, and "I had rather make a loss than have anyone have the right to say that we did not come right up to the scratch in meeting the obligations we had assumed." In fact, when he made this trip to Washington, "it was reported that we had gone there expressly to get rid of our liability for the 6th March call—and it made quite a stir." From now on, the Morgans would take public scrutiny into account.

Later that month the Senate passed a modified silver bill called the Bland-Allison Act, which provided not for unlimited coinage of silver but for $2 million to $4 million a month. Though President Hayes vetoed it, Congress rallied enough votes to override the veto. Pierpont reported to Junius on the "alarming spirit" in Congress: silverites were "elated" at even this limited "victory over Eastern hard money men."

The victory proved hollow. Sherman issued only the minimum amount of silver the law required—$2 million a month—and by slightly expanding the money supply in the six months between March and December 1878 the Bland-Allison Act eased the country back toward the gold standard without a drastic social upheaval, which ultimately helped the hard-money men.

In April Sherman contracted with the Rothschild/Morgan syndicate for a $50 million loan specifically payable in gold, the proceeds to go into the Trea-

sury to prepare for the return to hard currency on January 1, 1879, as dictated by the 1875 Specie Resumption Act. The issue sold quickly, and with its success the country returned to the single standard of gold.* Through a combination of the depression, long-term postwar deflation, and the Treasury's gradual tightening of the money supply, prices had fallen to prewar levels, and by the end of 1878 the reduced volume of paper currency was roughly equal to the expanded gold reserve. In mid-December, two weeks before the official target date of January 1, greenbacks were quoted at the same price as gold for the first time since their issue in 1862. When resumption day finally came, banks along Wall Street draped their facades in bunting, and the Drexel Building hoisted an American flag. The banks, prepared for a run on gold, were delighted when it did not occur: since holders of greenbacks knew that they could exchange their paper dollars for gold, they didn't have to.

Levi Morton congratulated Secretary Sherman, who replied: "Thanks for your congratulations, which I heartily reciprocate; for the syndicate are entitled to a large portion of the merit now given to me. As I got more than my share of the abuse, it is probably thought that I should get more than my share of the credit."

—

At the beginning of 1879, there was a change in the English house of Morgan. Jacob Rogers returned to the United States as Boston agent for the bank, and Pierpont's brother-in-law Walter Burns took Rogers's place in London. After a few years as Levi Morton's London partner, Burns had been appointed European director of the U.S. Mortgage Company in Paris—he was fluent in French—and served as Junius's translator during the negotiations for the 1870 French loan. Pierpont had been urging Mary's husband to enter the family firm for years, and as soon as the new plans were definite, told him, "I never was a party to or interested in an arrangement to which I gave my approval more willingly or with stronger convictions that it was 'the thing to do.' " As always when powerfully moved, he was at a loss for words: "So far as regards my feelings toward you personally, you ought by this time to know them thoroughly. If not I cannot put them on paper." Burns became a partner in J. S.

* The syndicate's work with the Treasury on this loan went so smoothly that the bankers rewarded a key government official for his "kind offices." Compensating useful civil servants was clearly not a new idea. Drexel, Morgan & Co. told J. S. Morgan & Co. in September that the syndicate had saved large amounts of money through the exertions of Daniel Baker, chief of the Treasury's Loan Division, and suggested that a "suitable return should be made to him"—particularly since other government officials had "received such large sums heretofore." The syndicate set aside $10,000 of its 0.5 percent commission "for distribution among various parties in the Dept. who have done so much to facilitate the working of the Syndicate Account."

Morgan & Co. the same day the United States returned to the gold standard, January 1, 1879.

The long depression was coming to an end. Farm prices began to pick up in the middle of 1879, when disastrous weather in Europe created demand for American produce, but Wall Street had felt the recovery earlier. In February Pierpont reported to Jacob Rogers that since the first of the year business had been "such that I haven't seen for many many years," and "negotiations of great magnitude follow each other with great rapidity."

He was involved in a negotiation of relatively small magnitude but enormous potential. On October 20, 1878, he had written to Walter Burns about having been "very much engaged for several days past on a matter which is likely to prove most important . . . to the world at large [and] to us in particular in a pecuniary point of view. Secrecy at the moment is so essential that I do not dare to put it on paper. Subject is Edison's electric light."

Thomas Edison was known by 1878 for his work on the telegraph, telephone, and phonograph. He had taken out his first patent, for a telegraphic stock ticker, in 1869, and over the next forty years registered 1,092 more, averaging a new license every two weeks. In 1876 he built a small laboratory for industrial research at Menlo Park, New Jersey, and a year later found a way to record and reproduce sound. He demonstrated the first "talking machine" to a skeptical assistant by shouting "Mary Had a Little Lamb" into a hand-cranked recorder that scratched sound waves onto a revolving cylinder covered with foil. Then he replaced the cutting stylus, turned the crank again—and later said he was "never so taken aback in all my life" as when the song came crackling out: "I was always afraid of things that worked the first time." People flocked to Menlo Park to see the amazing machine, and Edison took it to Washington in April 1878 to show to the American Academy of Sciences, several congressmen, and President and Mrs. Hayes.

That fall he turned his attention to light. Gas lamps and candles lit most interiors at the time (society aesthetes preferred candles, complaining that gas made diamonds look dull), but city streets and big public spaces were illuminated by arc lighting—electrical arcs that sparked a brilliant discharge between two carbon electrodes. Arc lights were too intense for commercial and domestic use, however, and after Edison toured a Connecticut arc-light plant early in September, he set out to subdivide electrical energy into smaller units. A few weeks later he produced a brief incandescence by passing an electric current through a platinum-wire filament in a partially evacuated bulb. England's Lord Kelvin, asked later why no one else had figured out how to do it, said, "The only answer I can think of is that no one else is Edison." On September 16, the New York *Sun* ran a story about EDISON'S NEWEST MARVEL, SENDING CHEAP LIGHT,

HEAT AND POWER BY ELECTRICITY. Edison crowed, "I have it now!" and promised to illuminate downtown Manhattan with a single five-hundred-horsepower engine. He also promised to have a complete system in a few weeks—and to make electricity cheaper than gas. The price of gas-company stocks promptly fell 25 to 50 percent.

Developing electric-light systems was going to require money, and Edison authorized his attorney, Grosvenor P. Lowrey, to organize financing for the project: "All I want at present," he said on October 3, "is to be provided with funds to push the light rapidly." Lowrey served as general counsel for Western Union, and had a long-standing friendship with Egisto Fabbri—his law office was on the third floor of the Drexel Building. On October 15, 1878, thirteen men incorporated an Edison Electric Light Company; among them were Edison, Lowrey, Fabbri, three of Lowrey's partners, and several Western Union officials. Fabbri was appointed to the board, the five-man executive committee, and the position of company treasurer. In return for funding the development of incandescent lighting, the company would own, sell, and license the use of Edison's electrical inventions. It issued 3,000 shares of stock at $100 each, for a nominal capitalization of $300,000. Edison retained half the shares. The other half was taken by a small syndicate of investors, among them Fabbri and two other Morgan partners, Tony Drexel and J. Hood Wright. The syndicate paid for 500 shares right away, to provide Edison with $50,000.

The thirty-one-year-old inventor, entirely self-taught and so preoccupied with his work that he rarely bothered to comb his hair, change his coat, or go home to sleep, was not the sort of man with whom the Morgans generally did business. Moreover, they did not ordinarily get in on the ground floor of new ventures, tending to wait until commercial value had been established. Pierpont once told a colleague that his strengths lay more in the consolidation of existing projects than in the promotion of new ones. Still, in October of 1878, he had instantly seen the value of Edison's project "to the world at large [and] to us in particular in a pecuniary point of view," and urged his London partners to join him in backing it: "I fear Father will think it all imaginary," he told Burns, "but am sure he will change his mind."

He had to move quickly. News of the invention brought inquiries from financiers all over the world. At the time of Pierpont's top-secret letter to Burns, Lowrey was urging Edison to assign all his foreign business to Drexel, Morgan: the English patents would provide "enough money not only to set you up forever but to . . . really endow a working labratory [*sic*] such as the world needs and has never seen," argued the lawyer; if the enterprise was to succeed, it must be represented by "sober business men of the highest commercial standing," with "an amount of [financial] skill and power which neither you nor I possess." The Morgan bank had the contacts and experience to organize the business all over the world, as well as the ability to raise the "hundreds of

thousands of dollars" the Light Company was going to need. In sum, Lowrey told his client, "you are introduced to a new class of men," with "all the means which may ever be required" to promote the development and management of "what we all think is to be a great property."

On November 19, Pierpont cabled Burns—"extreme secrecy essential"—that the business was "assuming desirable shape[.] Have secured one third whole thing with complete control and management our idea is offer London joint account for Great Britain if satisfactory."* Drexel, Morgan would serve as Edison's banker on both sides of the Atlantic. The risk would be "nominal," Pierpont promised his London partners, requiring little money until "success demonstrated by actual trial here." On the side of potential reward, "impossible overestimate result if such success attained."

Junius was evidently unimpressed. His skeptical response has not survived—perhaps he shared the views of the British trade journal *Engineering*, which sniffed that Edison's scheme might prove "good enough for our Transatlantic friends" but was clearly "unworthy of the attention of [England's] practical or scientific men." Pierpont tried to answer the paternal objections by mail, writing and tearing up several letters about "the Edison business," then gave up in frustration and decided to make his case in person when he went to London in the spring. "I cannot however allow another mail to go by," he wrote at the end of 1878, "without saying to you from my heart that I appreciated the feelings which prompted your letter. . . ." Deeply troubled by his father's doubts, he went on: "If there is one thing which is dear to me in life it is the interest which you take in me and mine, & consequently I should never think of questioning the spirit in which you might write even if I could not agree with your views on all points. . . ." He felt sure that "if you understood what was proposed [about the Edison matter] you would look at it with a different light." He did not appear to notice his apt double entendre.

Without his father's backing, Pierpont proceeded to finance the Edison project. (See Chapter 12.)

In the midterm elections that fall, a new Greenback-Labor Party won more than a million votes, sending fourteen representatives to Congress. New York's

* The agreement for Great Britain, Ireland, and parts of the dominions, signed on December 31, 1878, provided for the bank to assign and manage Edison's patents in those areas at its own expense for five years. Drexel, Morgan would reimburse Edison for prior expenses on British patents, and if it had not disposed of the principal patents after three years Edison could demand their return. By "have secured one third whole thing" Morgan may have meant the terms on which his bank contracted for the business in Portugal, New Zealand, and parts of Australia in March 1880: Edison would get 65 percent of the net proceeds, and Drexel, Morgan 35 percent, with Lowrey taking one third of the bankers' share.

residential Upper East Side—the wealthiest constituency in the country—elected the Morgans' syndicate partner Levi Parsons Morton to the House.

Descended from New England Puritans, Morton was the son of a Vermont pastor. He had begun his career as a storekeeper in New Hampshire, worked with Junius at J. M. Beebe, Morgan & Co. in Boston, and founded his New York bank in 1863. His London partnership had been headed by a former Canadian finance minister, Sir John Rose, ever since Walter Burns left for Paris. With fair hair, small appraising eyes, a florid complexion, and invariably elegant attire, Morton looked like a cross between a curate and a country squire. His first wife died in 1871; two years later he married the former Anna Livingston Reade Street, of Knickerbocker stock. The couple had five children and lived in a six-story brick mansion with tall arched windows at 85 Fifth Avenue, on the northeast corner of 42nd Street. Edith Newbold Jones, later Wharton, made her debut in their ballroom in 1879. The second Mrs. Morton disliked her husband's Old Testament name and called him L.P. They named their only son Lewis Parsons Morton.

Junius sent Morton congratulations after the 1878 election, as did former Treasury Secretary Boutwell, current Secretary Sherman, Anthony Drexel, and Pierpont Morgan. In office, Morton remained intimately involved with the Treasury's refinancing operations. No law prohibited him from serving as lawmaker in the federal government and as banker negotiating with that government, but critics in the public and press objected that his dual role gave unfair advantage to Wall Street. Congressman Morton, like his Morgan friends, acknowledged no distinction between Wall Street interests and the national interest: two months into his term he told the House that if the country maintained its "honor and good faith" by maintaining the gold standard, "in my opinion the day is not far distant when the City of New York will be the clearing-house for the commercial exchanges of the world."

—

Before Pierpont turned his full attention to the "negotiations of great magnitude" that followed the economic recovery and return to the gold standard, he wanted to secure the last of the Civil War refunding loans. The struggles over these final bond issues marked a turning point in an awkward, halting transfer of power—from Old Guard to New, London to New York, Rothschilds to Morgans, Junius to Pierpont.

Junius still insisted on treating the house of Rothschild as sovereign—a deference Pierpont thought it no longer deserved. Counting on the prerogatives of their position, the Rothschilds took precedence on deals they did not initiate, withheld information from syndicate partners, and let Drexel, Morgan do much of the actual work. Early in 1879 Pierpont told Walter Burns that Baron

Rothschild's treatment of "all [our] party, from Father downwards is such as to my mind no one would stand."* Moreover, he considered the Baron's imprimatur no longer essential to the bond issues' success. Every Treasury Secretary he worked with had urged him to "drop" Rothschilds, he reported, largely because of "strong antipathy" to Belmont.

In January 1879 the Morgan/Morton group outmaneuvered the Rothschilds, Seligmans, and a syndicate led by a new domestic competitor, the enormously successful First National Bank, for the right to sell a new 4 percent issue abroad. Congressman Morton was in Sherman's office when he learned that the Secretary was about to give the loan to the First National: its vice president, Harris Fahnestock, was cabling his London associates for approval. Morton contracted for the entire issue on the spot. Just as he finished speaking, a messenger handed Sherman a wire from Fahnestock in New York agreeing to terms. Morton had cinched the deal by seconds.

Junius was furious at his associates—just as he had been in 1873—for committing themselves without consulting London, especially the Rothschilds. Pierpont, bristling, replied that if Morton hadn't moved so quickly the business would have been lost, and "It seemed to me that JSM Co. ought to be more bound to *us* than to the Rothschilds." Nonetheless, Junius granted Baron Rothschild management of the loan.

Four months later Pierpont took the initiative on another matter that made his father even angrier. Secretary Sherman, impatient to finish up the refundings, opened bids on April 4 for $40 million of 4 percent bonds to replace the last of the old 6 percents. Pierpont urged his London partners to enter a large bid, and when they called for only $1 million he persuaded the National Bank of Commerce, whose board he had sat on since 1875, to make an offer for the entire $40 million. Sherman awarded the Bank of Commerce the whole loan by mistake: thinking it had put in for $4 million rather than $40 million, he accepted the bid, then felt bound to honor his commitment.

Junius read his forty-two-year-old son the riot act in a cable Pierpont called the most "cutting and severe" he had ever received—which was saying a lot. Levi Morton's New York partner, George Bliss, found the junior Morgan in such a state of "nervous excitement" that he could barely speak: "I have rarely been more sorry for any person than I was for Mr. Morgan." Fabbri feared that Pierpont would have one of his "attacks."

