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EVERY MAN A SPECULATOR

*A History of Wall Street
in American Life*



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of Wall Street. They were in the American grain. Morgan stood outside it. He hated speculation. He hated the free market. And for these very un-American attributes and attitudes he was revered by a sizable number of his fellow citizens.

It was the fire of 1835 all over again. What his eulogists sought most to memorialize was not so much his wealth (he turned out to be considerably less rich than most people assumed, although many times a millionaire) or even the breadth of his financial reach and enterprise. Those were merely tokens of something less tangible, namely that precious sense of trust left behind by a lifetime of service, patriotism, and fidelity.

Morgan presided over a select circle of white-shoe investment bankers and lawyers, a lugubrious group renowned for its due diligence, who in turn exercised enormous power over the whole economy, thanks to their financial, professional, and social ties to the corporate leadership of industrial America. Many would do double duty as financiers and corporate executives, combining their patrician hauteur with a newer ethos of managerial professionalism. For a long generation, lasting through World War I and arguably even beyond that through to the Crash of 1929, this Wall Street-centered milieu came as close as anything before or since to constituting itself America's ruling class.

Instead of plunging into the bracing waters of the free-for-all marketplace, the white-shoe brigade earned its spurs by rescuing the economy from the nearly disastrous consequences of a competitive capitalism gone haywire. This work of reclamation began with the railroads and spread from there into every key industrial sector, where Morgan and his confederates erected a kind of private economic command center. It sternly, if informally, prohibited self-destructive competition, rationed out investment capital, and centralized the management of the economy in ways repugnant to the devotees of *laissez-faire*. For this work of discipline and deliverance, undertaken in the spirit of the benign autocrat, Morgan was widely admired as the "Bismarck of the railroads" and the "Napoleon of American finance."

One could go too far. The world that Morgan made was probably despised by more people than applauded it. Plenty of artists decried its moral transgressions. Even the soberest members of the white-shoe frater-

nity gave in to bouts of inebriated speculations. The assumption that the governance of the economy and nation might safely take place in the privacy of bank and corporate boardrooms was challenged by fellow members of the patrician elite—not to mention angry agrarians and the disaffected urban middle and working classes—who insisted on the priority of the public realm. At the same time, some bona fide members of this moneyed aristocracy fled from any semblance of public responsibility, retreating into private worlds of snobbish self-regard. Many Americans rejected or mocked the cultural and social tutelage of their putative betters.

Still, Wall Street lent the whole political economy a coherence and direction it otherwise would have lacked. Its political weight was undeniable. Morgan was an imposing figure and an emblematic one. The social order he epitomized was extraordinary in the history of Wall Street and in the history of the country. Americans have always shied away from acknowledging class distinctions. They represent an insult to the national mythos. The notion of a ruling class has always been particularly obnoxious. Yet during the age of Morgan there was what might be called a suspension of disbelief. Without a scintilla of democratic credibility, in open repudiation of all the shibboleths of the free market, publicly assembled in rituals of exclusivity, a social caste of highly questionable credentials was tacitly granted the right to rule. The Morgans, after all was said and done, knew how to deal with fire.

IN HIS "CALENDAR" of mordant observations, that master of the acidic aphorism Pudd'nhead Wilson put it like this: "October. This is one of the peculiarly dangerous months to speculate in stocks in. The others are July, January, September, April, November, May, March, June, December, August, and February." Pudd'nhead, Mark Twain's misunderstood object of small-minded, local ridicule, had nothing at all in common with the real-life, socially estimable investment banker Henry Lee Higginson; nothing that is, except this lowering sense of chronic economic vertigo. Looking back at the thirty years running from 1868 to 1898, Higginson remembered the "constant frights and uncertainties, which gave gamblers a great chance if they could guess right, and which kept decent men in

doubt and often in agony. . . ." In his own affairs, Higginson probably experienced few "doubts"; even less likely that this head of one of the country's venerable and most powerful financial institutions suffered any "agony." His was a more disinterested reflection that captured the anxiety plaguing a business elite, and many others besides, as they lived through the perpetual upheaval and crises of late-nineteenth-century competitive capitalism.³

Between 1870 and 1900 there were more months of economic contraction than of expansion. More than half those years were times of depression or recession. Beginning with the collapse of Jay Cooke's bank and the panic of 1873, the economy began a long secular stagnation seasoned by ruinous competition and minor and major financial scares. In general, profits and prices tended to decline. Interest rates, commodity prices, the yield on capital all slid downward as well. Intense competitive pressures demanded heavy capital expenditures in large-scale fixed investments that were all too quickly outmoded by rivals, leaving everybody on the brink or over the brink of bankruptcy. And there was no easy way out. Most industrial capital was illiquid, bound up in solely owned companies or partnerships, not in readily tradable stocks and bonds, so the captain of industry was likely to go down with his ship whether voluntarily or not.

