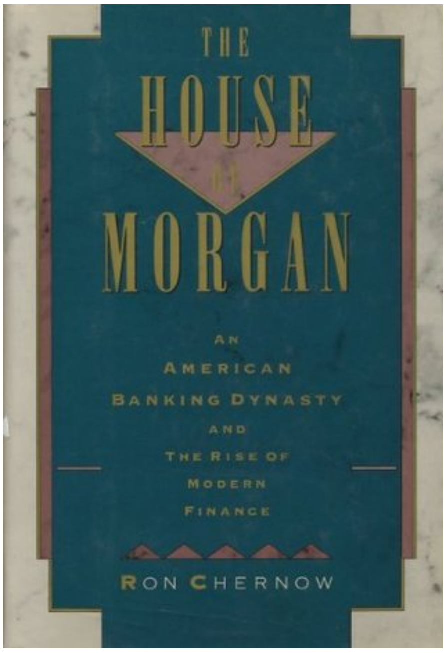

House of Morgan

Ron Chernow

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The House of Morgan may be the most ambitious history ever written about an American banking dynasty. It traces the rise of the J.P. Morgan empire from its obscure beginnings in Victorian London, panoramic story of four generations of Morgans and the powerful, secretive firms they spawned.

House of Morgan Details

Date	:	Published February 1990 by Grove Press (first published January 1st 1990)
ISBN	:	9780871133380
Author	:	Ron Chernow
Format	:	Hardcover 812 pages
Genre	:	History, Biography, Nonfiction, Business, Economics, Finance

From Reader Review House of Morgan for online ebook

Mahlon says

I love Ron Chernow... But even I have to admit that unless you are truly interested in banking and the history of each little piece of the House of Morgan, you only have to read the first half of this book which covers the crucial period 1830-1950.

Lobstergirl says

An exhausting 720 pages of text (followed by extensive notes, bibliography and index) covers all the houses of Morgan and the most significant Morgan men (Junius, Pierpont, and Jack) from even its pre-Morgan days, when George Peabody began the firm (before retiring he took on Junius Morgan) in the early 19th century, up to the 1987 crash. The London branch, Morgan Grenfell, is covered. The bank was, if not the most upper-crusty, certainly among the top white-shoe and Waspy banks. Jews were not welcome. The Morgan men brought in mostly other well-connected young men, Harvard and Yale grads primarily. Even up through the first few decades of the 20th century, women were not welcome as visible bank employees in assisting roles such as secretaries. One recruit wanted to bring along his female secretary and she was banished to some outlying building where she would never be seen by a client or a high level banker. Chernow covers the early days of banking when handshakes concluded business and Pierpont spent weeks at a time grouse hunting in Scotland, through Glass-Steagall, which split the bank into its commercial side and the investment bank (Morgan Stanley). He wraps up with the bank, like every other Wall Street bank, taking on increased levels of risk, becoming obsessed with leveraged buyouts (LBOs) and deals garnering huge undeserved fees, and a few scandals involving Morgan employees. I think at the end of the story, with about 80 managing directors, there was finally one female managing director.

Even for me, someone who is moderately interested in finance and the history of institutions, the story was pretty damn boring. One interesting side story was Morgan employee Dwight Morrow, the father of Anne Morrow Lindbergh. The House of Morgan was Charles Lindbergh's financial adviser, and Charles and Anne met in Mexico where Dwight Morrow had been made the U.S. Ambassador by Calvin Coolidge, a college buddy. The Morgan bank bundled and numbered the ransom money used in the Lindbergh baby kidnapping.

I notice this got selected for the Modern Library's 100 Best Nonfiction books, which is just shocking.

Darwin8u says

"Never before in the history of the world has there been such a powerful central control over finance, industrial production, credit, and wages as it is at this time vested in the Morgan group."
- Former Republican Chairman, quoted in Fortune, August 1933.