Instead, Pierpont cabled detailed explanations to London, secured J. S. Morgan & Co. a share in the Bank of Commerce contract, and received what

* Lionel de Rothschild's title was Austrian—he had refused a baronetcy from Queen Victoria. His son, Nathan Mayer, became the first Lord Rothschild, and the first Jewish member of the House of Lords, in 1885.

amounted, from Junius, to an apology: "We accept your explanations which modify our views. . . . We accept with many thanks $1,500,000 in Bank of Commerce subscription"—and wanted $2,500,000 more.

Although Junius had seen that the economic future belonged to the western side of his transatlantic alliance, he was not ready to yield authority to his heir apparent, even as Pierpont began to emerge as a forceful presence on Wall Street, exercising sage instincts and reasonable caution. As the dust from the National Bank of Commerce fracas settled, Tony Drexel and Egisto Fabbri sent London warm praise of "our Mr. Morgan, to whose personal management and prompt action alone the Syndicate is entirely indebted." Pointing out the healthy growth in America's capital markets, Pierpont's U.S. partners thought the source of recent misunderstandings had been the "extreme reluctance on your side of the water to believe that a large and legitimate demand existed here for this loan." Only men with "direct, personal experience on the spot" could now gauge the markets and politics of the United States, concluded Drexel and Fabbri.

In May of 1879 both Morgan houses took part in one last refunding contract, for $150 million, led by the First National Bank—the first national bank chartered in New York City under the 1863 Banking Act. Combining the functions of a bank and brokerage house, First National took large accounts and small risks: it made traditional loans, worked with other national banks across the country, acted like a federal reserve in lending money at moments of crisis, and did a large business buying and selling bonds. Under its conservative president, George Fisher Baker, the First had secured participation in the government refunding loans; at the end of 1877, an awed bank examiner reported to Washington that First National had "turned over" $225.5 million in bonds that year, and earned $670,000. Baker's bank proved such a staunch defender of sound currency during the years leading up to Resumption, and handled the Treasury's final bond issues so well, that it came to be known on Wall Street as Fort Sherman.

The May 1879 syndicate signaled the end of the Morgans' dependence on the house of Rothschild and the beginning of a long, close alliance between Pierpont and George Baker. Unlike Junius, the Rothschilds had not accurately gauged the American future, and their reliance on Belmont alone to keep them in touch with U.S. affairs led to their eventual eclipse as a financial power in the New World. They had no share in this final contract, and failed to gain participation after the negotiations had closed. George Bliss crowed to his London partners, "We have no doubt the Baron chafed a good deal under the loss of the business." The Baron died a week later, at seventy-one.

By the end of the 1870s, the Treasury and the bankers had refinanced $1.4 billion of Civil War debt, saving the government $20 million a year in interest. The work done by the Morgans on these loans established their professional ef-

ficacy and earned them freedom to choose strategies and friends. In June of 1881, as Pierpont put together a syndicate for a new project, he told Burns that their group should be able to "undertake and control among selves sufficient good business without dividing as heretofore with others," creating "a combination which would defy competition."

The refunding loans also drew attention to Pierpont as a financial adviser to the government—a mixed blessing in light of popular antipathy to Washington/Wall Street collusion. Answering a question from Fernando Wood of the House Ways and Means Committee at the end of 1880, Morgan urged Congress to "secure what is almost indispensable, looking to the future of our financial institutions, i.e. an elastic currency" that could expand and contract according to seasonal demand. Congress did not take that advice for thirty-three years.

In the meantime the syndicate system, under which groups of bankers shared selling, profits, and risks, came to serve as the prototype for underwritings of large securities issues. Looking back on the 1870s in 1910, the financial analyst John Moody wrote that through the "single monumental success" of the refundings, the Morgans had reopened the United States to capital investment. After 1879, noted Moody, the "aggregation of great sums of money was absolutely essential for the conduct of human affairs . . . and the head of the syndicate—the man with the resources and temperament capable of conducting them—was about to concentrate the greatest financial power in the history of the world."

great deeps were broken up, and to some near one he called aloud for help." In these hours of "despairing despondency," the banker "deeply doubted himself," and "three times in thirty years all shadow of reserve between us was . . . swept aside. I do not know that as he thus clung to me, I was able to do him any good, but at least I told him what I thought was the truth: and if love and longing could help a man, he ought to have had some succor from me."*

Many of Rainsford's comments about Morgan sound a self-aggrandizing note. Retrospectively emphasizing the superiority of his own convictions, the rector suggests that he alone was able to meet the needs of this great, troubled soul; entirely dependent on his benefactor's largesse, he admits to no self-interest. And though he claims exemption from the common response to power—"Many love to bow themselves before the strong. And so an environment of almost universal flattery and adulation, sometimes gross and fawning, moved with [Morgan] wherever he went"—he was not immune to this effect. Moral one-upmanship is aggressive first cousin to bowing before the strong.

Morgan's support of Rainsford had only partly to do with his affinity for men of action. His own work, which he regarded as a noble calling, largely satisfied his patrician sense of obligation to provide for a society that afforded him great material privilege. After hours, he was neither inclined nor qualified to contend with the urgent social problems of the Gilded Age, but he could give his imprimatur to a moral crusader who wanted nothing more than to take those problems on—especially when the crusader was British, Anglican, good-looking, charismatic, and, like his patron, melancholic. Perhaps in his relations with Rainsford, Morgan was also salvaging broken fragments of his past, indirectly requiting the affection of another radical preacher.

—

New York in the decade surrounding the country's centennial emerged as the center of U.S. commerce and culture, representing in concentrated form the conflicts and achievements of the "American Renaissance." While Rainsford tended to urban poverty and the influx of immigrants at one end of the social scale, wealthy New Yorkers set out in an expansive, nationalist mood to turn their metropolis into one of the cultural capitals of the world.

Artistic and scientific enterprise has always flourished in great commercial cities—in ancient Athens, Alexandria, and Rome, Renaissance Florence, seventeenth-century Amsterdam, eighteenth-century Paris, nineteenth-century London—and the Yankee merchant princes regarded New York as next in line:

* When Rainsford published his first memoir in 1922, Jack told Fanny that it made him "very uncomfortable," and he thought his father "would have hated" some of its revelations: Rainsford "doesn't see that some people think their struggles and sorrows are not for the public, and that some people shun publicity for their inner feelings."

it would be a uniquely *American* place, harnessing the energies and talents of democracy to the heritage and cultural standards of the past.

New Yorkers who could afford the latest technology in the early eighties learned to use telephones, experimented with Mr. Edison's light, and rode for the first time in passenger elevators. Steam-driven elevated railroads altered the topography of the city for all social classes, and the Brooklyn Bridge, completed in 1883—the longest span ever built—seemed a triumph of American science, ingenuity, and design.

Artists and writers were taking possession of the Old World's legacy and inventing a vernacular of their own. Between November 1884 and April 1885 the illustrated *Century Magazine* ran articles on "Sculptors of the Early Italian Renaissance," "Dutch Portraiture," "The Worship of Shakespeare," and the city of Florence—along with pieces on "Recent Architecture in America" and "American Painters in Pastel." There was an essay on "The Poet Heine" by Emma Lazarus, and a review of illustrations by the American artist Elihu Vedder for a new edition of Omar Khayam's twelfth-century *Rubaiyat*, translated by Edward FitzGerald ("an American artist has joined the Persian poet and the English translator," wrote the *Century*'s critic, "and the result . . . presents the original strain in a richer, profounder harmony"). The magazine also published fiction by Mark Twain ("Huckleberry Finn"), Henry James ("The Bostonians"), William Dean Howells ("The Rise of Silas Lapham"), and Joel Chandler Harris ("Free Joe and the Rest of the World"), along with nonfiction about the Civil War (Ulysses S. Grant on "The Battle of Shiloh"), and essays on the Smithsonian, Daniel Webster, Oliver Wendell Holmes, "Phases of State Legislation" by Theodore Roosevelt, Jr., and postslavery issues of race—the "greatest social problem before the American people today."

Journals devoted to art, architecture, and interior decor began to appear around 1880, and the country's growing regard for education and the arts was reflected in new professional organizations (the American Historical Association, the Architectural League of New York), as well as in the founding of universities, schools, galleries, libraries, orchestras, opera houses, and museums.

The Metropolitan Museum of Art finally moved into its permanent home in 1880. That March, President Hayes and New York's cultural elite attended the formal dedication of Vaux and Mould's Ruskinian Gothic redbrick pavilion at Fifth Avenue and 80th Street. The principal speaker was Joseph Hodges Choate, a trial lawyer and museum trustee. In the context of increasing political conflict between rich and poor, Choate emphasized the moral and social value of the new institution, reiterating its founders' belief that a knowledge of art would "humanize, educate, and refine a practical and laborious people." The original aim had been to provide a vast "department of knowledge" for "the vital and practical interest of the working millions"—modeled on the South

Kensington Museum in London—to teach American artisans and students "what the past has accomplished for them to imitate and excel."

This marriage of commerce, aesthetics, and social virtue was going to cost a great deal of money, and Choate urged his audience of potential patrons to direct some of their resources to art: "Think of it, ye millionaires of many markets, what glory may yet be yours, if you only listen to our advice, to convert pork into porcelain, grain and produce into priceless pottery, the rude ores of commerce into sculptured marble, and railroad shares and mining stocks . . . into the glorified canvas of the world's masters, that shall adorn these walls for centuries. The rage of Wall Street is to hunt the philosopher's stone, to convert all baser things into gold, which is but dross; but ours is the higher ambition to convert your useless gold into things of living beauty that shall be a joy to a whole people for a thousand years."

The "higher ambition" of turning money into art had enormous appeal for wealthy New Yorkers, but they did not begin giving major works to the museum until later in the decade. In the early eighties the city's aesthetic attentions were focused largely on the house. A writer for *Harper's Monthly* announced in October of 1882 that "Internal Decoration" had become the consuming passion of "the present generation," and that nothing could be "more beautiful, more orderly, more harmonious than a modern New York house which has blossomed out in this fine summer of perfected art." The rage for "artistic houses" had grown so intense, she noted, that artists such as John LaFarge, Augustus Saint-Gaudens, and Lewis Comfort Tiffany were turning their attention to interior decor.

The houses of the Gilded Age served as domestic museums—private exhibitions of architecture, artifact, and art that would testify to their owners' ample means and stylish tastes. A few of these men had in fact become discriminating connoisseurs—among them Henry Marquand, John Taylor Johnston, John Claghorn, and John Wolfe—but most of the new American millionaires in the early eighties had more money and zeal than educated knowledge about the arts; awed by European culture, they imported it in bulk to the United States.

Morgan's 40th Street neighbor William Henry Vanderbilt bought up the entire west side of Fifth Avenue between 51st and 52nd Streets for $700,000 in 1879—the year he sold his interest in the New York Central—and spent another $2 million building enormous twin brownstones for himself, his wife, and two married daughters. Designed and decorated by the Herter brothers, these boxlike mansions reflected Vanderbilt's self-ascribed preference for "an almost indiscriminate assemblage" of Roman balconies, "Ghiberti" doors, English oak panels, a neoclassical library, a Japanese parlor, a Venetian frieze, Chinese screens, and mother-of-pearl on every available surface. The picture gallery—the largest in New York—was filled with French art from the Académie, and open to the public by invitation once a week.

Mr. Vanderbilt commissioned a study of his new house by the art critic Earl Shinn, who produced a multivolume paean that captures both the parochialism and exhilaration of this American moment. The country was "just beginning to be astonishing," Shinn wrote under the pseudonym Edward Strahan in 1883–84: "Re-cemented by the fortunate result of a civil war, endowed as with a diploma of rank by the promulgation of its centenary, it has begun to re-invent everything, and especially the house." The Vanderbilt mansion might "stand as a representative of the new impulse now felt in the national life. Like a more perfect Pompeii, the work will be the vision and image of a typical American residence, seized at the moment when the nation began to have a taste of its own." That this "typical American residence" had been built at a cost of $2 million, by six hundred American workers and sixty imported Europeans, was an irony lost on Mr. Shinn.

When two of Vanderbilt's sons built palaces along Fifth Avenue in the early eighties as well, the stretch of the avenue between 50th and 58th Streets came to be known as Vanderbilt Row. Cornelius II constructed a late Gothic/early Renaissance château of redbrick and white stone between 57th and 58th Streets, its courtyard facing Grand Army Plaza and Central Park. His brother William Kissam hired Richard Morris Hunt to design a limestone castle modeled on the Château de Blois and the Jacques Coeur mansion at Bourges, between 52nd and 53rd Streets. To celebrate its completion in March 1883, William K.'s wife, Alva, held a costume ball that gave free rein to the fantasies of New York's social elite: Alva dressed as a Venetian princess accompanied by live doves, her husband as the Duc de Guise; her brother-in-law, Cornelius, came as Louis XVI, and *his* wife as Edison's electric light. There were sixteen more Louis XVIs, eight Marie Antoinettes, seven Marys, Queen of Scots, one King Lear, one Queen Elizabeth, assorted Scottish lairds and Valkyries—and General and Mrs. Ulysses S. Grant in ordinary evening dress.

Edith Wharton, speaking for Old New York, sighed to her friend Ogden Codman, Jr., "I wish the Vanderbilts didn't retard culture so very thoroughly. They are entrenched in a sort of *thermopylae* of bad taste, from which apparently no force on earth can dislodge them." Another critic quipped that America's late nineteenth-century architecture was "either bizarre or Beaux-Arts."

The Morgans' friends Fred and Adele Stevens had been among the first to build a European castle in New York. On the southwest corner of Fifth Avenue and 57th Street, their redbrick Romanesque mansion, completed in 1876, had four stories, five towers, acres of Flemish and Spanish tapestries, and an entire palace ballroom shipped over from Ghent. It stood out among the rows of brownstone that Mrs. Wharton said made the city look as if it had been coated in cold chocolate sauce. Oscar Wilde, driving along Fifth Avenue one January day in the eighties and depressed by everything he saw, cheered up at the sight of the Stevens mansion with sun glinting off its gables: "That house," he said,

"seems like a voice crying, in this wilderness of dark art, 'Brighter days, brighter days, brighter days.' "

To the south and east, transportation baron Henry Villard commissioned from McKim, Mead, and White a set of six linked brownstones around an open courtyard at 451 Madison between 50th and 51st Streets, behind St. Patrick's Cathedral. This Italian Renaissance palazzo had more grace and conceptual integrity than the Fifth Avenue châteaux; it also had a hydraulic elevator, electrical wiring, thirteen flush toilets, a central heating system that used a ton of coal a day—and it cost nearly $1 million.

In late October of 1882, at some geographic and financial distance from the excesses of Vanderbilt Row, the Morgans moved into their renovated brownstone on the corner of Madison and 36th. Like most of the new "domestic museums," this house was richly ornamented with Oriental rugs, ceramics, paintings, elaborate woodwork, stained glass, and bric-a-brac. Yet it made quieter, more American claims for itself than many of its contemporaries (it was not "neo-" anything), and articulated a measure of patrician restraint.