Social violence heated up this already febrile atmosphere. Armies had to protect Vanderbilt's New York Central in 1877 and Jay Gould's western railroads in 1885 because determined strikers stopped the trains. Riots by the unemployed in New York's Tompkins Square in 1874 were met with mounted police there and in dozens of smaller cities all through the depressed 1870s. Young men of the haute bourgeoisie cut short vacations in Saratoga, Long Branch, and Newport and rushed back to New York in fancy carriages to take up arms in the socially select Seventh Regiment, ready to defend property and good order against urban insurgents who William Vanderbilt was sure "belong to the communistic classes." Then there was the Haymarket explosion in 1886, the shoot-out at Carnegie's Homestead works in 1892, and the deployment of federal troops to break the Pullman strike of 1894. For every national confrontation of this sort there were a score of less-visible encounters in small industrial towns and

cities all across the country. Proliferating third parties—Greenback-Labor, Workingmen, Populist—portended a political restiveness not seen since the years leading up to the Civil War.⁴

Wall Street lived and died according to the fever charts of this roller-coastering economy. Nor did it take a skeptical outsider or critic to notice how prone the whole system was to misdirected undertakings, duplication of facilities, gluts, and panics. Henry Clews, who loved his life on the Street and periodically shared his fascination with the reading public, nonetheless filled his 1888 account, like *Sheherezade*, with a thousand and one tales of mini panics, speculations, defaults, defalcations, contractions, foreclosures, frauds, corners, and dozens of ingenious ways to bull, bear, trap, gun, and otherwise manipulate the value of securities so that they lost any connection to the intrinsic value of the companies they represented.

The Street exploded in speculative excitement as soon as the interminable slump of the 1870s came to an end. Gamblers in railroad securities were buying on paper-thin margins, and the deep pockets of returning European investors quickened the game. Henry Villard, the German-born son of a Supreme Court judge who had married the daughter of abolitionist champion William Lloyd Garrison and become a war correspondent, soon thereafter turned himself into a warrior of a different sort. He became notorious for organizing "blind pools" to seize control of roads like the Northern Pacific for the sole purpose of saturating its stock in water and quickly cashing out. Even Clews acknowledged that the norm in railroad financing was "intrinsically rotten" resting on "fictitious capital," which in turn was a "serious source of social and political disorder."

This postdepression binge was over again in a flash. A new round of fierce competition, especially among the railroads, signaled yet another collapse. Even while the economy sputtered and stalled, tracks were laid like mad; seven thousand miles a year through the early 1880s, the greatest ever. Much of this consisted of "blackmail railroads" running parallel to each other, slashing rates to the bone in an insane game of competitive chicken. It wasn't going to take much to burst this bubble, and this time, in 1884, the delusion was punctured by a poignant moment of national embarrassment. Ulysses S. Grant, not at all a rich man since leaving the

presidency, had been gulled into a fraudulent investment scheme run by his guileless son, Ulysses "Buck" Grant Jr., and a wily Wall Street speculator, Ferdinand Ward, a man of "an insinuating and plausible demeanor." When the firm failed, the rest of the Street followed, and the nation's favorite general was left a bankrupt. It was a saddening and demoralizing scandal since, *Harper's Weekly* editorialized, "such painful disclosures ... have produced a national insecurity which extends beyond the speculators in Wall Street to the great community of staid people who have more or less money to invest. Such events ... are a public disaster, because they shake faith in the personal honor upon which all business proceeds."⁵

In 1893, all remaining faith was shattered when the economy imploded yet again. As always the first bad omens traveled cross-country on steel rails. Mighty-looking systems were actually rickety affairs, bloated by debt and grossly overcapitalized, easily toppled by the slightest downturn in production or financial contraction. During the first several months of the new Cleveland administration, the Philadelphia and Reading, the Northern Pacific, the Union Pacific, the Santa Fe, and that perpetual basket case, the Erie, all failed. Soon firms controlling over a third of the nation's railroads went belly-up. Imagine the impact: a single one of these great rail networks employed more people and invested capital than the post office or the entire U.S. military.

Predictably, the stock exchange panicked. An incipient market in industrial securities went into hibernation waiting for the economy to warm up again. The selling spree caused the New York banks to call in loans from around the country. In that summer alone, 141 national banks closed their door; the number doubled by the end of the year. The depression was nationalized. Sixteen thousand businesses went under. Even elite universities like Harvard and the University of Chicago laid off faculty as enrollments dropped. More seriously, thousands were left homeless, tramping the roads searching for work while 20 percent of the labor force could find none. During a single torrid week in July of 1893, 607 children under the age of twelve months died in New York tenements. Stories of starvation, of death from exposure, of the most dismal despair became a kind of drear commonplace as the depression dragged on and on. Five long years of this anguish were more than enough to make the case against

the free market and its cyclical derangements seem conclusive. The system simply didn't work.⁶

Whether driven by the narrowest economic self-interest or inspired by ameliorative visions of social harmony, there was a lot of thrashing about for ways out of this maelstrom of laissez-faire gone berserk. Even a magazine like *Harper's Weekly*, which, by the 1890s, had become a loyal defender of the Street against its host of critics (a Morgan loan had bailed out Harper and Brothers as it teetered near bankruptcy), could acknowledge the damage done by economic disreputables. It likened them to lawless gunslingers, train robbers, and drunken cowboys out west, or in the South, to an equally unruly assortment of "negroes, bullies, and tippling colonels."⁷

Informal arrangements to limit or eliminate this epidemic of deadly competition began in the 1870s. Each failure sparked some new piece of ingenuity. There were gentlemen's agreements among all sorts of businessmen—shipbuilders, manufacturers, merchants, railroaders—to limit production, segregate markets, and standardize prices. Under pressure these acts of good faith proved factitious. When they fell apart, sturdier-looking fabrications took their place. Trade associations popped up everywhere, bound together by covenants to prevent internecine competition (and also to present a united front against labor organizers). "Pools" promised to penalize breaches of faith by those too weak to resist the chance to gain a step on their rivals. But the fines were scanty and not easily enforced.