Ron Chernow's first financial biography/history is large It is 720 pages, plus notes/etc., and spans 1938 -

1989. It started off strong. Part I: The Baronial Age (1838-1913) is focused on the MEN, namely George Peabody, Junius Spencer Morgan, and J. Pierpont Morgan. The banks were simply extensions of the men. This section was 5-stars. It was fascinating. Part II: The Diplomatic Age (1913 - 1948) is focused on the bank(s). It begins with J.P. Morgan's death follows the House of Morgan through the war years (with "Jack" Morgan shepherding). Towards the end, with Glass-Steagal, the House of Morgan breaks into three major entities: Morgan Grenfell (already separate, English), Morgan Stanley (Investment Banking), and J.P. Morgan & Co. For me this was 4-stars. Part III: The Casino Age (1948-1989) explored the explosion of banking activity post war, the focus on M&A, and the loss of stature of the House of Morgan, both as it lost power and prestige. The book ends before J.P. Morgan was bought by Chase in 1990 (the book was published in 1990). This part was interesting, but like a shotgun, the further from Pierpont you get, the more diffuse the narrative. Eventually, there just seemed too much (too many actors, too many scandals, too many narrative threads). This part probably desereves 3-stars.

All in all, I liked the book. It showed Chernow's early talent for financial storytelling and gift for capturing historical characters. For me, the most valuable part of this book (besides the information on Pierpont) was the information on the other major partners that played a big roll during the wars, and Morgan's relationships with various 19th and 20th century figures (financial, cultural, political). I was fascinated by the deep relationship the House of Morgan had with fascist Italy, ultranationalist Japan, Germany, and the Vatican. I was entranced by Tom Lamont, Monty Norman, Russell Leffingwell, etc. The book was worth the effort just to learn about these other Morgan men.

Matt says

In his first massive biographical tome, Ron Chernow definitely takes up an undertaking that proves daunting and yet highly interesting. Chernow sought to explore not only financial ties in America through the ages, but to explore a powerful financial, business, and political force that has lasted for more than a few decades. The Morgan name has been deeply ensconced in the American fabric (the international one as well) for well over a century, helping to steer world events and political ideals one way or another. In his exploration of the House of Morgan--more than a familial biography in the true sense--Chernow examines the entity during three distinct epochs: the Baronial Age, the Diplomatic Era, and the Casino Period. Readers can marvel not only at the power held by these multi-millionaires, but how the House survived many a plight (both political and economic) and remains as strong as ever. While I am not one who is well-versed in finances or who can attest to being the greatest handler of money, I feel any reader with patience and a passion to learn will devour this and see just how powerful and corrupt money can be, no matter the holder.

Chernow first examines the House of Morgan by exploring the lives and ventures of Junius and Pierpont Morgan in what he coins as the Baronial Age. This father and son duo sought to forge greatness in an era when the American aristocracy was finding its feet. As Chernow lays the groundwork for his entire piece, the House set up its own foundations, whereby the elite nature became the basis for future Morgan enterprising. The Morgans sought not to be a bank in the traditional sense, with tellers and small accounts, but to offer services to the uppermost crust of society, requiring inflated minimal deposits and refusing to publicise their services. Chernow touches on this in the preface, but does explore how Junius wanted to use the mid-nineteenth century to develop a core group by which he could make sizeable investments and see his own profits soar. By the time Pierpont took over daily running of the House, banking became but one of the ventures undertaken to produce great wealth. Railroads were coming into vogue and their development as more than regional entities could be seen by amalgamating companies into monopolising monstrosities. The House of Morgan had capital for those who wished to expand holdings, but also elbowed their way onto the board of many companies. The rise in rail importance created a strong upswing in the Morgan profits and thereby helped earn Pierpont Morgan the title of Robber Barron in the late nineteenth century. At the dawn of the early twentieth century, the House of Morgan found itself firmly rooted in America's upper class and became the go-to lenders of the top tier. When Wall Street felt tremors of a crash in the first decade of that century, it was the House that held firm and weathered the storm. Pierpont did all he could to keep things running effectively, leaving a powerful and influential House of Morgan for his son, Jack, after his death in 1913. Creating a financial aristocracy in America and laying the groundwork for international importance, the baronial age ushered in some of the most trying and successful years of the House of Morgan.