Working closely with the Morgans, Christian Herter had installed Circassian walnut doors at the new entrance on 36th Street and stained-glass sliding panels opening from a mosaic-tiled vestibule onto the front hall. Walking up a few steps to the first landing, visitors immediately faced the minstrel and maid in Pierpont's beloved von Kaulbach cartoon, *The Bird Song*, above a recessed mantel. Daylight filtered through a stained-glass dome (from the studio of John La Farge) into the central well of the house, and also through stained glass set into spandrels over triple arches on the landing. Twin white-oak staircases with densely spindled railings led from the front hall up to the family living quarters. There was an elevator off the hall, a two-story burglarproof safe in the butler's pantry, a gymnasium for the children in the basement, and a private telegraph wire connecting the house to 23 Wall Street.

On the main floor, the new drawing room took up the entire west side of the house. It centered on a seventeen-foot bay framed by Pompeiian-red columns and a gold-flecked white frieze inset with stained glass. A coved ceiling painted to look like mosaic emphasized the length of the room, and a studied arrangement of rugs, cushions, tables, chairs, Japanese embroideries, silk brocade curtains, paintings, and books managed to avoid Victorian clutter and give the space a feeling of formal balance.

The gentleman's library, a standard feature of the New York town house, was just to the right of the entrance hall, which meant that Pierpont could come in from the street and disappear into his private study without running into anyone else. He hired Dr. Rainsford in this room shortly after moving in. Its wainscoting and recessed inglenook were made of Santo Domingo mahogany, and there was an eight-foot plate-glass window facing south. Herter had covered the chairs and sofas in peacock-green plush, tiled the raised fireplace in

ocher and blue, and installed allegorical figures representing History and Poetry in octagonal panels on the ceiling. Morgan proudly told visitors that Herter had painted these panels "*himself,* with his *own hands.*" Stained-glass doors designed by John LaFarge led from this masculine retreat into a sunny conservatory that ran sixty feet along the eastern side of the house, filled with orchids, ferns, climbing vines, and flowering plants. Banks of potted palms lined the windows, and a lion's head framed in black marble spouted water in a fan-shaped stream.

The dining room, more stolid and Victorian than the rest, was painted dark red, with English oak wainscoting, Siena marble columns, Oriental screens and jars, a small circular table with oak and leather chairs, and a stained-glass skylight twelve feet square. Over a large sideboard hung Frederic Church's painting *Near Damascus.*

In November of 1882, Pierpont had these rooms photographed for a large-folio, four-part publication called *Artistic Houses, Being a Series of Interior Views of a Number of the Most Beautiful and Celebrated Homes in the U.S., With a Description of the Art Treasures Contained Therein* (1883–84). Bound in tooled leather and privately printed in a limited edition for five hundred wealthy subscribers, *Artistic Houses* surveyed ninety-seven buildings, including the residences of William H. Vanderbilt, George Baker, Marshall Field, Henry Marquand, John T. Johnston, Fred Stevens, Louis C. Tiffany, Samuel Tilden, and Henry Villard.*

Like Earl Shinn's tribute to the Vanderbilt mansion, it paid proud homage to America's aesthetic accomplishments and tastes. "The domestic architecture of no nation in the world can show trophies more original, affluent, or admirable," declared the anonymous author of the text, art critic George W. Sheldon. By not using their own names, Shinn and Sheldon probably hoped to protect their critical reputations while serving as paid purveyors of praise, but in the surge of excitement about the arts in the early 1880s, they may have believed much of what they said. Sheldon catalogued the "rare," "exquisite," "costly" objects that filled the "artistic" houses, and described their owners as "professional [men] of scholarly pursuits, cultivated tastes, and wealth sufficient to gratify both." Only a few of these men had the time or predisposition for scholarly pursuits, but Sheldon's hypberbole suggests how highly they valued cultivated taste, and how insulated they were from critical appraisals of their judgment. "To the Greeks there was no gulf between the useful and the beautiful," Sheldon wrote. "So one feels in Mr. J. Pierpont Morgan's mansion."

* Most of the photographs were printed backward by D. Appleton and Company in 1883. In 1987, Arnold Lewis, James Turner, and Steven McQuillin reproduced the photographs with the negatives right side up in *The Opulent Interiors of the Gilded Age*; their new text supplies invaluable historical context and aesthetic assessments.

—

Unlike many of the owners of "artistic houses," Morgan did not install a formal picture gallery at 219, but he, too, had been collecting contemporary European salon paintings. A catalogue on *The Art Treasures of America* by the busy Mr. Shinn, again as "Edward Strahan," devoted four pages to "the small but precious collection got together by Mr. J. Pierpont Morgan of New York."* Virtually all the Morgan paintings were landscapes or narrative genre scenes depicting worlds far removed from modern industrial America—an open-air Arab *Court of Justice* by T. Moragas, a flirtation on the Grand Canal by Luis Alvarez, a Spanish promenade by the popular Barbizon school painter Narcisse Diaz de la Peña, a servant of Horace forgetting his errand by Hector Leroux. There was a canvas attributed to Corot called *Le Gallais*—Shinn declared it a "magnificent specimen" of that artist's "charm of mystery and pearly tenderness," but it eventually disappeared from Morgan's walls. Someone said that Corot painted six hundred works, six thousand of which were in America.

Shinn liked the adjective "pearly." He considered Morgan's *Laundress of the Cupids*, by J. L. Hamon, to be "one of the most audacious and original of the fancies of that poet of the palette"—a "pearly scene of dawn" in which "a maiden cleanses her conscience of its loves." The "greatest rarity" in Morgan's possession, however—according to Shinn—was *The Cardinal's Fête*, painted by "the Cavaliere Scipione Vannutelli, of Rome" in 1875: "the dashes of glitter, the mixture of pomp and piety, the indulgent and complaisant clergy, the palace decked with tapestry and with sacred banners, afford an opportunity to the painter for the resources of a glittering palette."

Tastes in art change, and connoisseurship was in its infancy in the 1880s. Still, Shinn's raptures over work that now seems at best banal, his uncritical endorsement of Victorian sentimentality, his silence on the formal properties and aesthetic values of these works, and his disregard of superior artists (in the collection of Joseph Drexel, he does not mention paintings by Canaletto or Caravaggio), render the catalogue more useful as a window on the aspirations of the Gilded Age than as a source of information about art.

Morgan's taste was not entirely Eurocentric. Probably owing to his Sturges connection, he had several works by Americans—Frederic Church, Asher B.

* The three-volume *Art Treasures of America, Being the Choicest Works of Art in the Public and Private Collections of North America* (1879) included the collections of the Drexels, Vanderbilts, William Rockefeller, Levi Morton, August Belmont, Harris Fahnestock, A. T. Stewart, James Gordon Bennett, Christian Herter, W. T. Walters, H. P. Kidder, Leland Stanford, Charles Crocker, Milton Latham, and Darius Ogden Mills—and also the Corcoran Gallery in Washington, the Museum of Fine Arts in Boston, the New-York Historical Society, the Lenox Library, and the Metropolitan Museum of Art.

Durand (*Thanatopsis*), John F. Kensett (*Sunrise in the Adirondacks*), S. R. Gifford (*October in the Catskills*), and a scene from the *Odyssey* by Elihu Vedder that he had commissioned called *Nausicaa and Her Companions*, which Shinn found "quaint and interesting."*

While Americans were collecting academic genre scenes, the nineteenth century's great innovative artists—Manet, Monet, Cézanne, Degas, Renoir—were rejecting conventional subjects and forms to portray the life immediately around them, experimenting with light, color, texture, and composition. The first Impressionist exhibition in Paris in 1874 announced one of the most radical artistic developments of the century (the other was photography), which contemporary critics and collectors, with some notable exceptions, dismissed as insane. When Morgan and other American collectors of his generation eventually turned away from salon paintings in the late 1890s, they would look not to the modernist future of Van Gogh, Picasso, and Matisse but to the hallowed authority of the past.

In 1883, shortly after Morgan moved into 219, he had a catalogue of his books compiled and published by the New York dealer Joseph F. Sabin.† His early library more or less typified a New York gentleman's collection of the 1880s, with editions of famous authors in fine bindings, religious texts (Bibles, hymnals, psalters, tracts), and standard histories. Perhaps reflecting personal interests, however, Morgan owned sixty-six volumes on *Napoleon and His Generals* and Robert Burton's *Anatomy of Melancholy* (1621). The library's lighter fare included a ribald *Life of Sir John Falstaff* illustrated by George Cruikshank, a book on *Mrs. Jordan*, the English actress who was mistress to William IV, and *A Burlesque Translation of Homer*, published in 1792.

Morgan was, however, also building a reference library on art. He owned Crowe & Cavalcaselle's *Early Flemish Painters*, Vasari's *Lives of the Painters*, Michael Bryan's *Dictionary of Painters and Engravers*, books on Venice and Pompeii, several volumes on ceramics, a catalogue of the Louvre's collections before 1815, and Ruskin's *Modern Painters*, *Stones of Venice*, and *Seven Lamps of Architecture*. Like Ruskin and the Harvard art historian Charles Eliot Norton (though without their aesthetic and moral analyses), Morgan was drawn to the arts of the Middle Ages, and by 1883 he owned several of the books that were kindling nineteenth-century interest in medieval subjects—including Sir

* The Durand and the Vedder (the latter as *Greek Girls Bathing*) are now in the Metropolitan Museum of Art.

† Sabin's father, Joseph (1821–1881), had been one of the leading book men in the United States—a publisher, cataloguer, auctioneer, importer, and seller of books, and compiler of the renowned *Dictionary of Books Relating to America*.

John Froissart's *Chronicles*, published in 1868 with chromolithographic reproductions from manuscripts in the French Bibliothèque Nationale, Paul Lacroix's *Les Arts au Moyen Age*, Henry Shaw's *Dresses and Decorations of the Middle Ages*, and two volumes on *Les Evangiles des Dimanches et Fêtes de L'Année*. He also had facsimiles of manuscript illuminations by Jehan Fouquet, the great fifteenth-century French master who was equally celebrated as a panel painter.

And he had begun to acquire original literary and historical authors' manuscripts. Junius in 1881 had given him the complete holograph manuscript of Sir Walter Scott's 1815 novel *Guy Mannering*, set in eighteenth-century Scotland—the loss of this Scottish national treasure to the United States cannot have pleased the British. Pierpont himself bought an autograph letter of Robert Burns written in 1793. Junius owned the George Washington letter that he had read at Delmonico's in 1877; Pierpont by 1883 had four Washington letters, as well as a set of autographs by the signers of the Declaration of Independence, and a bound set of documents relating to the death of Alexander Hamilton. The most important item in his library of the early eighties was a copy of John Eliot's Indian Bible (Cambridge, 1663)—the first complete Bible printed in North America, in an Algonquin dialect.

—

Morgan's new house was the first private residence in New York entirely illuminated by Edison's lights. Bare bulbs, singly and in clusters, are visible in the photographs of 219 in *Artistic Houses*—they didn't need shades since the light they gave off was so dim. Engineers had installed a steam engine under the stables behind the house, and wired the building so that Morgan could light up the first floor, front hall, and cellar by turning a knob near the head of his bed. He remained resolutely committed to electric lighting, despite his father's initial opposition, and even though Edison had not been able to keep the promise he made in 1878 to have a working system ready in a few weeks; there was still no system at the end of 1882.

The wizard of Menlo Park had wanted "funds to push the light rapidly," but wanted to spend them in his own way. His attorney, Grosvenor Lowrey, had from the outset been caught between the Edison Electric Light Company directors and an autocratic prodigy who had an "easily ruffled ego," and "bristled whenever doubts of his eventual success were voiced." At the end of December 1878, just weeks after the Light Company was organized, executive-board members complained that Edison had spent nearly $20,000 on new buildings—far more than they "had been led to suppose was necessary." In the future, they wanted detailed vouchers for expenses.

One morning a month later, Lowrey stopped by the Drexel, Morgan office and learned of a setback—Edison had discovered that the platinum wire filament used in his first lightbulb wouldn't work. Morgan partners Fabbri, Drexel,

and Wright, who owned EELC stock, jokingly asked Lowrey if he knew of anyone who wanted to buy their shares, but (Lowrey told Edison) "Mr. Fabbri looked serious." As Lowrey made the case for scientific trial and error, urging patience, "Mr. Morgan stood by listening without saying anything." The head of the bank had agreed to handle lighting patents in Europe, replacing Edison's foreign agent, but details had not been worked out. One of the partners noted that Edison was about to draw on his European representative for $1,800 in patent fees, and that Morgan might not want to take over advancing such sums if he was losing confidence in the project.

"Mr. Morgan spoke for the first time," reported Lowrey, and said on the contrary, he had been waiting for just this kind of opportunity to settle with the agent on fair terms—he was quite prepared to go ahead as planned. An exultant Lowrey concluded that "these gentlemen" were not "to be very easily frightened away from a thing they once made up their mind to," and urged his client to be completely frank with "our friends" at 23 Wall Street about whatever difficulties might arise: they would all learn from his experience.*

Transforming a brilliant idea into a marketable system took far longer and cost far more than anyone initially expected, and as Edison worked to solve a range of technical problems, build large central power stations, and set up factories to manufacture the necessary equipment, some of his backers lost patience. The EELC had been set up to hold patents; its directors never intended to get involved in manufacturing. In the fall of 1879, the board refused to raise more capital on the earlier terms, considering (Lowrey told Edison) "that you agreed to give them an electric light and that they agreed to give you Fifty thousand Dollars."

The company increased its capital stock several times—to $480,000 in November 1880. Some of the new shares were issued to Edison in return for ex-

*The standard version of the early Edison business depicts the inventor as a visionary, folksy genius putting up a noble fight against ruthless capitalists (chiefly Morgan) who kept him begging for funds and used him for their own ends. Recent work in the Edison archives—most notably by Robert Friedel and Paul Israel (*Edison's Electric Light, Biography of an Invention*)—and papers in the Morgan archives tell a different story.

Some of the confusion about Morgan's role in the business stems from the fact that there were three different groups involved in the project, which most histories of the subject have conflated into one. These were (1) the incorporator/directors of the Edison Electric Light Company (Fabbri, the partners in Lowrey's law firm, several Western Union men); (2) the syndicate of investors (including Fabbri, Drexel, Wright, and by early 1879, Henry Villard); (3) the company's bankers (Drexel, Morgan & Co.). There was some overlap—Fabbri belonged to all three groups; Villard was a director and an investor—but they were not identical in their actions or interests. The fact that Morgan did not initially buy stock in the Light Company has been seen as a lack of commitment, but the $50,000 put up by the first investors was pocket change to Morgan; he made a much larger pledge in committing himself to the business, and by the early 1880s he was a large owner of Edison stock.

tensions of the initial patent agreements; most were sold for cash. To raise money for manufacturing companies, Edison sold much of his stock, borrowed against the rest, and tapped the savings of friends. The Morgan bank tendered informal advice. Fabbri warned his "Friend Edison" late in 1879 not to conduct public exhibitions of "your great invention" before testing them completely in the lab: though errors might be instructive for men of science, public failures were "extremely damaging" in business, and Fabbri wanted to make sure that "for your own sake as well as that of those interested with you every precaution is taken to insure the success you so well deserve."