"Trusts" next attacked the underlying problem by proposing to wipe out the existence of independently competing companies altogether. Entrepreneurs traded in their birthright for certificates of ownership in the trust, ceding all prerogatives of control to the creators of the trust. Most trust certificates were not traded publicly, however, and required no brokers or underwriters. They were deeply secretive affairs, open to fraud and manipulation, and were greeted with great wariness. Beginning with Standard Oil, a whole galaxy of raw materials and processing industries, and basic commodity producers—everything from sugar refining to matches to linseed oil—all notoriously and viciously competitive sectors, found themselves trustified during the 1880s and 1890s. However,

the Interstate Commerce Act and the Sherman Anti-Trust Act, while not the most robust or lucid pieces of legislation, left these devices for stifling the free market in a kind of legal limbo. Something more all-embracing was required, something that might remove all ambiguity about acting "in restraint of trade" and so escape the reach of the law and ideological censure.⁸

ANTHONY COMSTOCK founded the Society for the Suppression of Vice in 1872. Its mission was to wage war on sin, to wipe out "pornography" particularly, which was, the society believed, polluting the minds of the young, especially in the cities. How else to preserve the moral fitness of America's future leaders? J. P. Morgan, along with other blue-blood philanthropists, shared Comstock's alarm and sense of trusteeship (although not necessarily his self-righteousness) and so signed on as one of the society's original sponsors. Even at this early point in his long career, the banker displayed a hieratic regard for social order and civilized restraint and an aversion for unlicensed individualism. For Morgan, the wild gyrations of the free market amounted to a kind of economic pornography. Railroads, the playthings of conscienceless gamblers and sociopathic entrepreneurs, stood at the center of this depravity.⁹

After the dust had cleared and the depression of the 1890s slowly lifted, newspapers and magazines reported widely on the reorganization, or what most of them called the "morganization" of the nation's railroad systems. What this meant is that many of the bankrupted lines were not only up and running again, but that they were now actually being supervised by a handful of great Wall Street banks—Drexel, Morgan and Kuhn, Loeb in particular—which in the past had provided only money and advice to their clients. In effect, Wall Street went to war against itself. Those elements of the Street that for years had found in the roads an endlessly enticing plaything of speculative wilding now confronted the censure of a Wall Street establishment that sought to become the conservator and guardian of the nation's main mode of transportation.

"Morganization" had its beginnings twenty years earlier. Jay Cooke's collapse left Drexel, Morgan & Company, and Kuhn, Loeb as the chief,

although by no means the only sources of railroad capital and credit. At first the roads tried colluding. A New York State investigation in the late 1870s revealed, despite denials by railroad officials, that the big lines had conspired to fix prices and arrange kickbacks and rebates to customers; they'd done so six thousand times in the first six months of 1879 alone. They were, however, mercurial agreements. To survive crises and defaults, railroads needed capital to reorganize, while in boom times companies increasingly turned to the big investment banks to finance expansion. That was Morgan's opening.

Morgan first demonstrated his extraordinary talent for financial discretion by quietly liquidating a vast sum of William Vanderbilt's holdings in New York Central Stock (about \$250 million) without unleashing any of the customary hysteria on the Exchange and especially without provoking a bear raid that would have seriously damaged the interests of his client. He emerged from the mini panic of 1884 as the Street's top dog, determined to put an end to the deadly railroad wars that had so destabilized the Stock Market to begin with. Morgan, and especially his partner, Charles Henry Caster, thought like financial architects, designing reconstructed railroads, grounding them in a sound assessment of their real needs and the real commercial potential of their underlying assets. Like many architects, they met with considerable resistance from those they were supposedly serving.

To begin with, a group of railroad executives, representing the warring Pennsylvania and New York Central systems, gathered on board Morgan's yacht, the *Corsair*, where he wrung from them an agreement to respect each other's designated spheres of influence. This "pool" fell apart soon enough, and Morgan tried again in 1888, and failed again. The rail kings were a willful bunch. George Roberts, president of the Pennsylvania Railroad, who suffered through these bullying peace negotiations, resented Morgan's "very strong language, which indicates that we, the railroad people, are a set of anarchists."¹⁰

Clearly these arm's-length concords weren't worth the paper they weren't written on. To really address the linked problems of overcapitalization and competitive overkill, Morgan and other white-shoe bankers sought to reorganize and consolidate the industry. They would thereby dry

out the old, watered stock, replace old bonds with new ones at lower rates, merge rival lines, eliminate redundant ones, dismiss old management, and, most important of all, plant their own representatives on the boards of directors to ensure against any renewed outbreak of self-destructive competition. By the end of the 1890s, a sixth of the country's railroads were under Morgan's control. For these acts of financial reengineering, Morgan and his confederates were dubbed, in a kind of jokey admiration, "Pierpontifex Maximus and his Apostles" and "Jupiter Morgan and his Ganymedes."¹¹

None of this is meant to suggest that the railroad barons suddenly studied war no more or that Morgan and his investment banking colleagues could not get caught up in their titanic turf wars. This is precisely what happened during the "Northern Pacific panic" of 1901.