In the lead-up to major political changes on the world scene, the House of Morgan undertook using their strong voice in what Chernow titles the Diplomatic Era. Divesting its monetary policy outside of America, the Morgans had enterprises in London and Paris, two key areas in Europe with long reaches across the continent and around the world. The House used its significant influence to help foster stability within the European countries, providing key loans and, at times, propping up their national currencies to the point of steering away from significant devaluation. With strong diplomatic intentions, the House was not overly picky about their clients for a time and would help wherever they could. Even after the Great War commenced, the House of Morgan invested heavily in munitions and metals that became essential to the war effort. Chernow goes so far as to discuss how the Morgans were seemingly war profiteers by investing in both sides without outwardly supporting the Axis. This was precarious territory and could flirt with treasonous activity. But, the House of Morgan sought to invest in what would bring profit and did so effectively. In those inter-war years, the House began seeing itself managed more by US administrations, through legislation. President Wilson passed income tax laws and tried to limit control of the Morgans with the creation of a Federal Reserve. Wilson received much pushback and watched the House do all they could to react. With the arrival of the Depression, Jack Morgan, now at the helm, sought to push through as panic enveloped the world, steadying the financial markets and remaining above the fray. The European situation brought dual concern to the Morgans, who watched the reparations of the Great War cripple Germany and the rise of the Nazis, fuelled by that resentment. As Chernow explains, the House could strike to aid with reparation stability and prop-up the German economy, which might prevent the need for war. There was much to be done with these sorts of monetary policies, but the House was kept from offering complete assistance, with pressure from both FDR and Churchill on both sides of the Atlantic. Trying to keep from sullying their reputation and steering away from treasonous activities, the Morgans would not allow themselves to make concrete ties with the Nazis or the extermination policies enacted throughout the concentration camps. The House remained firmly rooted in the American camp, though financial potentials surely crossed political ideologies in the 1930s and 40s. The diplomatic era saw the House of Morgan hold onto much power around the world, though they were not able to prevent some of the major political skirmishes. The profits they reaped allowed them to divest from national government concerns and focus solely on the personal investor.

Chernow's third era of the House of Morgan, which he calls the Casino Period, proved to be one in which gambles in finances were precipitated by a loss of control by the House at a time when multinational corporations were the new Goliaths. With the onset of the Cold War, the world proved divided along ideological lines, but this did not force the House of Morgan to shy away from their business ventures. Using corporations as clients, the House sought to bridge financial wealth with the acquisition of key businesses all over the world, though they were more a servant to aid in the diversification of business interests. The American presidents tried to turn away from some of the ventures being undertaken, but those heading up various investment branches of Morgan were able to turn politics on its head with bold and daring moves. Be it subsidizing means to acquire and monopolize Japanese high tech firms or foster third-party fiscal exchanges so as not to violate embargoes in the Middle East, the House of Morgan was there through it all. Chernow offers numerous concrete examples of how the House tried to keep itself one step ahead of the precarious markets while also pushing the limits with offering seed money for hostile takeovers. Whatever it was, it brought things into the late 20th century at a time when financial security was rare, even with relative peace on the political front. Hedging bets for their clients proved to be the effective means of creating a relatively effective House of Morgan in the latter part of the century and into the twenty-first, after Chernow's narrative comes to a close.

As the political and economic world remains balanced on the head of a needle, Chernow exemplifies how the diverse and risky approaches of the House of Morgan keep their financial prowess effective. I am no money man, nor do I feel I learned enough in these pages to expound much on the subject. However, Chernow's strong ability to lay out a thought-provoking and timely narrative pushes the reader through the various situations with ease. Political, economic and personal grief pepper the story throughout and Chernow is able to draw them all together. His focus has to be varied as he handles a number of people and their personal stories, but he does so effectively and to the point that the reader is sure to want to know more. This is the sign of a good historian and biographer, something that I know Chernow has fostered after reading a number of his works. There is more to the House of Morgan than money, but it is their passion for it that shaped them as men and a family (both blood and business) for so long. While Chernow sought to find a family whose influence on worldwide banking lasted long enough to write about its development, he has done so in spades with this exploration of the Morgans.

Kudos, Mr. Chernow for shedding so much light on these men and their empire, which showed numerous changes over its development. Your books always leave me wanting more and curious as to what else you have in store. What a wonderful way to begin your life-long journey of writing.

Like/hate the review? An ever-growing collection of others appears at:
http://pecheyponderings.wordpress.com/

Christopher St says

I picked this book after reading Alexander Hamilton by Chernow (the best biography I have ever read). This is a historical masterpiece, and it earned a 4 from me instead of a 5 only because the subject matter was a little but less captivating to me than Hamilton's life, but this isn't totally fair to the author. The book is excruciatingly and wonderfully detailed. I can't imagine how a person writes more than one book like this in their lifetime, but chernow has done it.