At the end of 1880, Drexel, Morgan helped Lowrey incorporate an Edison Electric Illuminating Company, with $1 million in capital stock, to build a central power station on Pearl Street in downtown Manhattan. Pierpont took Jacob Rogers and Jack out to see Edison's Menlo Park "invention factory" in January 1881, and two months later told his friend William W. Hoppin: "I think there is a good thing in this for all parties who undertake to introduce it properly into cities—and feeling this way I was very anxious you should derive the benefit of it for Providence." Just how good a thing it was did not become widely known for a few more years. In the meantime, Drexel, Morgan held the company's deposits, arranged its loans, managed Edison's personal investments, and—just as Lowrey had predicted—effectively promoted incandescent light at home and abroad.*

Thirty years after George Peabody advanced funds to display McCormick's reaper, Colt's revolvers, and Hoe's printing press at London's Crystal Palace Exhibition, his successors helped exhibit Edison's light at world's fairs. At the Paris Electrical Exposition in 1881, the Edison display attracted the attention of a French architect who put Edison lights in the foyer of the Paris Opéra, an American naval ensign who went on to develop electric street-rail systems in the United States, and the German engineer/industrialists Emil Rathenau and Werner von Siemens. In 1882 the Edison exhibit at another Crystal Palace fair led to the building of a central power station in London's Holborn Viaduct. Pierpont had finally changed Junius's mind: J. S. Morgan & Co. organized an Edison Electric Light Company in London in 1882, and in October of 1883 merged it with its chief rival to form the Edison & Swan United Electric Light Company, Ltd.

"The greatest advantage Edison had over all rivals," conclude the historians Robert Friedel and Paul Israel, was the trust of "the wary and watchful men of

* At Edison's request in the spring of 1881, the bank agreed to buy half of his stock in the Edison Electric Light Company of Europe at par, and put it into a syndicate "to be managed by us for our mutual benefit, with a proportionate division of profits." A week after the bankers made this offer, the stock's value dropped, and Drexel, Morgan told Edison it would cancel the transaction "to relieve you of any embarrassment." Edison sent his thanks "for your consideration."

Wall Street," which gave him a "capability possessed by no inventor in history before him." Edison chafed at times under the obligations to meet timetables and demands that came with using other people's money, but after one round of struggle his secretary reported him "begin[n]ing again to think that DM&Co. are thorough good people to be associated with as although they may be a little hard in some things they do not make a lot of empty promises. If they undertake to do a thing they fulfill their contract not only to the letter but also in the spirit in which it was made."

Pierpont personally put Edison's invention on prominent first-class display in New York. On September 4, 1882, the inventor walked from his just-completed central power station on Pearl Street down to Drexel, Morgan & Co., which had been wired with 106 electric lamps. Edison checked the installations. Minutes before 3:00 P.M., an electrician at Pearl Street turned on the current in a generator called Jumbo, after P. T. Barnum's famous elephant. Precisely at 3:00, Edison flipped a switch at 23 Wall Street. A *New York Times* reporter noted that it was still daylight when the bulbs came on, but by 7:00 P.M., as the city grew dark, the electric light "showed how bright and steady it is . . . soft, mellow, and grateful to the eye." The *Herald* added: "From the outer darkness these points of light looked like drops of flame suspended from jets." Edison told the *Sun*: "I have accomplished all I promised."

Not quite. The cost of the Pearl Street station was nearly triple the original estimate, which made capitalists in other cities reluctant to invest in central power stations.

The electrical system at Morgan's new house got off to a less auspicious start than the one downtown. When the engineers finished the private installation at 219, Morgan asked Edison's chief lieutenant, Edward H. Johnson, to inspect it. What did he think? Touring the building slowly, checking wires, sconces, and bulbs, Johnson said, "If it was my own I would throw the whole damned thing into the street."

"That," Morgan replied, "is precisely what Mrs. Morgan says."

Not about to give up, Morgan asked Johnson to rewire the whole house before his family moved in. When the system was finally turned on, the steam-powered generator under the stables made so much noise and smoke that the next-door neighbor complained. Morgan apologized. He had taken "great pains and precautions" to avoid these problems, he wrote, and would "spare neither exertion nor expense to correct" them: "Nothing but the fact that it would leave my house in entire darkness prevents me from stopping the Engine at once."

He called for repairmen, but the Edison company had a surfeit of projects on its hands in December of 1882, and its famous banker had to wait. After three weeks, Morgan wrote to the president of Edison Electric, Sherbourne B. Eaton: "I must frankly say that I consider the whole thing an outrage to me, as well as

the neighbors—& I am unwilling to stand it any longer. Please let the matter have immediate attention." In January, engineers set India Rubber supports under the engine, lined the housing with felt, and dug a trench across Morgan's yard to funnel the smoke and steam through his own chimney, farther from the neighbors.

Once these problems were solved, Morgan held a reception at 219 that introduced four hundred of his friends to Edison's electric light. Then one night while the family was at the opera, the wiring in the library set the banker's desk on fire. Johnson came to inspect the damage early the next morning. "The house was pervaded by a strong smell of wet, burned wood and burned carpet," he later recalled. The library floor had been torn up, and the desk, heavy rug, and assorted charred objects were piled in the center of the room.

Suddenly Johnson heard footsteps: "Mr. Morgan appeared in the doorway with a newspaper in his hand, and looked at me over the tops of his glasses.

" 'Well?' he said.

"I had formulated an explanation, and was prepared to make an elaborate excuse. Just as I opened my mouth to speak, Mrs. Morgan appeared behind Mr. Morgan, and as I caught her eye she put her finger on her lips and then vanished down the hall. I said nothing, but looked at the heap of débris."

Morgan finally asked Johnson what he was going to do.

Make the system safe, the engineer replied. He himself was to blame for the wiring—there was nothing wrong with the lights.

How long would it take?

Johnson: "I will do it right away."

"All right," said the banker. "See that you do."

Morgan stayed with this experiment at considerable personal inconvenience and cost. He knew from financing railroads, the Atlantic Cable, and the St. Louis Bridge how much difficulty could lie between a good idea and a working result. Not all of Edison's early supporters had similar stamina. The William H. Vanderbilts installed electricity in *their* new houses in 1882, but when crossed wires set fire to the picture gallery, Mrs. Vanderbilt gave up. Edison took the whole installation out.

Morgan's children responded in character to this venture. "Certainly this is the age of electricity," Jack told Louisa from St. Paul's in 1883. "In our reading room they take a paper called 'Scientific American' and in looking through that I saw only about three new inventions that were not connected in some way with electricity. It makes one very much ashamed of not knowing more about it than one does."

Louisa attended a costume party in the early eighties as "the spirit, it could hardly be called the ghost, of electricity," reported the *Herald*. "She was gowned in electric green satin, covered with a net work of embroidery done in electric wire." There were electric ornaments in her hair, and at the touch of a button

concealed in the folds of her dress, all the tiny bulbs lit up. What kind of battery animated her electrifying appearance the *Herald* did not say.

The American rage for "reinventing everything, especially the house" extended to country as well as city properties in the 1880s, and with his family ensconced at 219, Morgan decided to expand and modernize Cragston. He had acquired additional land at Highland Falls, which brought the total to 675 acres, and in 1886 engaged the Boston architects Peabody & Stearns to remodel his Hudson Valley farmhouse. Like his Manhattan brownstone, this rural retreat was relatively unpretentious by the standards of the Gilded Age: George W. Vanderbilt constructed a French château called Biltmore on 130,000 acres in North Carolina at a cost of $3 million—with "league-long marble halls" and "alternate Gothic and Palladian cathedrals," reported Henry James.

Peabody & Stearns were known for respecting the contexts of their buildings and for balancing "picturesque" style with organic coherence. The firm had designed New York's Union League Club, Harvard's Hemenway Gym, and houses throughout New England, including a boxy rustic cottage in Northeast Harbor, Maine, for Harvard's president Charles W. Eliot. To the wood-frame house at Cragston, Robert Swain Peabody added asymmetrical new wings with wide bays, a Palladian window above the entrance, a conservatory, a full third story with gables and eaves, a widow's walk, and a piazza facing south and east for panoramic views of the Hudson. Inside, he rearranged walls to provide fewer, larger rooms, more bathrooms, a library, and a wine cellar—all under Morgan's close surveillance. Someone penciled on one of the architect's drawings: "These steps are not right. Mr. M. asked to have them changed," and on another, "Mr. M. does not want a bath here but thinks a slop sink is all that is required." The cost of the alterations, plus a new dairy and several cottages, came to $76,000—$16,000 more than the price of the entire farm in 1871, but probably less than an outbuilding for the "Granderbilt" palazzi.

Pierpont was not as wealthy as the industrial tycoons, and shared some of his father's concern not to give the impression that the Morgan bankers cared more for their own pleasure than for the interests of their clients. Still, he had always treated himself and his friends to whatever he considered "the best" in the way of luxury and comfort, and his indulgence increased with his means. He sent bushels of oysters, terrapins, and Cragston apples to his London partners every Christmas, and in New York took large parties to the new Metropolitan Opera House and to private Patriarchs' Balls (the fifty members of the exclusive Partriarchs' Association gave two to three balls a season). He had a saddle of Newport lamb delivered to 219 twice a week by a Rhode Island butcher, cases of whiskey sent up from Kentucky, and bottles of brandied fruit

and tins of cream biscuits awaiting him at the White Star dock every time he sailed. His suits were custom-tailored in London. For his annual Fourth of July picnics at Cragston, crews of men fired torpedoes and rockets from the Hudson River shore. One afternoon in the eighties, he spent 275,000 francs ($55,000) on jewelry at Tiffany's in Paris. And one spring he sent his wife a French chef. Fanny had just fired her American cook, complaining that the woman "asks $50 per month and is worth about $25." Shipping a Frenchman across the Atlantic and setting him up in New York would cost far more, but Pierpont thought it worth the expense. Fanny did not. "A 'male foreigner' will know little about American cooking," she protested, "and less about American ways."

Morgan paid little attention to cost for things he really wanted—house, yacht, painting, necklace, dress, horse, dog—but did not like to pay more than he had to for other people's work. He knew that strangers would try to overcharge him, and when the contractors turned in a bid for the new Cragston dairy, he told Peabody & Stearns he had no intention of "going ahead on such a basis. I understand it is nearly double what Mr. Vanderbilt's dairy cost, which from all accounts is too high." A more chilling example: when a maid he brought to Europe for Louisa one year spent the entire Atlantic crossing seasick in her bunk, Louisa wanted to send the girl to Germany to recover, "but Papa says no," she told Fanny. "He says that to give her so much money for being with us eight weeks, and then after finding her perfectly useless for almost two of those weeks, to send her away for two or three more of them would be perfectly absurd."

With the rise in Morgan's means and public prominence came a dramatic increase in requests for financial help. In 1884 he put up the last $4,000 for the Groton School in Massachusetts, founded by the Reverend Endicott Peabody (called the Rector), the son of Junius's former partner, S. Endicott Peabody. He gave free investment advice to friends, including William Wetmore Story, the American sculptor in Rome, whom he advised late in 1884 not to keep all his "eggs in one basket": if Story sold some of the eggs and sent the proceeds to New York, Morgan would "invest in safe securities productive of income."

He gave hundreds of gifts each year to hospitals, museums, the Episcopal Church (over $200,000 to St. George's in 1887 alone), and individual members of the clergy; and he made personal loans, usually without expectation of repayment, to artists such as Story's son Waldo and the painter Luther Terry, to other people whose work he admired, and to some who simply needed help. One of the latter was Lizzie Darling, the "E.D." whom he had courted in Hartford and Boston years before. She had never married, and was living in Dedham, Massachusetts. In 1886 Pierpont paid some of her taxes and the interest on a loan. A year later he advised her to sell bonds to pay off the loan, and regretted not having seen her recently: "If you get in difficulty for current expenses," he offered, "let me know and I'll send you a cheque."

She did—and he did—but he was not willing to subsidize her indefinitely. Six years later he wrote kindly but firmly, "My dear Lizzie, It is true that I have received your various notes and ought really to have answered them but I did not like to say no, and in the face of your assurance that the last remittance I made would be all that you would need, and in the face of the many demands upon me from all quarters, I felt that I had gone as far as I ought; however I do not wish to leave you in the lurch and therefore enclose my cheque as you request for $300, but you will not misunderstand me when I say that this is as far as I should be willing to go. With kindest regards I am always sincerely yours. . . ."

Morgan's regal manner had also increased with his eminence and income. When the managers of the White Star Line changed their sailing schedule one winter, dictating a slight modification in his clockwork travel plans, he asked them to reconsider: "I do not want to interfere" (which was clearly not the case), he wrote, "but cannot you turn it round" so the ship would leave as usual on the last Wednesday in May? White Star did not reschedule its transatlantic traffic to suit the convenience of one peremptory passenger, who wrote again: "sorry you cannot see your way clear to make the arrangement . . . the unexpected change puts us all very much out."

Highland Falls, and eventually built them another next to his own in town. Satterlee adapted to his father-in-law's peremptory ways, and came to share Louisa's solicitude for his health and state of mind. Morgan saw Louisa constantly in New York, but needed a new partner for his travels. After 1900 he turned to his youngest daughter, Anne, and to Adelaide Douglas.

Chapter 20

THE DYNAMO AND THE VIRGIN

With the economy booming, incomes rising, prices falling, a relatively painless recent military victory, eight thousand new "motorcars" driving around the country, and a proud sense of international stature, much of the United States was in an ebullient mood on the eve of the twentieth century. At the Republican National Convention in June of 1900, Senator Chauncey Depew, former president of the New York Central Railroad, declared, "There is not a man here that does not feel 400 per cent bigger in 1900 than he did in 1896, bigger intellectually, bigger hopefully, bigger patriotically, bigger in the breast from the fact that he is a citizen of a country that has become a world power for peace, for civilization, and for expansion of its industries and the products of its labor."

Outside the Republican Convention hall, there were plenty of people who did not feel 400 percent bigger and more hopeful in 1900. Although the ferment over silver had died down, the impetus for social change and radical reform had not. Progressive activists and journalists were beginning to focus national attention on the widening gap between rich and poor, on the problems of cities, political corruption, the rights of women, the depletion of natural resources, continuing racial inequality, and the power of big business. The new Governor of Wisconsin, Republican reformer Robert M. La Follette, gained national prominence pledging to tax corporate property, regulate railroads, and manage public resources in the public interest.