When Edward H. Harriman and James J. Hill began wrestling for control of the Northern Pacific, it was the concluding chapter in a national saga begun well before the Civil War that might with some justice be called "How the West Was Won." Winning entailed opening up this terra incognita through extraordinary feats of exploration and engineering as well as exploitation and extermination: opening it up to both settlement and dispossession, development along with predation. Hill, a Canadian, built the Great Northern as a rival to the Northern Pacific. When the road was forced into receivership in the crash of 1893, Hill allied himself with Morgan. They plotted to seize control of both roads and merge them. Their rival, Harriman, was a rather graceless, sickly, and cold-blooded character who'd spent years as a careful and cautious if shrewd Wall Street broker; Morgan called him a "two-bit broker." But he was also an uncommonly intense and combative one. And he nourished imperial dreams, first of a hemispheric rail and water transportation network extending through Mexico and Central America, later of a global one that would run lines through the mainland of Asia. He never tired of talking about "frontiers to conquer." But even when he formally departed Wall Street to take up empire building, he never ceased to be a man of the Street in an age when the distinction between working the Street and working the railroads was blurry at best.

Harriman was a man of considerable financial as well as rail-

Hill's. Between them lay the Chicago, Burlington, and Quincy, a vital link to Chicago and the markets of the East. Over this the two sides came to blows. Hill and Morgan, thinking they had acquired control of the Burlington, were ambushed by Harriman. He covertly bought up a controlling interest in the Northern Pacific, aided and abetted by Morgan's white-shoe rival, Kuhn, Loeb, which was led by Jacob Schiff and by the long-time underwriter of his grander projects, James Stillman, president of the Rockefeller-controlled National City Bank. Morgan responded in kind. The Exchange reacted in pandemonium as Northern Pacific stock rocketed from \$115/share to \$1,000/share in a matter of days. "Big men lightly threw little men aside"; there were rumors of suicide, and a Troy businessman, faced with ruin, boiled himself alive by jumping into a vat of hot beer. Short sellers were trapped and forced to liquidate, causing the Market to implode until Morgan and Schiff declared a truce.

A plotline like this could have been, indeed was, invented long before the age of "morganization"; it contained all those familiar elements of "hoggishness" and piratical public irresponsibility for which it was roundly condemned even in the most conservative, business-minded circles. But it was the denouement of the spree that was different. Peace was pronounced not by the railroad barons, but by their financial overlords. And to ensure it lasted, both companies were folded into a new entity, the Northern Securities Company, one so large in capitalization it would discourage any future takeover effort; so large in fact that a few years later the federal courts would order it dissolved under the Sherman Act. But that's another story. Peace was declared in a form deliberately designed to establish this "community of interest." After the panic subsided Schiff wrote to Morgan offering the services of his firm to "do anything in reason that you may ask or suggest so that permanent conditions shall be created which shall be just to all interests and not bear within them the seeds of future ... disaster." This was to reassure as well a widening investing public that the ruinous railroad raids of the 1870s and 1880s were over with.¹²

ONLY THE EASTERN investment banking community, Wall Street above all, could mobilize the capital resources it took to carry off these grand

American industry afflicted with the same fatal disease of infectious competition. The art of financial dirigisme ultimately orchestrated by Morgan and Schiff in the Northern Pacific case was exemplary of a new economic order of things, the eclipse of the free market by a private command economy ministered to by the lugubrious men in the white shoes.

Wall Street's ascendancy had about it an air of inevitability. As the size and scope of American industry expanded, so, too, did its need for new sources of investment capital. Firms also desired to escape the legal limitations inherent in the partnership form of company organization. Some gigantic combines like Standard Oil were financially self-sufficient, and deliberately avoided reliance on outside sources of capital and credit. Most could not afford that degree of independence. For the first time in its history Wall Street began to service the capital needs of business generally. This was particularly true in high-tech industries like electricity, which required vast investments in fixed capital to get started. But it was hardly restricted to such industries; "going public" also appealed to consumer products combines like Procter & Gamble, for example. New clusters of investment banks and brokerages emerged to service the capital needs of light industry—and mass consumption-oriented firms. Legal developments helped the process along. New Jersey's passage of an incorporation law in 1889, drafted by two Wall Street attorneys, allowing a holding company to control subsidiary firms was decisive. It opened the legal floodgates to an economy-wide merger movement. Integrating once independent firms into single corporate entities escaped the Interstate Commerce Act strictures against railroad pools and, with some greater ambiguity, the Sherman Act's prohibition against trusts in restraint of trade.