The Morgan family has played such an integral rule in the world, and I never knew quite how many world affairs they played a leadership role in until I read this book. We think of JP Morgan Chase bank now as a behemoth, but it is a whisper and a shadow compared to the bank that financed world wars and rescued new York city.

I enjoyed the first two parts the most, (Baronial and Diplomatic ages) because they focused more on a few central leaders (Pierpont Morgan, JP Morgan, Tom Lamont), as did the bank during these eras.

The book was still excellent, but slightly harder to follow from 1950-1990 when the bank cycled through several less memorable leaders and accompanying scandals. Obviously the book would have been incomplete without this section (the casino age). I must admit though, I was ready for it to end.

I've added three other famous Chernow books to my to do list, but I venture to guess I have already read the best two.

DeAnna Knippling says

Multiple generations and iterations of a single family managed to set the tone of international banking for over a hundred years. Then a downfall into 80s "banking" practices erodes all that they once held dear.

This book was published in 1990. One hopes for an updated version covering up to 2008 and beyond. A remarkable book on banking.

William Ramsay says

This is a very long book that suffers from two problems. First it is too long and drags with repetition toward the end. And, two, it was written in 1989, which means it covers the exuberance of the 'new' Wall Street banking but misses the disaster of the dot com bubble and especially the the crash of 2007, which shows that his exuberance was totally misplaced. Also Chernow has a tendency to adulate the rich which often ignores the fact that they often gain at others losses. The best part of the book was the early years and how the Morgan's built the business. The most hilarious part was the description of the London branch in the fifties and sixties. They still used high stools and hand written ledgers well into the sixties!

Elizabeth (Alaska) says

> "It is not a large bank, as Wall Street banks go," said the *New York Times.* "A dozen other institutions have much larger resources. ... What really counts is not so much its money as its reputation and brains. ... It is not a mere bank; it is an institution."

I had heard of the House of Morgan and knew it was prestigious, but being on the west coast, and a person without wealth and no hopes of it, I didn't really know much more than that. This book presented itself to me on Goodreads, and I was curious. There are three sections: The Baronial Age, 1838-1913; The Diplomatic Age, 1913-1948; The Casino Age, 1948-1989.

My interest was piqued in the first section when I learned that in 1873 there was a major downturn in the economy, one which would not be outdone until the crash of 1929. 1873 was the year my maternal grandfather was born, and I realized I would be reading the Baronial Age section with a view to the world this part of my family lived in and read about in the newspapers.

I had that same interest for the second section, the age when my parents came of age and began their lives as adults. But I was also interested because the House of Morgan was a leader in financing the Allies in the first World War, and also in the reparations and reconstruction following it.

The third section was filled with names I recognized, many of which I could readily put faces to. As banking became more diverse, even almost chaotic, this was my least favorite part.

I didn't expect this would take me 3 weeks to read, but I never thought for a minute to set it aside and move on to something else. It kept my interest throughout, though I would be deceitful if I said it was fascinating. It seems to me that non-fiction runs from textbook-like to fiction-like. This leans to the textbook side, though perhaps doesn't fall quite that far. This was Chernow's debut. I liked it well enough to read others by him, but I'll put some time between this and the next one.

Arminius says

Ron Chernow writes with such well thought out detail that it seems he never misses anything.“The House of Morgan” won a National Book Award and describes a powerful American family. It is a very detailed book, which is his style, that describes how banking became big in America and how the Morgan’s became more powerful than the Rothschild banking dynasty. If you ever read the great book “Creature from Jeckyll Island” and followed the author’s reasoning for not needing a Federal Reserve Bank then read this book and you might gain a better perspective of an opposing view.

R.K. Gold says

This was the first Chernow documentary I ever read and immediately fell in love with his style. He is the sort of historian who loads his books with so much information that it's impossible not to walk away more knowledgeable on the subject matter. He captures more in one chapter than some other biographies capture in an entire book.

What stands out most is that he not only saturates the book with information, but he also humanizes the characters. House of Morgan doesn't just give the chronological history of Junius, JP, and JP Jr, in their journey of establishing financial dominance; it also captures their humanity--their strengths, weaknesses, merits, and faults. (Believe me there were a lot of faults).