Henry Adams, who felt more at home in the twelfth century than in the

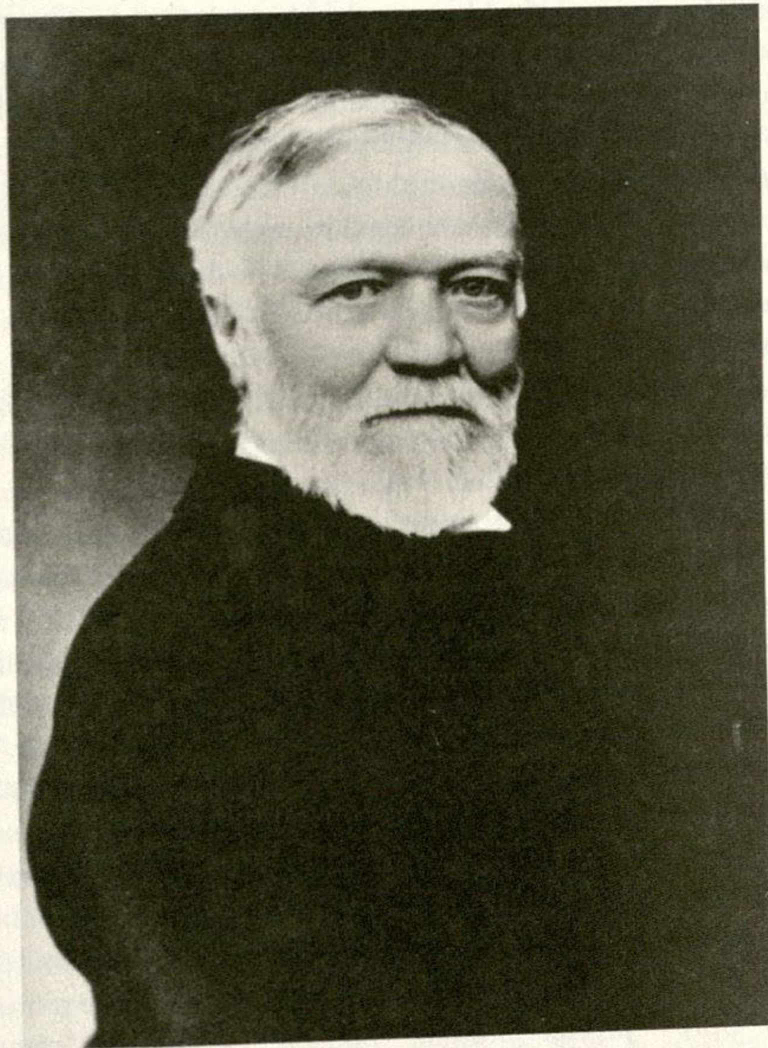
twentieth, did not share Depew's centennial triumphalism. After touring the 1900 Paris World's Fair, he genuflected in sardonic awe before the power of technology: "As he grew accustomed to the great gallery of machines," wrote Adams of himself in "The Dynamo and the Virgin," "he began to feel the forty-foot dynamos as a moral force, much as the early Christians felt the Cross. The planet itself seemed less impressive, in its old-fashioned, deliberate, annual or daily revolution, than this huge wheel, revolving within arm's length at some vertiginous speed, and barely murmuring,—scarcely humming an audible warning to stand a hair's breadth further for respect of power,—while it would not wake the baby lying close against its frame. Before the end, one began to pray to it; inherited instinct taught the natural expression of man before silent and infinite force."

Adams then compared this "occult mechanism" for the conversion of motion into energy to an older and higher power: at the Louvre and at Chartres, "the force of the Virgin" was "the highest energy ever known to man, the creator of four-fifths of his noblest art, exercising vastly more attraction over the human mind than all the steam-engines and dynamos ever dreamed of. . . . All the steam in the world could not, like the Virgin, build Chartres."

Unlike Adams, Morgan experienced no moral shock at the force of the new machine. On the contrary, his own energies had for years been helping to drive the industrial dynamo. What little he said about the changes he was setting in motion contained no modernist note of irony or ambiguity and no question about their ultimate meaning. If he perceived conflicts beneath the surface of life at the beginning of the new century, he did not seem to find them irreconcilable. He was subsidizing commerce and art, the modern and the medieval, railroads and Rainsford, the ideas of Darwin (at the Museum of Natural History) and the idea of God.

He left no reflections on the state of the union in 1900, nor on the death of Queen Victoria in January 1901. She had begun her reign the year he was born, and had ruled over the world he knew, as monarch and metaphor, all his life. H. G. Wells said she had sat on England like a great paperweight, and after her death things blew all over the place.

Political conservatives, including Morgan, were relieved to see McKinley re-elected in November 1900, with 51.7 percent of the vote. William Jennings Bryan had run again on a Democratic/Populist ticket, but did less well (45.5 percent) than he had four years earlier: a Prohibition Party candidate and Eugene Debs, running as a Social Democrat, took a few points off the Bryan vote. Morgan was not sure what to make of McKinley's Vice President, the reform-minded young Governor of New York, Theodore Roosevelt. The Republican insider Mark Hanna had warned the party's nominating convention, "Don't any of you realize there's only one life between this madman and the Presidency?"



Andrew Carnegie.

(Culver Pictures, Inc.)

—

From London early in 1901, Clinton Dawkins sketched for Alfred Milner in South Africa a picture of his employer that surpassed Junius Morgan's dreams. "Old Pierpont Morgan and the house in the U.S. occupy a position immensely more predominant than Rothschilds in Europe," Dawkins reported. The New York and London firms combined "probably do not fall very far short of the Rothschilds in capital, are immensely more expansive and active, and are in with the great progressive undertakings of the modern world." The next twenty years should "see the Rothschilds thrown into the background, and the Morgan group supreme," but Dawkins thought the head of it all must finally be winding down: "Old Pierpont Morgan is well over 60, and no human machine can resist the work he is doing much longer."

Dawkins radically underestimated the force still left in the aging Morgan machine. Visiting New York six months later, he took more of an insider's view: "This is a place where things 'hum,' " he wrote, "and they have been humming a good deal . . . since I have been over here. . . . [I]t is extremely interesting to find oneself in the very heart of Wall Street excitement and combinations, and to note the prodigious amount of nervous excitement and energy the Americans throw into their work. . . . Few of them live through it to advanced years except physical and intellectual giants like Morgan who has something Titanic about him when he really gets to work."

Charles Coster, Morgan's master of detail, did not live through it. He collapsed with pneumonia and died in March of 1900, at forty-seven. *The New York Times* blamed his early death on a workload "far heavier than any one man ought to bear." John Moody echoed Dawkins in noting how many Morgan partners "succumbed to the gigantic, nerve-wracking business and pressure of the Morgan methods and the strain involved in the care of the railroad capital of America." Only " 'Jupiter' Morgan" himself managed to "come through that soul-crushing mill of business, retaining his health, vigor, and energy."

James J. Hill, head of the Great Northern Railway, feared that Coster's death would leave the railroad end of Morgan's business "unprotected." Morgan wasted no time replacing the partner he most relied on: at Coster's funeral he persuaded an astute railroad lawyer named Charles Steele to join the firm.

Thinning white hair, occasional trouble hearing, and use of a silver-tipped mahogany walking stick were the chief signs of Morgan's advancing years. Dawkins described his senior partner's face as "delightful in spite of his beastly nose; it is so lit up with intelligence and quickness." The Markoes' daughter recalled that when "the Commodore" entered a room "you felt something electric: he wasn't a terribly large man but he had a simply tremendous *effect*—he

was the king. He was *it.*" The bishop of Massachusetts said that a visit from Morgan left him feeling "as if a gale had blown through the house."

The gale that blew through the American economy early in 1901 was the creation of U.S. Steel. Financial historians nine decades later called it "the deal of the century." The century was three months old.

Somewhat to the surprise of the financial community, industrial securities had come through the depression of the nineties in better shape than railroad stocks, and several of the biggest corporations had suffered least. As business confidence picked up in 1897–98, that performance helped persuade investors to venture into the market for industrial stocks and bonds. It helped persuade Morgan as well. His firm had handled just a few non-railroad issues in the past—for the Atlantic Cable, the Illinois & St. Louis Bridge, James Scrymser's Mexican Telegraph Co., a French company trying to build a canal across Panama—and had not played a major role in the mergers of the early nineties. Morgan had just managed to recoup his loan to National Cordage, the overextended "rope trust," before its second failure, but had been more involved in the organization of General Electric, which used the long contraction to cut costs and broaden operations, and emerged at the end of the decade strong, diverse, and profitable.*

Enforcement of the Sherman Antitrust Act hit a "low water mark" during McKinley's first term. In *E. C. Knight* and *Hopkins* v. *U.S.*, the Supreme Court created the impression—short-lived, as it turned out—that the Sherman Act would not be applied to mergers among local manufacturing concerns, since the government had failed to show that they restrained interstate commerce. These judicial decisions, combined with a surge in economic activity, the

* Early in 1901 Morgan advanced $150,000 to Nikola Tesla, an eccentric Croatian-born electrical engineer who had developed an alternating-current motor, worked briefly for Edison in the mid-1880s, and sold his AC patents to Westinghouse, Edison's chief rival, in 1888. Tesla's system provided the basis for the first major harnessing of power at Niagara Falls. Like Edison, Tesla worked on a wide range of projects, including high-frequency currents, an air-core transformer called the Tesla coil, wireless communication, and artificial lightning. He attended Louisa Morgan's wedding, and there were rumors (entirely false) of his engagement to Anne. With Morgan's funding in 1901—for which he assigned the banker a 51 percent interest in his patents—Tesla set out to develop a worldwide communications system, and built a 200-foot transmission tower at Shoreham on Long Island. At the end of 1904, he asked his patron for another $75,000—"Since a year, Mr. Morgan, there has been hardly a night when my pillow was not bathed in tears," he wrote. The banker replied through his secretary that he could not "do anything more in the matter"—nothing came of the Shoreham project—and declined to fund other Tesla proposals, but Jack lent the inventor $25,000 after Pierpont died.

surprisingly strong performance of industrial securities during the depression, and Wall Street's sky's-the-limit mood, created a tidal wave of industrial combinations between 1897 and 1904. Virtually overnight, in the most intense merger activity in American history, 4,277 firms consolidated into 257. The hundred largest concerns quadrupled in size and took control of 40 percent of the country's industrial capital. "Every conceivable line of manufacturing had its trust," wrote the financial historian Arthur Stone Dewing—"conservative bankers, shrewd business men, and doctrinaire economists became infected with the virus of large-scale production. People condemned the trusts one moment and bought their securities the next. It was the harvest time of promoters."

Steel, which had succeeded railroads as the country's most important industry, seemed to Morgan a natural next step. Even in the context of the long-term postwar expansion, American steel productivity had been phenomenal. World output rose from roughly half a million tons in 1870 to almost 28 million in 1900—a 56-fold increase. U.S. output grew from 22,000 tons in 1867 to 11.4 million by 1900, increasing 520-fold. The new machinery and production processes that made this spectacular growth possible fueled competition as well, and in the boom that followed the depression of the nineties the steel industry was faced with overcapacity, price cuts, buccaneer profiteering, hostile takeovers, and speculative raids—all familiar to Morgan from the railroad wars.

Andrew Carnegie remained the uncontested sovereign in steel. He had combined his operations into the Carnegie Steel Company, Ltd., in 1892, capitalized at $25 million, although in fact it was worth far more; three years later he acquired exclusive rights to the richest iron-ore deposits in the country—the Mesabi Range in Minnesota—from John D. Rockefeller, whom he referred to as "my fellow millionaire."* Carnegie Steel made money throughout the depression, and its earnings doubled yearly as the economy recovered, from $11 million in 1898 to $21 million in 1899 to $40 million in 1900.

Carnegie's personal control of this gigantic business was a rarity by the nineties, when most large corporations had outgrown the ability of their founders to finance and run them. Converting private companies into publicly held corporations had helped establish the market for industrial securities, and also a class of professional managers. Unlike the new corporate officers,

* In leasing this land, Carnegie did not have to put up a cent. Instead, he agreed to pay 25¢ per ton of ore extracted, and to ship at least 1.2 million tons a year for fifty years on Rockefeller's railroad and shipping lines. The magnitude of his operations enabled him to promise huge annual volumes, which brought him essential raw materials and transport at minimal cost. No small competitor could have made such a promise.

Carnegie could plow his earnings back into the company rather than pay them out as dividends to investors.

Even though he dominated the industry from Pittsburgh, there were successful steelmakers in other parts of the country, and the merger mania of the late nineties brought new contenders into the field. Among the most flamboyant were the Chicago brothers James and William Moore, and the notorious gambler John W. Gates, a burly man with a bullet-shaped head who allegedly once bet $1,000 on which of two raindrops would reach the bottom of a windowpane first. The Moores cobbled together combinations of companies—primarily makers of finished products such as wire, nails, hoops, and tubes—and embarked on competitive price-slashing sprees. "Bet-a-Million" Gates had built a barbed-wire trust in the eighties with the help of a loan from Morgan, and in 1895 became president of Illinois Steel, the largest producer west of Pittsburgh. Two years later he asked the Morgan bank to finance a consolidation of steel and wire companies. Morgan entertained the idea for several months, then—partly because of the Spanish-American War and partly because he did not trust Gates—said no.

Gates enlisted Elbert Gary, general counsel for Illinois Steel, and put together a $90 million combination called American Steel and Wire in April of 1898. Gary was a corporate merger expert and former county judge from Illinois who looked like "a Methodist bishop—benign, suave, cordial and earnest." Morgan preferred the Methodist bishop to the speculative plunger, and when Gary approached 23 Wall Street late that spring with a meticulous proposal for combining Illinois Steel with raw-material suppliers and transport systems into one self-contained, low-cost, centrally managed firm, Morgan assigned his partners to study the figures, then said yes.

Over the summer of 1898, Gary and Bob Bacon worked out the details. In September they contracted to buy controlling interests in Illinois Steel, the Lorain Steel Companies of Ohio and Pennsylvania, the Minnesota Iron Company (the second largest producer in the northern ore country), and two railroads, and to bring them all into a holding company called Federal Steel. It did not include Gates's American Steel & Wire. The *New York Commercial* described the Gary/Morgan combine as "the beginning of one of the greatest contests for supremacy that the world has ever seen. It is a fight between a new concern and the Carnegie interests, both backed by almost unlimited capital."

Carnegie was generating "almost unlimited capital" through his spectacularly remunerative steel operations, while the bankers for the new concern had to raise money in markets that were still wary of industrials. Morgan's name on the deal assured investors that Federal would issue "investment quality" securities, in contrast to those of the fly-by-night promoters.

The organizers of Federal Steel issued $100 million each of preferred and

common shares. Since there are few surviving records of this deal, exactly how the financing worked is not clear, but it probably went like this: Morgan exchanged about $100 million of Federal shares for the stock of the properties he was bringing into the merger. At the same time, he organized a syndicate to provide the consolidation with $14 million in immediate cash. Syndicate members put up $4.8 million of this commitment right away, and pledged to furnish the rest pending the outcome of a public sale of Federal stock. The Morgan bank offered the second $100 million of stock for purchase—first to the shareholders of the constituent companies, then to the public, although not a very wide segment of the public. The buyers of industrial securities were still an elite group of wealthy institutions and individuals; small investors did not enter the capital markets in large numbers until the 1920s. The stock sold so well that the syndicate never had to produce the rest of its $14 million commitment. During the first year of operations, Federal Steel paid dividends on its preferred and common shares, and produced about 15 percent of the country's steel ingots.