These consolidations at first seemed highly risky and were undertaken by a band of Wall Street promoters who thrived on high-stakes speculations. Men like John "Bet-a-Million" Gates and James R. Keene, "the silver fox," or Herman Sielcken, "the coffee king," were in it for the short term, as long as it took to manipulate to their advantage the terms of what today would be called an IPO, losing interest once the stock was unloaded, at less-attractive prices, on the broader investing public. Soon enough, however, white-shoe firms became the chief underwriters of these

new industrial combines as they proved their seaworthiness. Firms like Kidder, Peabody; Lee, Higginson; the Belmont interests, Seligman Brothers, together with some of the largest commercial banks like Chase National Bank, National City Bank, First National Bank, and others were attracted of course by the considerable profits to be made in servicing these transactions. But they were in it for the long haul as well. What they liked just as much was the way these corporate restructurings suppressed the destabilizing forces of market competition by ending the existence of free-standing firms. Their very giantism would function as a powerful disincentive to any new entrants contemplating a challenge. For these reasons, the securities issued to finance these corporate reorganizations would not be subject to constant devaluation as price and other forms of commercial warfare chipped away at profit rates. Indeed, in strictly economic terms, what was being consolidated and protected were property titles to existing means of production rooted in the first phase of the Industrial Revolution—coal, railroads, iron, steel, raw materials, foodstuffs. What was distinctly discouraged were heavy investments in new and risky technologies or vast plant expansions or new railroad trackage, anything that might undermine the financial viability and stability of what was already in place.¹³

In industry after industry—in coal, steel, shipping, and so on—the great investment banking houses came to deploy enormous economic power as they rationed out available supplies of scarce capital and undertook to reorganize the core of the nation's productive apparatus. Whatever wider social and political leverage they exercised as a result, all the respect and fascination, even the reverence that they inspired in others, was first of all grounded in this extraordinary position of economic command. While hardly absolute, it was a privately deployed power more coherent and centralized and disinterested than anything that preceded or followed it. More than pure financial remorselessness, it operated as a kind of tutelary trusteeship. Sophisticated, highly centralized, and specialized administrative bureaucracies were installed to ensure the durability of these colossal corporate combinations.

In a feudal-like system often described as "relationship banking," heads of houses would vouch for the moral as well as the financial worthi-

ness of prospective clients. Client corporations in return would be expected to pay fealty to their banking benefactor and welcome its managerial guidance. Law firms staffed by upper-class Protestant Republicans trained in a tiny handful of designated law schools attached themselves to one or another of the Street's preeminent "houses," and made sure frictions between them were dealt with discreetly and in a spirit of gentlemanly amity. A genteel clubiness thus dampened the impact of competitive rivalries that lived on but under watchfully suspicious eyes. The grandest undertakings were managed by syndicates of select bankers and brokers, carefully arranged beforehand in a hierarchy of pecuniary participation. In turn, they funneled their corporate offerings to an inner circle of trusted commercial banks, trusts, brokerages, and life insurance companies to which they were not infrequently related through the cross-fertilization of their boards of directors.

A small circle of investment banks run by a handful of men, all of whom knew one another socially as well as professionally, composed a kind of economic central committee. They were trusted implicitly. Yet their deliberations were conducted in great secrecy. Instead of breeding suspicion, however, that cloistered confidentiality was itself a source of trust. Free of any outside scrutiny, Morgan and his conferees had privileged access to information about the country's leading industrial institutions, leaving everyone else with a psychological stake in sustaining a belief in their unique trustworthiness.

While Wall Street's preeminence was never in doubt, the charmed circle encompassed Philadelphia's Fourth and Chestnut, LaSalle Street in Chicago, and Boston's venerable State Street. There was a stark arithmetic to their power. Morgan's bank, for example, held substantial interests in Bankers Trust, Guaranty Trust, and the National Bank of Commerce. Morgan and his partners held seventy-two directorships in forty-seven major corporations, including such brand names as GE, USS, and International Harvester. Together Morgan, National City, and First National held 118 directorships in thirty-four banks and trusts with \$2.6 billion in assets; not to mention their placeholdings in ten insurance companies with assets of \$3 billion, along with 105 directorships in thirty-two rail transportation systems making up \$11 billion in capital investment. This network of in-

stitutional as well as personal connections—George Perkins was, for example, a partner in the Morgan bank and chairman of the New York Life Insurance Company's finance committee—formed a community of investors assuring one another's businesses a reliable supply of capital. Whether or not this power was used conspiratorially and malevolently would fire public controversy for years. Its existence, however, was undeniable.¹⁴