It's also just a fascinating piece of American history. So much of what we take for granted today was innovative during the timeline of this book--if not a product of the Morgans then it was that of their contemporaries.

If you are looking for a book to finish in a hurry, this is not an ideal pick. But if you have a lot of free time on your hand and looking for something dense you can really sink your teeth into and come out feeling like you really learned something, then look no further than Chernow.

Alan says

Ron Chernow is one of the very best historians of our time. But *The House of Morgan* is not his finest work.

The research is there—-exhaustive as it always is with Chernow’s financial histories. The problem is that he, himself, seems to run out of enthusiasm for his subject. Two-thirds the way through it, after having chronicled more than 180 years of the family and its multifarious banking manifestations, his presentation begins to show an attitude of “Geesh, let’s get this thing over with.” His paragraphs become formulaic.

Every new executive is introduced with the required “physiognomy begets personality” sentences, and then it’s off to examine his damage to the corporate reputation.

Chernow is usually better than that. Certainly the first 60 percent of it was, and certainly *Hamilton> and Titan* (a similar family biography of the Rockefellers) were--in their entirety.

Chernow’s account peters out in 1988, just after the now-small Wall Street calamity of that day. One is left to wonder what he would add now, in 2009.

Grumpus says

Whoa, this was not the longest book I've listened to, but it was the looongest book I've listened to. If you never thought banking was a dry topic before, this may make you think otherwise. And this is coming from the guy who enjoys this author. His book, Alexander Hamilton is one of my all-time favorites and I know I would have been extremely unlikely to have read/listened to it if I would have read/listened to this one first. So, I guess my takeaway is read Alexander Hamilton if you want to experience Chernow at his best.

Matthew says

6 May 2010: Phew! Finally finished this book. Overall comment: Unique and informative financial history, but rather too many threads to keep track of, so the writing loses momentum.

In contrast to other reviews, I found Part III on 1948 to 1989 the most interesting. There are so many nuggets of info here that help chart the evolution of banks from 1960-90, and a lot of the issues continue to echo today -- banks trading against clients, too big to fail, capital shortfalls, etc. Above all, it seems to me that despite all the regulations, banks have always managed to squirm and evolve into new, powerful, dangerous forms; in some cases, regulation reduced profitable opportunities in core businesses and ironically forced banks into riskier, more aggressive, business, to sustain growth. I doubt regulation will do anything more than stall the next phase of evolution, it seems to me an issue of (i) risk taking culture, which is born out of incentive structures and survival instinct; (ii) failure of due diligence procedures at regulators, investors and 3rd party agencies to keep up to speed with bank and market developments; (iii) liquidity conditions. But I think (i) is primary, the others were simply complementary and facilitative.

Chernow was also able to do a lot of first person reporting in part III, so the characters and quotes are fresher, rather than reconstructed from letters. I'll just list significant events, and some thoughts on these.

As the govt developed internal resources, Washington had less need for the Morgan banks as diplomatic agents.

After WWII, due to Glass Steagall (1933), JPMorgan was too small a bank to have much power -- it was too snobbish to take retail deposits, and was short of capital to lend, even though it had established client relationships. It became much less powerful than retail franchises like Chase Manhattan and National City Bank (today's Citigroup). The Warburgs realised that merchant banks no longer had the capital to finance industry or govt on a large scale, and shifted to advisory work -- which relies on brains and rlnships, not capital -- this marked a shift to financial engineering (p523). Still, merchant banks could leverage relationships to act as originators, which they then syndicated to retail banks with capital but no rlnships. JPMorgan also alleviated capital shortfall by taking over Guaranty Trust, a big but sleepy, well capitalised bank, in 1959, to form Morgan Guaranty (p534).

However, at this point, banks also discovered how to finance themselves via Certificates of Deposit, which are tradable (p539). Treasury operations in a bank became important, as banks could trade CDs to manage their cost of funds. Bankers used to lunch with corpoate treasurers to ask them to keep their money in the bank. But as there was increasing reliance on 'rented' capital, the power shifted to traders who bet on interest rates to hedge the cost of the CDs. But this worked against banks, eventually, because corporate treasurers figured they could just as easily issue CDs as banks. Thus, corporates increasing access to money markets distintermediated the banks.