"Bet-a-Million" Gates, who made half a million dollars selling Illinois Steel stock to Federal, wanted to run the new consolidation, but Morgan had a better idea. As soon as the deal was complete he called Elbert Gary to his office.

"Judge Gary," he said, "you have put this thing together in very good shape. We are all very well pleased. Now you must be president."

Surprised, Gary said no.

"Why not?" asked Morgan.

"I have a law practice worth $75,000 a year," Gary explained, "and I cannot leave it."

"We'll take care of that," Morgan assured him. "We must make it worth your while."

Gary wanted time to think it over. Morgan, as always, wanted an answer right away.

Who, asked Gary, would be the directors of the new concern?

Morgan shrugged: "You can select the directors, name the executive committee, choose your officers and fix your salary."

Twenty-four hours later, Gary said yes.

Like the head of the house of Morgan, the new head of the second largest steel producer in the United States knew little about making steel—one adversary said that Gary didn't see the inside of a blast furnace till the day he died. Gary did know about law and corporate organization, and he believed, with Morgan, in rationalizing competitive and overlapping enterprises through administrative consolidation and coordination of production and pricing. Since both men also believed that corporations issuing publicly traded securities had to account for their financial performance, Federal took the then unusual step of issuing quarterly reports.

Andrew Carnegie did not think Gary and Morgan could make the consolidation work. Now in his mid-sixties, with his close-cropped beard and hair gone white, the diminutive Scot took an entirely different approach to the market, and in 1898 he dismissed his new rivals out of hand: "I think Federal the greatest concern the world ever saw for manufacturing stock certificates," he said, ". . . but they will fail sadly in steel."

Carnegie represented the pure type of autocratic free-market competitor—capitalism in its most effective, ruthless form. Unlike the railroad pirates whom Morgan had been trying all his adult life to control, the steelmaster was not a profligate wrecker. He concentrated on primary steel and heavy products—ingots, rails, billets, sheets, bars, and beams—and he dominated the industry by making a better, cheaper product than anyone else, keeping tight control over costs, supplies, and output, and holding workers' wages down. One of the worst labor-capital conflicts of the 1890s had taken place at Carnegie's steelworks in Homestead, Pennsylvania.

The Amalgamated Association of Iron, Steel, and Tin Workers had already organized the plant when Carnegie bought it in 1883, and after a strike in 1889, the Amalgamated leaders accepted a sliding wage scale that would parallel industry profits in exchange for union recognition. Although Carnegie, born into poverty and reared among radical Scots Chartists, liked to see himself as an enlightened champion of workingmen, he opposed organized labor, and his hardheaded instincts won out over his benevolent ideals when the Homestead contract came up for renewal in 1892. The man in charge of the Homestead works in 1892 was the president of Carnegie Steel, Henry Clay Frick, an enormously successful coke producer who shared Carnegie's antipathy to unions but not his avowed compassion for individual workers. Since the steel markets were in decline in 1892, Carnegie and Frick proposed to reduce the minimum wage in the new contract and to abolish the bargaining power of the union. Just before the old contract expired, Carnegie went to Scotland for the summer, leaving the situation in Frick's hands. He knew that his own sympathies would be divided, and that Frick would use draconian measures to win the fight. He may not have realized just how draconian.

Frick built a stockade around the Homestead works, fortified with barbed wire and rifle slits, and hired three hundred men from the Pinkerton Detective Agency to stand by. On July 1, he offered union officials conditions they could not accept. The Amalgamated called a strike. Five days later the Pinkertons came down the Monongahela River on barges in the middle of the night to take over the plant, but steelworkers surprised them with an armed counterattack. The battle raged all day, until the heavily outnumbered Pinkertons surrendered and the workers seized control of the plant. Nine strikers and seven guards had been killed, and hundreds of others wounded. The governor of Pennsylvania sent eight thousand troops to occupy Homestead while strike-

breakers operated the plant. An anarchist who tried to assassinate Frick succeeded only in wounding him—and in eroding sympathy for the walkout. Frick made no concessions to the union. When the strike ended in November, the company imposed lower wages and longer hours. Carnegie said nothing in public at the time. He continued to talk about his friendly relations with workers, but he knew where the fault for this hideous confrontation lay, and that it undermined all his pious claims. Years later he wrote, "No pangs remain of any wound received in my business career save that of Homestead."

—

Once the Illinois/Federal consolidation of raw-material suppliers, basic-steel producers, and transportation facilities was complete, Judge Gary began to aggregate makers of finished products as well, aiming to build a "steel republic" that would reach around the world. With Morgan's backing he organized companies called National Tube (a consolidation of 14 large manufacturers, capitalized at $80 million) and American Bridge (25 companies, $60 million). Early in 1900, according to his biographer Ida Tarbell, he suggested to Morgan that they buy the gigantic Carnegie Steel as well, which would give them the "capacity to develop a systematic foreign trade." Morgan replied, "I would not think of it. I don't believe I could raise the money." When a market downturn later that year reduced demand, the Gary/Morgan group and the more speculative Moore brothers' trusts decided to economize by expanding their manufacture of basic steel and reducing their dependence on Carnegie's firm.

To Carnegie, these canceled orders amounted to a declaration of war. If his rivals were integrating backward to encroach on his territory, he would move forward to take over theirs. "The situation is grave and interesting," he wrote from Scotland to the new president of his company, Charles M. Schwab. "A struggle is inevitable and it is a question of the survival of the fittest." There was no question as to who would survive. No one could beat Andrew Carnegie at the steel game.

He asked Schwab how much more cheaply they could make tubes, if they built a new manufacturing plant, than Gary's National Tube could. "At least $10 per ton," reported Schwab.

"Well," said Carnegie, "go ahead and build the plant then." Schwab started work on a $12 million factory at Conneaut Harbor, Ohio, with its own ore source, cheap transportation on Lake Erie, and the technology to make a new type of seamless tube.

Carnegie outlined to Schwab what he would do to run the steel industry "if I were czar"—pretty much what he already was doing—which prompted his biographer Joseph Wall to remark that "his use of the subjunctive . . . was an amusing conceit. He was czar."

If Morgan wanted to win this contest and prevent a hugely disruptive battle in the country's basic industry, it would have to be with dollars, not tubes, and an opening appeared on December 12, 1900. That night he attended a dinner in honor of Charles Schwab at the new University Club designed by Charles McKim on Fifth Avenue at 54th Street. Schwab was just thirty-eight, two decades younger than most of the men who had come to pay him tribute—among them Jacob Schiff of Kuhn, Loeb, E. H. Harriman of the Union Pacific Railroad, Standard Oil president H. H. Rogers, and Bishop Henry Codman Potter. He had started out at seventeen carrying leveling rods at Carnegie's Edgar Thomson plant in Braddock, Pennsylvania, and worked his way up through the ranks to become president of Carnegie Steel by the time he was thirty-five, in 1897. Dark and strapping, with a clean-shaven, pudgy face that made him look even younger than he was, he knew almost as much about the industry as Carnegie himself. He also knew that Carnegie intended to stop work at some point in order to give away his fortune, and would be willing to sell out under the right circumstances.

For the testimonial dinner at McKim's formal Renaissance palazzo in December 1900, Morgan was seated next to the guest of honor. After coffee had been served, Schwab gave a speech that outlined his hopes for American steel. Carnegie's hard-driving methods had brought production costs down as far as they could go, noted Schwab, but there were large economies still to be gained at the distribution end. If a giant, centrally managed, superefficient firm could run specialized plants that concentrated on single products, it should be able to rationalize and almost infinitely expand the markets for steel. Locating plants near the buyers of products would cut delivery costs. Combining competing sales forces into one streamlined unit could match supply to demand. Coordinating product shipments would eliminate "crosshaul" duplications. Evaluating comparative plant performance would enable the firm to concentrate resources on the best producers and managers, and to strengthen or eliminate stragglers. Executives would cooperate on pricing and production in mutual self-interest. Research would find better ways of making and using steel. If this kind of consolidation could be achieved, concluded Schwab, the premier enterprise driving the American economy would continue to grow, ensuring stable markets and ample profits for producers, lower prices for buyers, and pride of place in the modern industrial world for the United States.

This picture of industrial/national order was tailor-made for Morgan, who listened closely. He and Schwab talked briefly before the evening broke up, and agreed to meet again. Bob Bacon described his "Senior" as "very much impressed by the new light that had been thrown on the whole steel situation, its growth and possibilities, and for the first time he indicated to me that it seemed a possible thing to undertake the purchase of the Carnegie Company."

Early in January 1901 Morgan and Schwab resumed their conversation over dinner, then met Bacon in Morgan's mahogany-paneled study at 219. Fanny was in New York that winter—she had stayed for Louisa's wedding in November, and would not go abroad until early March—but her husband's guests did not see her or any other member of his family that night. The three men talked until 3:00 A.M., and agreed that they would try to put together a giant combination in steel. Its pillar would have to be Carnegie's firm. A few days after the midnight meeting at 219, Schwab brought down to 23 Wall Street a list of all the companies he thought should be included. Morgan, glancing over it quickly, said, "Well, if you can get a price from Carnegie, I don't know but what I'll undertake it."

Carnegie apparently knew nothing of these plans. He and Morgan had worked together in the early seventies, and though they never became intimate, their enmity has been exaggerated. Carnegie participated in several Morgan underwritings, called on Junius whenever he visited England, and later said that after Pierpont bought out a $60,000 Carnegie interest in a railroad for $70,000—showing a "nice sense of honorable understanding as against mere legal rights"—he "had in me henceforth a firm friend." Carnegie joined a party Morgan took to Philadelphia in December 1891 to celebrate the opening of the Drexel Institute. Still, he had not been pleased when the West Shore Agreement interfered with his attempt to break the Pennsylvania Railroad's monopoly in the coal regions in 1885, and he had far more faith in competitive action than in negotiated "communities of interest."

Schwab had no idea whether or not Carnegie would sell to Morgan. It depended in part on how eager the steel czar was to get on with dispersing his fortune. It also depended on his puritanical streak. Schwab had taken care to conceal certain facts of his own life from his uncompromisingly straitlaced boss—estranged from his obese, childless wife, he had an illegitimate daughter by her nurse—and he suspected that Carnegie's misgivings about Morgan had more to do with the banker's womanizing than with his manufacture of stock certificates. According to Schwab's biographer, Robert Hessen, "Carnegie could not fault Morgan for no longer being sexually attracted to his wife, but he was appalled by the rumors that Morgan kept a steady succession of mistresses, as many as seven at a time, and he was revolted by the rumor that Morgan had made a gift of land, buildings, and funds for the New York Lying-In Hospital in order to have some place to accommodate the women whom he was alleged to have made pregnant. To Carnegie's mind, these rumors far outweighed the well-known facts that Morgan was an active layman in the Episcopal Church and a patron of the arts." The rumors also outweighed the truth.

In early February, Schwab called on Carnegie's wife, Louise, at home on 51st Street, for advice. She suggested that he broach the subject of selling out to

Morgan over golf, which usually put "Andy" in a good mood. Accordingly, Schwab joined his chief for a round of golf on a dry, wintry day in Westchester County, and let him win. He presented the proposition over lunch: Carnegie could name his price.

Carnegie deliberated overnight. The next day—apparently disregarding moral qualms—he handed Schwab a single sheet of paper with his terms spelled out in pencil: the price he wanted for the Carnegie Company and all its holdings was $480 million.* Since the company made approximately $40 million a year, the purchase price amounted to about twelve times earnings. Schwab drove downtown and presented the paper to Morgan, who took one look and said, "I accept this price."

Thirty years earlier, Carnegie had been enthralled when Junius agreed "to move into the market the necessary gold to heat the foundries in Pittsburgh and put iron beams across a muddy river 5,000 miles away." The necessary gold in 1870 was £1 million. In 1901, Junius's son promised with a nod of his head to move half a billion dollars into the market.

A few days after accepting "this price," Morgan drove up to 51st Street to congratulate Carnegie on becoming the richest man in the world. The owner of over 50 percent of Carnegie Steel stood to make $240 million at one stroke, in addition to the fortune he had already earned. According to Wall Street lore, Carnegie several months later sidled up to Morgan on board a steamer headed for Europe and, clearing his throat, said, "Mr. Morgan, I believe I should have asked you for another $100 million." Morgan allegedly replied, "If you had, I'd have paid it."†

Although he had been skeptical about the "manufacturers of stock certificates," Carnegie wrote to one of his partners at the end of February 1901: "Morgan has succeeded as I felt he would. Now we are all right"—and he added

* Carnegie specified:

$160,000,000 of Carnegie Company bonds to be exchanged at par for bonds in the new company	$160,000,000
$160,000,000 stock, each $1000 Carnegie Company share to be exchanged for a $1500 share in the new concern	$240,000,000
Profits for the past and coming year (estimated):	$80,000,000
Total:	$480,000,000

† In prosaic fact, Carnegie told a congressional committee in 1912 that he had named his price and Morgan considered it fair: "I have been told many times since by insiders that I should have asked $100,000,000 more and could have got it easily. Once for all, I want to put a stop to all this talk about Mr. Carnegie 'forcing high prices for anything.'" Adding $100 million to the deal would have implied a price/earnings ratio of 14.5.

to a friend a week later, "It is a marvel . . . the new company will make such enormous profits it can afford to pay Carnegie Company what it has."

—

Less than twelve weeks had elapsed between the Schwab dinner and Morgan's announcement on March 3, 1901, that he was organizing the largest corporation in the world. United States Steel would be capitalized as a New Jersey holding company at $1.4 billion. Hardly anyone thought in terms of billions in 1901. The federal government was spending about $350 million a year—$130 million less than Carnegie's selling price. As Dawkins observed, things were indeed "humming" at 23 Wall Street.

Working with his partners and lawyers, Morgan bought up the other properties on Schwab's list, mostly without haggling over prices—he wanted them in the new combination, and took their own measures of their value. (One exception was John W. Gates, who tried to hold up the combination for far more than Morgan thought his American Steel and Wire company was worth, and had to back down.) The bankers contracted to pay for shares in the old companies with stock in the new. They also acquired rights to additional Lake Superior iron-ore deposits from the Rockefellers; when Gary balked at the price ($30 million), Morgan said: "Judge Gary, in a business proposition as great as this would you let a matter of $5,000,000 stand in the way of success?"

The giant holding company would own steel mills, blast furnaces, coke ovens, ore mines, barges, steamships, thousands of acres of coke and coal land, and several railroads. It would control nearly half of America's steelmaking capacity, and produce more than half its total output—7 million tons a year. The $1.4 billion figure was equivalent to 7 percent of the U.S. gross national product in 1901. A comparable percentage in the 1990s would come to roughly $400 billion.