A century of economic free-for-all vanished in a decade. Between 1895 and 1904, eighteen hundred firms, centered especially in the capital-intensive, mass-production sector, were swallowed up in corporate mergers. Here again Morgan pioneered. In 1892, he assembled a number of smaller electrical firms into General Electric. The capitalization of the merged firms quadrupled, and competition in the industry was sharply curtailed. The 1900 Census recorded seventy-three industrial combinations valued at more than \$10 million; ten years before there had been none. By 1909, a mere 1 percent of all industrial firms accounted for 44 percent of the value of all manufactured goods. The one hundred largest industrial corporations quadrupled in size. In 1909, a mere 5 percent of all manufacturing firms employed 62 percent of all wage earners. Similar trends marked the extractive and distributive sectors. Through the 1880s, with the singular exception of the Pullman Palace Car Company and some large coal-mining operations (all offshoots of the railroad industry and so exceptions that proved the rule), not a single industrial corporation was listed on the New York Stock Exchange. The largest in the world, Carnegie Steel, was privately owned. Already by 1897, even though the depression had yet to lift, there were eighty-six such companies, each capitalized at over \$1 million. A thousand industrial companies were listed on the Exchange by 1901. Yet there was no Dow Jones Industrial Average until the mid-1890s; no Moody's manual of industrial securities until 1900. By 1903, the merger movement had revolutionized the economy.¹⁵

Mainly a response to deadly price competition and to the crisis of capital immobility and illiquidity, the age of the publicly traded industrial corporation had dawned . . . although just barely. At first, the white-shoe underwriters issued only preferred securities and bonds, not yet trusting to the vagaries and risk quotient of common stock. Moreover, to assure

their control, they reserved a healthy portion of the newly issued corporate stock for themselves. So, too, the scale of these operations was unprecedented; consequently, no matter how tightly controlled, these great consolidations trailed in their wake precisely the sort of uncontrollable speculative booms Morgan and his colleagues sought to rein in.

Soon enough, though, most such doubts faded away as bankers and a widening investing public came to trust the new corporate order. Between 1898 and 1904, over \$4 billion in new securities underwrote this process of industrial amalgamation. Flush with capital resources these gargantuan businesses were best fit to survive. They had ample funds for research and expanded productive facilities. In turn they became that much more attractive and liquid as investments. Morgan left his stamp of approval on the whole transformation, sanctioned the mergers, underwrote the securities, appointed the management, and profited handsomely, taking home about 20 percent of the value of these new securities. The universe of individual investors nearly doubled between 1900 and 1910, growing from 4.4 million to 7.4 million people. Swelling confidence in the reliable quality of this paper in turn accelerated the merger movement, which of course generated fresh pools of marketable stock. In a favorite conceit of the moment, the Market was imagined to have safely traversed the stormy seas of "intoxication," landing safely on the shores of "sobriety."¹⁶

An atmosphere of quiet, understated omnipotence settled over the Street. One contemporary observer remarked: "There is an air of omniscience as if nothing unexpected could ever happen. Doors do not slam, men walk softly upon rugs, voices are never lifted in feverish excitement over profit and loss. . . . There is a feeling of space. Ceilings in a banking house are higher than ceilings anywhere else . . . one gets the feeling of space from the manners of the person in uniform who attends to the noiseless opening and closing of the main portal and asks people what business they have to enter. . . ." New York became the unquestioned headquarters of a network of industrial and financial concerns whose scope and perspective were truly national, even international. Indeed, the "morganization" of the economy was what would enable the United States to seize the leadership of the world economy from the still-family-based, private capitalism of their British rivals. It was an elite no longer circumscribed by

the familial or regional interests of particular industries or the mercenary provincialism and nearsightedness of an earlier Wall Street. Devil-take-the-hindmost chaos was to be subjected to a civilizing surveillance, even a kind of planning, albeit one that excluded the faintest hint of public supervision or direction.¹⁷

AUTHORITY WITHOUT popular mandate or formal responsibility suited the temperament and workaday style of this ascendant elite. Bound together by codes of confidentiality, collective self-interest, a gentlemanly mutual regard, and an immense self-confidence, they presumed their own infallibility and civic-mindedness. Most, if not all of them, stood outside the formal political system. If they held public office at all, it was commonly an appointed not an elected one. But their influence over matters of domestic and international economic policy was nonetheless weighty. Indeed, on some matters and on certain occasions the Morgan circles came close to running a shadow government, or rather a parallel, private syndicate exercising *de facto* public power. It was no surprise that they shunned the turbulence and unpredictability of the democratic arena. It was too teeming with the febrile passions of a political slugfest. What is more mysterious is that a sizable segment of their fellow citizens was prepared to acknowledge their political preeminence and defer to their prerogatives as a ruling class.

Three primordial motivations help account for this remarkable abdication: disgust, weakness, and fear.

Over the course of a generation, rapacious financiers, speculators, and industrial predators had shamelessly connived with political middlemen, machine demagogues, and venial elected officials to loot and re loot the public purse and national patrimony. Gilded Age democracy devolved into the politics of the bordello. Disgusted, people reacted to this debauch in many ways. A genteel milieu of "good government" reformers sought to purify the process. Their road to integrity was a narrow one, leading away from the hurly-burly, economic self-seeking, and cultural cacophony of universal suffrage. Wall Street patricians, including J. P. Morgan, Jacob Schiff, and Joseph Seligman, together with venerable members of the old

Anglo-Dutch establishment, energetically encouraged this flight from mass politics. In New York they sponsored amendments to the city charter that would restrict the franchise and the powers of popularly elected officials on the theory that the city, like the corporation, ought to be governed by its propertied stakeholders. Converts among the urban middle and upper classes were not hard to find.¹⁸