In 1963, the Fed decided that Glass Steagall still allowed commercial banks to underwrite securities outside the US -- this meant the likes of JPMorgan could build i-bank operations outside the US (how ironic). Further, the Fed imposed a tax on the sale of foreign securities to US investors. So, more securities were sold to foreigners who held Eurodollars. (p544) Meanwhile, banks'trust depts grew rapidly in the 1960s due to the explosion of pension funds. At some point, 60% of all institutional money was held via commercial banks trust depts. This led to concerns over insider trading by banks. (p561)

By the 1960s, securities underwriting was a commoditised business. Trading operations became important -- Morgan Stanley used to cultivate users of capital (the corps) but GS and Salomon cultivated institutional investors, the owners of capital, via their strength of execution in trading. Their distributive power then helped them win underwriting business from corporate issuers. MS didn't have a trading desk at the time. In 1979, IBM, a long time MS client, asked them to accept SB as comanager on a big debt issue, MS refused, expecting IBM to back down, but IBM ditched them and jumped ship -- this led to other banks starting to raid MS client list, and marked the end of relationship banking. (p627) Further on this point: In 1982, the SEC passed Rule 415 -- this allowed 'shelf registration', orallowing blue chips to register a large block of stock and sell it off piecemeal on short notice over 2 years, instead of having to register each new issue separately. This meant treasurers could capitalise on sudden dips in interest rates, and converted underwriting to a world of fast trading decisions rather than syndicated rlnships. MS's underwriting market share fell from #1 to #6 in 1983. (p662) In time, this forced MS to resort to less gentlemanly and far more aggressive tactics to win business and survive.

In 1970s, i banks and merchant banks with small capital but large client bases started to figure that they could earn fees from M&A. (p595) With junk bond financing becoming popular, they used junk bonds to help corporates finance M&A. But junk bonds also enabled corporate raiders to get much more aggressive. (p666) This led to the private equity craze in the 1980s. Further, banks discovered, with junk bonds, that they didn't need their own capital after all -- whereupon they started setting up their own private equity funds -- MS had US$10b under management by 1985 -- which, financed with junk bonds, to take stakes in companies. MS'public IPO in 1986 was expressly to raise capital for a PE buyout fund. The rise of banks using their own capital to take stakes in companies led to big conflict of interest issues. They could also earn huge fees whether or not deals happened, again questionable. (p669, 695)

(One big conclusion I take from this is that Glass Steagall, despite the fuss made about reinstating it, didn't really matter -- it accelerated the process, but wasn't critical in and of itself. What matters is banks taking of positions against clients, but that's got nothing to do with Glass Steagall. More to do with competitive dynamics, facilitated by new financial products, and derivative of the gradual eradication of the importance of banking ethics and long term relationships in a world where capital is mobile and available.)

In 1975, the SC abolished fixed commissions on stock trading, this liberalisation again decimated a stable source of bank revenues, led to many regional bank collapses, and again, forced banks to swashbuckle to survive. (p602)

Offshore lending became big as domestic lending died down, and especially with the 1970s oil boom and the growth of Eurodollar market. The recycling of flush liquidity from oil dollars led to the Latin American lending boom, and the big defaults (Mexico, Brazil) in the 1980s. (p643) This led, indirectly to the failure of a big, old Chicago bank, Continental. The FDIC eventually nationalised it, taking a 80% stake (sound familiar?) Chernow writes: "Washington was now saying that some banks were too big to fail" -- but ironically, the FDIC exacerbated the problem -- the bailout created more incentive to bypass small banks and keep deposits in big ones. (p660)

Clearly there is a lot more here -- part III is worth a reread. Am going to photocopy for keeps.

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11 April 10: Finished the second third of the book in a great rush, before the workweek starts, and hence having no time for any reading of any other sort this last 2 days! Part II -- the Diplomatic Age -- covers the years between WWI and WWII. There is so much happening that I think Chernow barely keeps track of the parallel narratives, and it feels less like an organised history than a relentless reporting of various tracks. I have to keep reminding myself what this book is about -- not about politics or banking history or even the Morgan family, per se, but about the institutional House of Morgan, the evolution of this particular bank-among-banks, and how it fared during the isolationist years in America through the Great Depression and the 1930s. Just a few thoughts:

1). The govt's relationship with the bank, and bankers in general, appears to have been driven very much by its foreign policy outlook. The bank's allegiance was torn -- it disliked the New Deal Democrats for their intervention in the domestic economy and willingness to incur fiscal deficits, but it also disliked Republicans who were extremely isolationist in their views. The Morgan bank retained close ties to the British royalty, and the partners were very much globalists. Again I find that the bank's stance didn't change -- but the govt's did, depending on what was expedient -- despite feuding between FDR and the bank through the 1920/30s, they kissed and made up in the 1940s, when FDR decided to support the British war efforts and turned again to the bank's partners to leverage their relationships. Despite this, the govt was much less reliant on the Morgan bank in WWII compared to in WWI -- it mainly relied on the bank's relationships, but by this time the govt had its own tax revenue base and budget, and didn't as much need Morgan help to finance the British war effort.

2). Of course, the bank's interests were shaped not only by ethical and aesthetic concerns (though I think the latter, especially, was a BIG deal -- we are aesthetic creatures before material ones, I think, but that is a separate topic) but also because it's clientele was increasingly foreign. American companies had simply grown large and self sufficient enough to not require banker's capital, and also there wasn't much investment and credit growth in the US during the 1930's for obvious reasons.

3). This idea of the clash between govt and bank interests is worth taking further -- in many cases, the bank was torn because in the spirit of traditional private banking it wanted to give full assistance to its foreign clients, like the Mussolini govt in Italy or the Japanese govt, when this would sometimes clash with American interests. Can't recall examples in detail though.

4). None of the JPM senior partners foresaw the depth, or even the coming, of the 1929 crash and the subsequent Depression. To some extent because very few did, but also to a large extent I think because of their private wealth, they were protected from a lot of what 'common' America was going through. This issue of bankers being wealthy elite alienated from and unaware of real America is really not new.

5). Nationalistic interests in Europe have historically led to internal conflicts, which has usually benefited America.

6). There are compelling personal stories buried here. The most interesting character, on which Chernow spends the most time, is Thomas Lamont, the leading partner of the Morgan bank in the interwar years. A former journalist, Lamont was diplomatic, culturally sensitive and aesthetic, yet as Chernow argues, also mercenary and opportunistic. But his biggest failing was deluding himself into believing, against great evidence at the time, that two of his personal clients, Mussolini and the militaristic Japanese govt, would turn out for peace -- this led him to deny many of the outrages they perpetrated in the late 1930s, until it went so far even he had to recognise it. Another lesson here -- people will talk their own book, and people will, if allowed to do so, remember only the best of themselves -- in later years Lamont would make it seem that the loans he arranged to Italy were made under duress. Yet for all this, both he and Morgan were strong philanthropists generous to charities both during their lifetimes and in their wills.

7). The bank's mystical power was still apparent during this period, but certainly fading. Glass Steagall did a lot to erode it, not only by requiring the breakup to commercial and investment bank (ie broker), but also as the series of lawsuits forced the bank to publish its balance sheets. Also, as the three partners -- incl Jack Morgan and Tom Lamont -- aged, the bank turned itself from a partnership into a listed company with public stockholders, so that the death of partners wouldn't mean a loss of capital. This also required public disclosure of earnings statements, again doing much to clear the air of mystique.

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27 March 10: still reading this but it's such a massive book I thought I should add a few comments to commemorate my making it past Part 1! The first part deals, swiftly, with the founding of the bank and then moves on to cover in more detail the reign of Pierpont Morgan, arguably the most dominant and formative character of the original JP Morgan, who led the bank through the late 19th C, and all the way up till nearly World War I. His last hurrah was probably helping address the crash of 1907 where he pretty much acted as central banker, which later led to creation of the Fed. Just a couple key notes:

1). Clearly, America's distaste and distrust of Wall St stretches back at over a century. The distrust was sharpened by the extreme confidentiality and elitism of merchant banking practices in those days, which frankly seems to me to more resemble private banking -- lending to individual entrepreneurs on the basis of character, rather than to a corporation, on the basis of credit analysis -- than today's wholesale corporate lending. It was also exacerbated by that companies in the late 19th C, save for a few giants perhaps like Standard Oil, were generally extremely dependent on banks for capital; this gave bankers immense power and pretty much board seats on most of the major corporations in America. The early American corporate governance system, where bankers are directors and help control the company, feels to me more like the current European/German system corp governance, than the current US/UK system. What is pertinent is that as corporates matured in the 20th C, they began to finance capex out of internal cash flows, and also grew large and recognisable enough to tap capital markets directly, thus disintermediating bankers and making bankers much less powerful. It is interesting to think about (and how to think about) what stage Asia is now at.