Power over this colossal enterprise would be concentrated in the hands of a few men, all appointed by Morgan. Charles Schwab resigned from Carnegie Steel to become president of U.S. Steel—Morgan had asked Carnegie about the younger man's ability to run the new corporation, and the steelmaster had recommended him "unreservedly." Elbert Gary was made chairman of the Executive Committee, Bob Bacon the head of Finance. Morgan himself would sit, with three of his partners, on the twenty-four-man board of directors, and also, with his friend George Baker of the First National, on the Finance Committee. He refused to give Bet-a-Million Gates a seat on the board.

The formation of U.S. Steel captured headlines all over the world, and reactions to the "Billion Dollar Trust" overshadowed reports of the ceremonies ushering in the McKinley-Roosevelt administration. Senator Albert Beveridge of Indiana called Morgan "the greatest constructive financier yet developed

among mankind." A writer in Hearst's *Cosmopolitan* magazine announced that "the world, on the 3rd day of March, 1901, ceased to be ruled by . . . so-called statesmen" and had been taken over by "those who control the concentrated portion of the money supply." The journalist Ray Stannard Baker, who published a study of the new corporation in *McClure's* magazine, concluded that U.S. Steel was "planning the first really systematic effort ever made by Americans to capture the foreign steel trade," and that it was virtually "a republican form of government, not unlike that of the United States." Yale's president Arthur T. Hadley predicted that unless the government checked the advancing power of the trusts, the United States would see "an emperor in Washington within twenty-five years." The inimitable Henry Adams said, "Pierpont Morgan is apparently trying to swallow the sun."

Some of the criticism was surprisingly good-humored. William Jennings Bryan's populist *Commoner* quoted Morgan as saying, "America is good enough for me," and replied: "Whenever he doesn't like it, he can give it back to us." Finley Peter Dunne described Morgan's power in the voice of his fictional Irish saloonkeeper, Mr. Dooley: "Pierpont Morgan calls in wan iv his office boys, th' prisident iv a national bank, an' says he, 'James,' he says, 'take some change out iv th' damper an' r-run out an' buy Europe f'r me,' he says. 'I intind to re-organize it an' put it on a paying basis,' he says. 'Call up the Czar an' th' Pope an' th' Sultan an' th' Impror Willum, an' tell thim we won't need their savices afther nex' week,' he says. 'Give thim a year's salary in advance. An', James,' he says, 'ye betther put that r-red headed book-keeper near th' dure in charge iv th' continent. He doesn't seem to be doin' much,' he says."

In London, bizarre rumors said that people were insuring Morgan's life at 3 percent a month for £2 million—not true, Jack told Fanny, but one man *had* taken out a policy at 3 percent a year for £50,000: "It's a curious idea," reflected Jack, "but this man considered it the wise course, as Father is in the same category with Queen Victoria and other rulers on this side of the Atlantic!" Since Victoria had just died, Jack's analogy was as curious as the idea of insuring Pierpont's life.

Compared with the high-rolling speculators, Morgan looked like the Rock of Gibraltar, but he was using unfamiliar financial procedures and techniques. Investors were accustomed to bonds—loans mortgaged by "hard" assets of physical plant, real estate, and equipment—and critics of U.S. Steel, noting by how much the new securities exceeded the assets of the constituent companies, accused the bankers of "watering" the stock. The corporation issued $304 million in 5 percent gold bonds, and $1.1 billion in stock—$550 million in 7 percent convertible preferred shares, $550 million in common—for the $1.4 billion total. Even the experienced banker Isaac Seligman pronounced it "enough to take one's breath away." The Bureau of Corporations, a fact-

finding agency in the Department of Commerce and Labor, later estimated that the tangible value of the properties in the combination was somewhere between $676 million and $793 million.*

U.S. Steel easily had enough tangible assets to back its $304 million issue of bonds, and even at the low estimate, nearly enough to cover its $550 million of convertible preferred shares as well. The value of the common stock depended on the company's future earnings, which, as in Morgan's railroad reorganizations, were expected to rise because of increased efficiencies, economies of scale, and administrative rationalization. To the extent that the consolidation worked, it would create value for the $550 million of common stock.

Since this financial structure did not differ in kind from those Morgan devised for railroads, it was apparently the sheer *size* of the consolidation that took Wall Street's breath away. The pro-industry *Iron Age* praised the stabilizing Morganization of steel in February, but in April criticized the company as "an aggregate of large consolidations, each liberally dosed at the time it was formed with *aqua pura*," plus "additional quantities of water . . . sprinkled in to cement the amalgamation." *The Wall Street Journal* acknowledged a certain "uneasiness over the magnitude of the affair," wondering whether the company would ever pay dividends, and warning that the extraordinary transaction might be "a turning point in the market: The high tide of industrial capitalism."

The organization of U.S. Steel *did* mark the high tide of the turn-of-the-century merger movement, but Morgan entertained none of his critics' doubts. Experience with the railroads' high fixed charges had led him to prefer equity to debt. Regarding what others called "water" as capitalized future earnings, he expected the benefits of consolidation to enable the corporation to service its debt and pay dividends, probably without raising the price of steel. In a circular issued on March 2, 1901, he said: "Statements furnished us . . . show that the aggregate of the net earnings of all the companies for the calendar year 1900 was amply sufficient to pay dividends on both classes of the new stocks, besides making provision for sinking funds and maintenance of properties. It is expected that by the consummation of the proposed arrangement the neces-

* The $117 million difference between these figures suggests the difficulty of measuring an industrial property's net worth. One way would have been to add up the securities of the constituent companies, but since the stock of Carnegie Steel had never traded on the market there was no reliable estimate for its preconsolidation value. Another method, calculating the value of U.S. Steel's tangible property, raised questions about what exactly to measure—the price historically paid? replacement value? probable price if offered for sale? According to William T. Hogan, who wrote an economic history of the American steel industry in 1971, the difference between the bureau's $700 million to $800 million figures and U.S. Steel's $1.4 billion lay in the value assigned to the ore lands—$100 million by the bureau, $700 million by the corporation. Hogan concluded that "the years since have tended more to justify the $700 million figure than the smaller estimate."

sity of large deductions heretofore made on account of expenditures for improvements will be avoided, the amount of earnings applicable to dividends will be substantially increased and greater stability of investment will be assured, without necessarily increasing the prices of manufactured products."

Morgan organized a syndicate to secure at least 51 percent of the stocks of the constituent companies (by exchanging them for shares of U.S. Steel), and also to underwrite $200 million of the new corporation's securities to meet immediate cash needs.* He had done the same thing on a smaller scale for Federal Steel. U.S. Steel, too, would offer shares to the public, and whether or not it had to call for the full $200 million pledged by the syndicate would depend on how the public offering went. By March 21, the merger had acquired over 90 percent of its constituents' stock, and four days later, J. P. Morgan & Co. asked the syndicate to raise $25 million in cash—12.5 percent of its $200 million commitment. Morgan hired Wall Street floor-operator James R. Keene to manage the offering on the Stock Exchange, and demand was huge. Keene reportedly made $1 million in commissions. The new shares sold so well that the remaining $175 million of syndicate cash never had to be called.

The Billion Dollar Trust raised with fresh urgency all the country's objections to financial concentration and gave new force to a range of questions: Did corporate size per se threaten competition and individual freedom? Did consolidation in fact promote efficiency over the long run? Would Morganization stifle not only destructive conflict but also the creative energy that stimulates innovation and economic growth?

Some of the consolidation's critics at the time argued that it was wildly reckless—composed of so much *aqua pura* that it would never pay dividends. Others condemned it as a monopolistic restraint of trade. Since it cannot have been both a foolhardy issue of worthless paper *and* an instrument of tight market control, these arguments suggest, again, that it was the size of the deal that elicited instinctive abhorrence.

The speed with which U.S. Steel had been put together left critical considera-

* Unlike Morgan's railroad and government bond syndicates, which were made up largely of banks, the three hundred members of the Steel syndicate included wealthy individuals. J. P. Morgan & Co. took a $6,457,000 participation, John W. Gates $6 million, E. H. Gary $4.5 million, James Stillman, William Rockefeller, H. H. Rogers, and George Baker's First National $3,125,000 each. P. A. B. Widener subscribed for $2,875,000, Kidder, Peabody for $2.5 million, and Thomas Fortune Ryan for $1,875,000. In at $1 million each were William C. Whitney, Levi P. Morton, Henry Clay Frick, D. O. Mills, Morgan, Harjes & Co., and Kuhn, Loeb. Among those who took under a $1 million share were E. H. Harriman, Charles Schwab, Mark Hanna, August Belmont & Co., Lazard Frères, Francis Lynde Stetson, H. M. Flagler, Daniel Lamont, Robert Lincoln, George Bowdoin, S. Endicott Peabody, Bob Bacon, and Chauncey Depew. The largest subscribers by far were the Moore brothers and two of their associates, who as a group subscribed for almost $75 million—about 38 percent of the total.

tions about its structure and direction unresolved (see Chapter 22), but time proved Morgan right about the financing. The corporation created real value for its investors, earning $60 million in net profit between March and December 1901, and $90 million in 1902—enough to pay a 7 percent dividend on the preferred stock and 4 percent on the common, and still have a sizable surplus. Over the next quarter of a century, its stock performed better than that of all other American steel companies except Bethlehem. Morgan seemed to be turning everything he touched to gold.

—

Even more controversial than the size of the merger were the syndicate's earnings—about $50 million, paid in shares of U.S. Steel preferred and common stock at then current market valuations. For the first year of the corporation's existence the preferred shares traded at around 94, the common at 44. After reimbursing participants for the $25 million put up in cash and deducting $3 million incurred as expenses, the syndicate paid $40 million to its members and $10 million as management fee to J. P. Morgan & Co.

The Bureau of Corporations in 1911 called these charges "greatly in excess of a reasonable compensation," and *The Wall Street Journal* looking back in 1988 concluded that they "represented a level of greed probably without contemporary parallel." Fifty million 1901 dollars would be roughly equivalent to $750 million in the 1990s.

Entries in the U.S. Steel syndicate book indicate that the $40 million paid to the subscribers in four installments during 1902 was 5 percent of the $800 million worth of securities the syndicate underwrote—$200 million pledged in cash, plus about $600 million in new shares traded for stock of the constituent companies. The Morgan bank's $10 million management fee brought the total to 6.3 percent—not "greatly in excess of a reasonable compensation" at a time when underwriting commissions ranged from 2.5 to 10 percent. (In the 1990s, neither a gross fee of 6 percent for an initial public offering nor a 20 percent management fee would be out of line.)

The syndicate's defenders at the time pointed out that it had helped float the entire deal, providing well over 51 percent of the merging companies' stocks; that it would have been liable for $200 million in cash had the launching not gone so well; and that the main reason it *did* go well was the credit furnished by its organizers, specifically by the house of Morgan. Investors knew that if anything went wrong, the bank would provide the necessary capital and "stand by its goods."

U.S. Steel stock prices fluctuated for the first few years: during a contraction in 1903–4, the preferred traded below 50, the common as low as 8⅜, and the directors had to suspend dividends on the latter. If the syndicate's $50 million

profit had been calculated at these prices (it was based on market values), it would have amounted to slightly over $16 million.

Morgan was confident that the corporation would create value for its paper certificates over the long run, and it did. The stock performed so well, argued economist George Stigler years later, that the formation of U.S. Steel should be seen as "a master stroke of monopoly promotion," and critics were "churlish" to complain at the syndicate's earnings. The Morgan bank argued when the merger came under attack that the properties were fully worth the value of the securities, and that since the transaction was "unique" in character and scope, it could not be judged by the standards of "ordinary experience." Virtually everyone not connected with the deal judged it monstrous.

In early March 1901, as Morgan was about to announce the formation of U.S. Steel, he hired a new partner. George Walbridge Perkins, first vice president at the New York Life Insurance Company, was a trim man with protruding ears, a thick brush of mustache, and a gift for making deals. Between 1892 and 1899 he had transformed New York Life from the smallest of the three big insurance companies (called "the racers"—the other two were the Equitable and Mutual Life) into the largest. Under his guidance New York Life had begun to function as an investment bank, using its immense financial resources to underwrite corporate securities and foreign government loans; by 1900 its assets seemed likely to exceed a billion dollars within a decade.

Competition among "the racers" was fierce, and though Perkins outperformed his rivals, he believed that the competitive struggle for power had more costs than benefits. "The entire path of our industrial progress is strewn with the white bones of . . . competition," he declared, and the conflicts had become "too destructive to be tolerated. Co-operation must be the order of the day." He tried to impose regulation and self-discipline on insurance-industry warfare. A moralistic, second-generation insurance agent who wanted to eliminate irresponsible practices and stabilize his sales force, he also took steps to improve New York Life's relations with its workers: he set up pension plans, death benefits, and cash bonuses for workers. The bonuses were given not in relation to volume, which might have encouraged reckless expansion, but for steady performance, and Perkins was delighted with the results: he told a friend in 1897 of his pride at having linked the interests of managers and workers in "a corporation that is composed of nearly 300,000 members."

Perkins was also an adroit politician, friendly with President McKinley, Vice President–elect Theodore Roosevelt, and Senators Beveridge and Hanna. Wall Street took note of Perkins's skills, especially once he negotiated loans to the governments of Germany and Russia. In November 1900 James Stillman made

him a director of the National City Bank, and commended him to Morgan. In December Morgan asked Bob Bacon, who also sat on the City Bank board, to bring the insurance man to 23 Wall Street.

Perkins welcomed the invitation. He was raising money to save the eroding cliffs on the western bank of the Hudson—he lived in Riverdale, just north of Manhattan, and Roosevelt as Governor of New York had made him chairman of a Palisades Interstate Park Commission; Perkins wanted Morgan to contribute. As soon as he took a seat in the famous glass-walled office, he started to explain his mission. Morgan cut him short.

"I know all about that," he said. "You are chairman of the Commission. What is it you want?"

Perkins: "I want to raise $125,000."

Morgan: "All right, put me down for $25,000. It is a good thing. Is that all?"

Somewhat flabbergasted, Perkins managed to ask who else might subscribe. Morgan suggested John D. Rockefeller. Perkins thanked him and was rising to leave when Morgan said: "I will give you the whole $125,000 if you will do something for me."

"Do something for you?" repeated Perkins. "What?"

"Take that desk over there," said Morgan, pointing to the room in which his partners worked. He was offering a coveted position at his right hand to a man he had just met.

Perkins stalled: "I have a pretty good desk up at the New York Life."

Morgan made it explicit: "No, I mean come into the firm."

Like everyone who got these imperious invitations, Perkins asked for time to think it over. "Certainly," said Morgan. "Let me know tomorrow if you can." As Perkins was leaving, Morgan stipulated that of course he would give up his work at New York Life if he came to 23 Wall Street, since the big insurance companies had become large buyers of securities sold by the Morgan bank.