If the stench given off by this miasma of crony capitalism and outright kleptocracy discredited popular government, that government's own self-evident institutional weakness was a goad simply to ignore it. Once the extraordinary circumstances of the Civil War ended, executive powers in Washington and at every other lower level of political sovereignty declined drastically. Government possessed few administrative mandates and an even frailer apparatus with which to enforce them. The judiciary exerted great influence, but judge-made law was most immune to the popular will. Meanwhile, Congress deferred to the party machines that composed it, and, in the "millionaires club" of the Senate particularly, to the incontestable will of big business. Most of all, political authority remained captive to that imperishable ideological legacy of the Revolution: that government governed best which governed least. There was a defect in this formula, however, even for those unmoved by the democratic persuasion. Weakness in the face of economic chaos and social upheaval was a recipe for disaster, a frightening prospect no one could ignore, least of all the new Wall Street regency.

Fear had been circulating through the American bloodstream since at least the mass insurrections that flared up during the great railroad strikes of 1877. In the immediate aftermath of the outbreak, Morgan's father sent a \$500 contribution to rebuild the Seventh Regiment Armory to help put down any future such rising. Militias like the Seventh Regiment, staffed and funded by people like Morgan and Vanderbilt, were in effect armed versions of the rich men's social clubs. They tended to efface the distinction between the disinterested authority of the state and the caste prerogatives of the haute bourgeoisie. Rumors circulated that the railroad financiers had become so seriously disaffected from the whole democratic experiment that they were hatching plots to make ex-President Grant king or maybe first consul.

Jay Gould, in an outburst of brutal cynicism during his face-off against the Knights of Labor in 1886 when labor militants shut down his western roads, boasted he could hire one-half of the working class to kill the other half. This was more than a sadistic case of robber-baron braggadocio. It was a chilling sample of how icily hysterical relations between the social classes had become. People like Rhode Island senator Nelson Aldrich, Rockefeller's factotum in the upper chamber, made no attempt to conceal his loathing of the mob, a bestial "horde," a "swarm" motivated solely by a sense of grievance and animal passion.¹⁹

Laissez-faire was coming to mean perpetual economic crisis; popular turmoil, in turn, only aggravated the state of economic disarray and social anxiety. All the revulsion, contempt, and fear came to a boil in the 1890s. It was then that the Morgan dispensation first displayed its political sangfroid and sense of trusteeship.

Panic and depression beginning in 1893 rapidly depleted the federal government's gold reserves and jeopardized the national credit. This monetary crisis unfolded as populists and plutocrats squared off in the most lethal social and political confrontation since the Civil War. A fifth of the labor force was out of work, and Coxey's Army of the unemployed was marching its way to Washington. Meanwhile, the serried ranks of the rich and well born marched down in Fifth Avenue in a "Sound Money Parade." In such a context, technical questions of fiscal soundness could not help but turn into matters of state, pitting East against West, the silver of agrarian virtue against the gold of economic sanity.²⁰

President Cleveland, despairing of help from a Congress gridlocked by the forces of free silver and gold, turned to J. P. Morgan. As early as the 1870s the Morgan bank had come forward as an American equivalent of Europe's "haute banques" or court banks, like the Rothschilds or Baring Brothers. The house of Morgan developed the will and capacity to service Washington's financial needs, freeing it of its customary reliance on Europe. Morgan had not only helped finance Cleveland's recent presidential campaign, but Cleveland had actually worked for a Morgan-affiliated law firm (Bangs, Stetson, Tracy, and MacVeigh) in the interregnum between his two presidencies. Deeply conservative himself on economic matters, the president's inner circle included trusted members of the financial

elite, men like corporate financier William C. Whitney, who candidly shared with Cleveland the prevailing view: "The impression of you got by the people is that you do not appreciate their suffering and poverty ... and have your ideas formed by Eastern money powers, etc. ... the usual twaddle." "Twaddle" or not, Cleveland knew who his friends were, and as Washington's gold predicament grew acutely embarrassing in 1894, he asked them to come to the rescue. Along with August Belmont Jr., Morgan formed a syndicate to market U.S. government bonds in Europe (and to New York trust and life insurance companies as well), thus replenishing the government's perilously depleted stock of gold. The underwriting was carried out expertly, relying on Morgan and the syndicate's foreign connections and impeccable reputation for financial prudence. Everything went so well the operation was repeated several times over the next couple of years.