2). It is further fascinating to think about JP Morgan's role in WWI. I presume from Chernow's writing that there are a ton of conspiracy theories out there that accuse the Morgans as funding death for profit reasons. His account is more balanced -- clearly they profited, but their response to the outbreak of war seems to me humane, nationalistic and genuinely motivated by desire to play their part in the Allied's war efforts. From Chernow's account, JP Morgan didn't just function as a bank during WWI -- yes, they funded London and Paris, but more importantly, in order to stave off American firms profiteering from Europe's woes by pricing up war supplies, Morgan partner Henry Davison suggested the formation of a single purchasing entity on behalf of the Allieds, to have more bargaining power over American suppliers. It was not anticipated that the Morgan's would set up a division that effectively became the procurement arm of the Allied's forces, and that the supplies purchased would amount to US$3 billion (it was at first estimated at US$10m)! JP Morgan was, in effect, the US based trading house and supply chain manager for the British army during WWI -- and given that a majority of war supplies came from the US... As an aside, it is also interesting to read that at this period, many of the Jewish merchant banks -- Kuhn, Loeb; Goldman, Sachs -- refused to lend to the Allieds as they sided with the Germans.

3). It is interesting further to observe the bank-govt relationship evolving and changing with the times. It looks to me like the Morgan's, at least, were consistent with their behavior -- at times this was popular, and at times not. The govt's stance also shifted with the times -- antagonistic when trust busting was popular, and incentuous when the govt wanted to harness the bank's vast financing power, or political/relational clout overseas. It makes one wonder about the current US govt/investment bank relation -- yes yes, we read all about the Goldman trinity, but beyond that, and beyond campaign finance, and beyond the conspiracy theories about who really controls policy making and to what ends (okay that's a lot of 'beyonds') -- it makes you wonder what the govt wants, and how the banks facilitate those ends. Perhaps something much simpler and similar to the early 20th C -- the govt needs the i-banks to help flog its debt overseas?

4). It it incredible how much the structure of finance and industry is shaped by war.

Beth says

Better than a text book highly educational and interesting.

Suzanne says

For those of you who aren’t familiar with my background, I possess college degrees in both Political Science and Finance. I am fascinated with the subjects of history and economics. So, when I started reading *House of Morgan*, I quickly realized that the book in my hands was the culmination of all my favorite subjects put together. Ron Chernow, already on my radar as a foremost biographer, was apparently in charge of financial policy studies for a public policy foundation during the 1980′s. With this background, he sought to put together a comprehensive look at the changes taken place in modern American finance over the years, through the vehicle of the J.P. Morgan Company.

Beginning with a fascinating look at 19th century economic expansion, it is clear that without bankers like J.P. Morgan, Americans (and Europeans) would not have enjoyed the successes reaped from the industrial age. These banks were so powerful, it fell to them ensure the success or prevent the failure of corporations and governments alike. In those days there was a gentleman banker code, limiting competition between financial houses and discouraging bankers from rounding up new business. They understood their place in the world and their obligations – which included infusing capital at times to save drowning economies.

Later organizations like the Fed and the World Bank arose to step into that role, and the financial houses were split up between banking and securities. Politicians just weren't comfortable placing that kind of responsibility in the hands of private businessmen. It was clear that a power struggle was developing that was leaving governments beholden to the banks. So government enacted laws like Glass-Steagal in an attempt to limit the power of financial giants like J.P. Morgan's empire.

It is one of the most interesting and well-written works of history that I have ever read. It should be required reading for finance or business majors. Heck, it wouldn't hurt if most people read this book. It might better help people to understand the complex world in which they live.

It has been my experience, that modern political discourse (and apparently throughout history, as the book elaborates), tends to dumb down the world of the finance for the average American. Politicians would rather not have voters aware of how their policies have negatively affected the economies, and usually point fingers at those in the world of finance. While sometimes, that finger pointing is justified (as with insider trading or highly risky leveraged buy-outs), more often than not, it's government policy that is to blame.

This book came out on 1990, and so the recent mortgage crisis of 2008 is not mentioned in this book. It would be interesting to see if Chernow had any comments on it.

Best book I've read in a long time!