Perkins quickly canvassed his influential friends—Senator Beveridge warned him that Morgan was a partner killer; President McKinley advised him to stay at New York Life—and declined Morgan's offer, although not without using it to raise his salary from $30,000 to $75,000 a year.

Two months later, at the end of February 1901, Morgan invited Perkins to breakfast. He explained that he was about to launch U.S. Steel, and would soon be organizing similar ventures in other industries. He knew that Perkins shared his views on excessive competition. He also knew that some of the hostility to his own work came from the "occult mechanisms" of high finance, and thought that if people understood what he was doing they would see it the way he did—as a national service. Probably he was aware as well of Perkins's popular worker-benefit programs, at a time of escalating conflict between capital and labor. He said he wanted help with the social and political problems created by the trusts, and according to Perkins's biographer, John A. Garraty, this ap-

peal worked: Perkins believed that "size and business efficiency went hand in hand, and that the most challenging problems of the modern world were to be found in the relationships that were developing between the giant corporations and their workers, and between these corporations and the public."

The terms of Morgan's offer added incentive. Perkins would earn $250,000 a year, plus a share of the bank's profits. As to the condition Morgan mentioned at the end of their first interview—resignation from New York Life—Perkins refused, since he wanted exactly what his new employer did not, a direct link between the buyers and sellers of securities. Morgan was concerned about what a later era would call conflicts of interest, and gave in to Perkins against his better judgment: "if you . . . believe you can carry out this dual position, which I do not believe you can," he said, "I am willing to try it temporarily."

"Temporarily" turned out to be ten years. That Perkins, age thirty-nine, got his way on this critical point indicates again that Morgan's legendary power was not as absolute as people thought. In need of Perkins's skills, he put prudent objections aside.

To James Stillman at the City Bank, Perkins said he hoped "when I find my place down the street I will not, in any way, disappoint you." Stillman sent back "heartiest good wishes. You have the most splendid opportunity in being so closely associated with the greatest financier, in spite of his peculiarities, this or any other age has ever seen, and one which I am free to say I envy you."

Perkins quickly became a one-man department of public relations at the Morgan bank, holding press conferences, publishing articles and pamphlets, and giving speeches on the advantages of industrial consolidation. Appointed to the Finance Committee and board of directors at U.S. Steel, he issued such rhapsodic statements that his friend Beveridge warned him to "Go slow . . . about Mr. Morgan's philanthropic motives in Steel Trust or the public will think you protest too much."

As Morgan and Gary had done at Federal Steel, Perkins lifted the veil of corporate secrecy: in the fall of 1901 he began to publish quarterly financial reports for U.S. Steel. *The Commercial & Financial Chronicle* praised this first accounting as "the fullest and frankest earnings statement ever submitted . . . by a great industrial concern," and welcomed Big Steel's recognition of the "public's right to know." From London, Jack described the report as well received in spite of skeptics who called its figures "impossibly good," the product of "expert bookkeeping": he hoped it would force other companies to follow suit, and help dispel the prejudice against industrial securities.

In March of 1902, Pulitzer's New York *World* announced that "George W. Perkins now does all the talking . . . for the firm of J. P. Morgan and Co. . . . [He] has the facility of saying just enough and not too much on any subject." Perkins acted so consistently as the bank's ambassador to Washington over the next decade that he became known as Morgan's Secretary of State.

—

At the beginning of April 1901, Morgan sailed for Europe on the White Star's *Teutonic*—to avoid reporters, photographers, and curious crowds he had to duck up the second-class gangway. He would from now on find privacy only behind closed doors. For the first time in years, Louisa, four months pregnant, did not accompany him. He traveled with his sister Mary Burns instead.

He played solitaire and slept most of the way across the Atlantic. Henry Adams wrote to his friend Elizabeth Cameron: "Wall Street goes quite wild, while Lombard Street is dead broke. . . . London and Berlin are standing in perfectly abject terror, watching Pierpont Morgan's nose flaming over the ocean waves, and approaching hourly nearer their bank-vaults."

For the moment, Morgan had more interest in Europe's art markets than its bank vaults. He did not see Fanny, who was touring Italy with Anne, for several weeks. Shortly after he arrived in London he bought the *Duchess of Devonshire*, the Gainsborough portrait that Junius had been about to acquire in 1876 when it was stolen from Agnew's Bond Street gallery. The thief, Adam Worth, unable to unload his renowned white elephant all these years and now seriously ill, had finally handed it over to a Pinkerton agent and William Agnew's son Morland at a Chicago hotel in March 1901, in exchange for an undisclosed sum and probably immunity from prosecution.

Although the canvas was dirty and cut, the Duchess's face and voluptuous figure were intact. Agnew took the picture to London, where Morgan agreed to buy it sight unseen, asking the dealer to have it restored and to charge whatever he considered fair. London papers buzzed with the story, but never managed to learn the price. Morgan told a friend: "Nobody will ever know. If the truth came out, I might be considered a candidate for the lunatic asylum."

He paid £30,000 (nearly $150,000) for the well-traveled Georgiana—five times what he paid for Rembrandt's *Nicolaes Ruts* three years earlier. William Agnew, who had retired, congratulated him on "possessing the finest Gainsborough in the world," which was a proprietary stretch. Another Agnew son, Lockett, said later that he thought the "*réclame*" [publicity] aspect of the acquisition probably appealed most to Morgan, since seven weeks elapsed between his purchase of the painting and the first time he saw it. Sentiment played a role as well: Junius had wanted the picture, and Pierpont carried out his father's wishes without regard to content or cost.*

* The painting remained in the Morgan family until July 1994, when it was sold through Sotheby's to the Chatsworth House Trust for £265,500, and returned to Chatsworth, seat of the Dukes of Devonshire. With regard to long-standing doubts about the painting's authenticity, the present Duke told the London *Times*, "I personally think that it is a Gainsborough," then shrugged, smiled, and added, "To me it's a very jolly picture."

In Paris two weeks after he secured the Duchess, he made a far more significant purchase. By 1901 no painter was held in higher esteem in the United States than Raphael. Nineteenth-century American artists and connoisseurs traveled to Europe explicitly to study the High Renaissance master's work. They especially admired his Madonnas—paintings that combined grandeur with tenderness, flawless execution with sensuous color and form. The Sturgeses owned a print of Raphael's *Sistine Madonna*, and made a pilgrimage to see the original in Dresden on their European tour in 1859. As American collectors' taste for Old Masters developed toward the end of the century, and as American artists and architects looked increasingly to Renaissance Rome for cultural models, Raphael came to represent the supreme moral and aesthetic ideal. According to David Alan Brown, the curator of an exhibition on *Raphael and America* at the National Gallery of Art in 1983, Raphael was "the only artist whose prestige had endured all changes of taste and fashion up to the end of the nineteenth century," and was "referred to by Berenson without exaggeration as the 'most famous and most beloved name in modern art.' Indeed, his name was synonymous with Art."

There was not a single painting by Raphael in the United States in 1897, and the scarcity of the artist's work in a rising market had driven its prices beyond the reach of most collectors. In 1898, at the urging of her adviser, Bernard Berenson, Isabella Stewart Gardner bought Raphael's portrait of *Tommaso Inghirami*, a fat, wall-eyed Roman prelate in a red robe and cap, shown writing at his desk.* Two years later, also through Berenson, she purchased for £5,000 a *Lamentation* by Raphael, part of an altarpiece predella. These works did not satisfy her, however: like other major collectors at the time, she wanted the supreme trophy—"a *heavenly* Raphael *Madonna*"—and to Berenson's dismay she refused for a time to buy anything else, insisting that "My remaining pennies must go to the greatest Raphael. . . . Nothing short of that. I have tasted blood you see."

Mrs. Gardner never acquired a Raphael Madonna, but Morgan did. He crossed the English Channel at the end of April 1901, and on a quick visit to the Charles Sedelmeyer gallery in Paris bought an early Raphael altarpiece known as the *Colonna Madonna*, painted in 1504–5 for the convent of Sant' Antonio of Padua in Perugia. Mrs. Gardner's predella panel was originally part of it.

Vasari described the altarpiece as a "truly marvellous and devout" work, "much extolled by all painters." It had a royal pedigree, having been owned by

* Mrs. Gardner's painting came from the Inghirami Palace in Volterra, but there was another version at the Pitti Palace. For most of the twentieth century, scholars considered the Gardner picture the earlier of the two, but a careful restoration and scientific examination of the Pitti Palace portrait in the 1980s led most experts to accept it as the prime version, and attribute Mrs. Gardner's to "Raphael and School."

the Colonna princes in Rome and successive kings of Naples. Ruskin, who did not particularly admire Raphael, had urged Liverpool's merchants to buy this painting in 1874, and French critics had commended it to the Louvre as a "work of the highest order, which every European Gallery should be eager to secure." A brochure printed by Sedelmeyer quoted some of these assessments, traced the work's provenance, called it the "richest and most important composition of all the various Madonna pictures of Raphael," and compared it favorably with the *Ansidei Madonna*, which London's National Gallery had bought from the Duke of Marlborough in 1885 for £70,000 ($350,000), then the highest price ever paid for a painting.

Not all the experts agreed. The Louvre and the National Gallery had declined the painting—known as the "Madonna of a million" in the seventies because of its million-franc price tag—and it had been on display at the South Kensington Museum, where Morgan had probably seen it, from 1886 to 1896 without finding a buyer. The dealer Martin Colnaghi finally bought it in 1896 for $200,000, less than half the price then asked, and sold it to Sedelmeyer, who had it restored and cleaned. Morgan probably did not know that Sedelmeyer had offered it to Mrs. Gardner in 1897, or that Berenson had denounced it to her as only partly painted by Raphael, its composition devoid of "that spacious eurhythmy, that airy buoyancy which Raphael gives you in the *Sposalizio*, in the *Belle Jardinière*, in his Stanze. . . ." After Morgan bought the painting, Berenson went even further, lumping it with "pictures Raphael barely looked at."

Berenson exaggerated the picture's faults—he tended to disparage anything he had not authenticated—but art historians at the time and since have found the *Colonna Madonna* puzzling, lacking the elegance, lucidity, and coherence of Raphael's great work. Now at the Metropolitan Museum of Art, the panel is given to Raphael but described as "more primitive" than his other work of the period—the *Ansidei Madonna* and a fresco in San Severo, Perugia—and valued more highly for its place in the artist's development than for its aesthetic caliber.

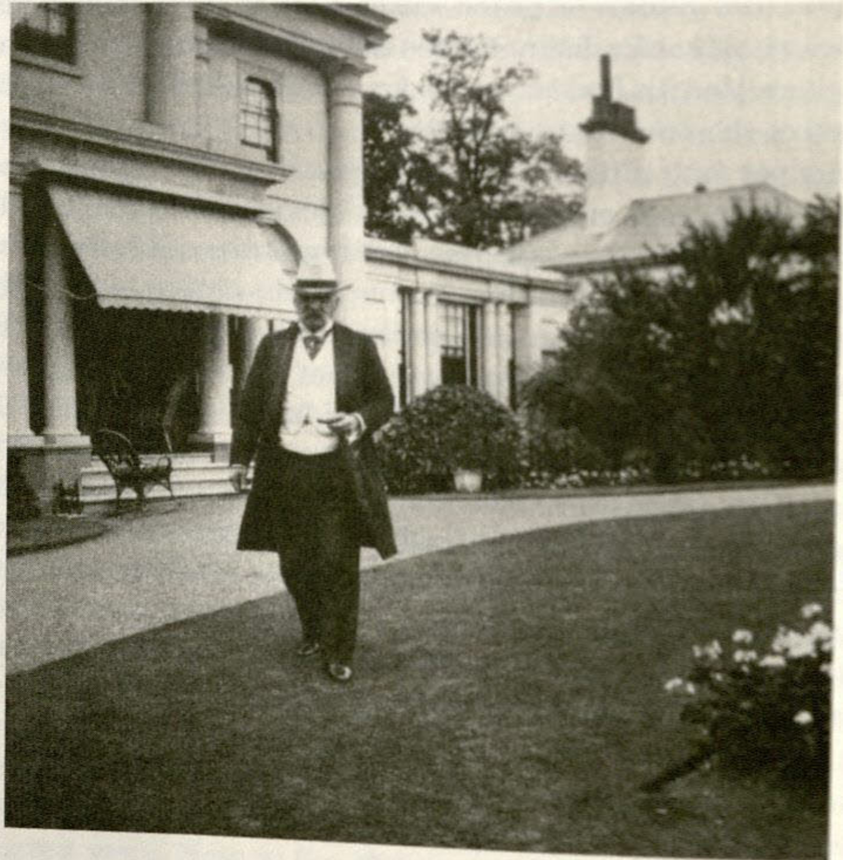
Morgan acquired the altarpiece the day he saw it in Paris, for 2 million francs ($400,000), along with paintings by Rubens, Titian, Nattier, and Morland, paying $600,000 in all. (He later returned the Titian, probably as not genuine.) He did not hesitate to spend nearly half a million dollars for a single work by the "Prince of Painters," any more than he flinched at committing half a billion for Carnegie Steel. When he wanted something, he paid little attention to critics or price, and he wanted a Raphael Madonna.

He responded less to abstract qualities in works of art than to subject, history, rarity, provenance. The subject of the Raphael panel was what Henry Adams called "the highest energy ever known to man," and Morgan later complemented this acquisition with other Renaissance depictions of the Virgin and Child, filling his private study with Italian Madonnas. The history and rarity of the altarpiece were not in doubt. David Alan Brown has described the *Colonna*

Madonna as "the most ornate of Raphael's pictures," and guessed that it appealed to Morgan's taste for "decorative richness": when the painting was cleaned at the Metropolitan in the 1970s, restorers found that marble veining and gilding had been added. Critical reservations notwithstanding, the *Colonna Madonna* was "*BIG* game"—a grand, costly prize by an incontrovertibly great artist, which would confer distinction on the collection and country to which it belonged. Since Morgan had set out to furnish America with exceptional cultural treasures, this one was irresistible.

He did not pay for it until the end of the year, as was his practice with large acquisitions. If it turned out to be "wrong," he would return it, as he did the "Titian" he had bought the same day. It did not turn out to be wrong. When Morgan paid Sedelmeyer's bill through his London office in December 1901, Clinton Dawkins cabled Jack from London (using the code name "Flitch" for the senior Morgan), "I hope, though we cannot hint it, that Flitch will not buy the National Gallery at the end of the year." In early January 1902 the *New York Herald* announced: MR. J. PIERPONT MORGAN GIVES RECORD SUM FOR RAPHAEL! Mr. J. Pierpont Morgan lent his Raphael to London's National Gallery, had it featured in a sumptuous hand-printed catalogue, and grew steadily prouder of it as the years went by. When he died in 1913, it was considered the most important painting in his collection.

At the end of April 1901, after acquiring the *Colonna Madonna* in Paris, he went off to Aix-les-Bains for a rest.



Morgan at Dover House, 1902.
(Courtesy of the late Annette M. Schieffelin)