Was this an act of public service or self-service? Opinion varied extravagantly. Some treated it as a conscienceless capitulation to the "money kings of Wall Street"; even the respected financial columnist Alexander Dana Noyes thought it a harsh and merciless piece of profit taking. Others, however, celebrated Morgan as the country's "savior." Naturally, Cleveland mounted his own *ex post facto* defense, describing the work of the syndicate as an act of patriotism, sarcastically concluding that although Morgan and Belmont might be "steeped in destructive propensities" and "sinful schemes," he, for one, was proud to have joined with them at a time of national peril. For millions of middle-class folk driven to distraction by the morbid state of the economy and the specter of political anarchy, restoring the credibility and stability of the nation's credit was tantamount to holding the fort against the forces of darkness and disorder. Whatever the verdict of public opinion (and warring views continue into the present in the most recent biography of Morgan), the bailout of 1895 signaled a new demarche. From that moment on, Wall Street presumed a prepossessing political stature nowhere anticipated in the constitutional scheme of things.²¹

A brief but legendary encounter has come to epitomize this sense of entitlement. Teddy Roosevelt ordered the Justice Department to pursue antitrust action against the Northern Securities Corporation, the holding

company underwritten by Morgan and Schiff that had emerged out of the railroad turf wars between Harriman and Hill in 1901. When Morgan got wind of what was afoot, he went directly to the president in a state of some irritation, to explain, "If we have done anything wrong ... send your man to my man and they can fix it up." An appalled chief executive said nothing, allowed the government's suit to proceed on to its successful dissolution of Northern Securities, and took due note of this matchless expression of Wall Street imperiousness. Morgan's premise was simplicity itself: the government was no more or less a sovereign power than the consortia of great investment banks, each ruling in their appropriate sphere, dealing with each other as peers. James Hill once characterized the president as a kind of chairman of the board of "a great economic corporation known as the United States of America." In fact, this was probably an overly polite rendition of what the Wall Street elite truly believed: namely, that the government was in fact a second-rate power whose lead strings they intended to control.²²

This overriding self-assurance was born out of the great electoral triumphs of 1896 and 1900 when William McKinley's Republicans banished the silver heresy and crushed its insurgent agrarian constituency. Free coinage of silver, in the dominant view, was code for inflation; inflation in turn fed the craving for credit; unlicensed credit in turn encouraged debt, speculation, and the whole maelstrom of entrepreneurial self-destruction, ruinous competition, panic, and depression. Defeating this madness was of the highest priority for the financial consolidators of American industry. Rationing out access to capital through a centralized, gold-denominated system of credit and investment was the right prescription for what ailed the economy. So it was that the white-shoe world invested heavily in McKinley's campaigns. They joined with Mark Hanna—Cleveland industrialist, Rockefeller associate, and Republican kingmaker—in flooding the country with "sound money" propaganda of the most sophisticated and persuasive sort. Morgan created something called the New York "guarantee syndicate" to make sure there was no run on gold during the election season. An assistant treasury secretary noted "the curious spectacle of the U.S. finances being controlled by a committee, of which J. P. Morgan is chairman and the majority of whom are

Hebrews, while the Secretary of the Treasury sits, practically powerless in his office." Out on the hustings pamphlets, cartoons, ads, and editorials waged cultural and intellectual war for the mind of the public. The insidious "prejudice . . . against everything upon the money question which emanated from the vicinity of Wall Street" had to be extirpated. Through a combination of reasoned argument and unreasoning fear, they convinced multitudes that civilization itself was at stake, that: "Massed capital—without which civilization cannot advance, or even exist—is to be dispersed, scattered, redistributed and the sole source of industrial sustenance destroyed."

Victory meant staffing the McKinley administration with friendly faces. Victory meant shoring up control of the U.S. Senate, a body that already by the late 1880s was widely thought of as a "millionaires club," each of whose members, in William Allen White's view, "represented something more than a state, more even than a region. He represents principalities and powers in business. One Senator . . . represents the Union Pacific Railway System; another the New York Central, still another the insurance interests of New York and New Jersey. . . ." Victory meant the Gold Standard Act of 1900, which would purportedly put an end once and for all to the speculative extravagance and the recklessness of marginal producers chasing a pipe dream. Victory in 1900 was so exhilarating, confirming as it did the abject capitulation of the enemy, that all on its own it ignited an airborne bull market on the Street, the second highest in the Exchange's history. Above all, victory was an elixir that seemed to validate in the popular arena Wall Street's soaring self-esteem.²³

Intoxicated in this way one could easily lose perspective, which is what happened when Morgan's impolitic candor roused Roosevelt's ire. But as a practical matter, Morgan was not far off the mark. A series of discreet "gentleman's agreements," arrived at in confidence behind closed doors between the investment banking community and appropriate functionaries in the Justice, Commerce, Interior, and other interested departments, became the means whereby the desires and deliberations of corporate-financial overseers were translated into public policy. Morgan's wide-ranging interests were watched over and promoted by trusted lieutenants like Elbert Gary, representing U.S. Steel, and George Perkins,

acting in behalf of International Harvester. They shared proprietary information on a need-to-know basis with executive branch officials, consulting on possible legislative alternatives, all the while protecting against surprise attacks either through Congress or the courts. Roosevelt's newly created Bureau of Corporations in the Commerce Department would, for example, lay out whatever reservations it might have about the behavior of some particular combine and allow the corporation to clean up these technical transgressions without fear of prosecution.

These agreements amounted to a quasi-private/quasi-public form of regulation, allowing for the private resolution of disputes between the great corporations and the government without ventilating those matters in public debate. The idea, as the *Wall Street Journal* editorialized, was to strike the proper "balance between the government and the corporations." The amendments to the Sherman antitrust law embedded in the Hepburn Act of 1908, which allowed the executive to distinguish between "good" and "bad" trusts, were cooked up in just this manner. The initial testiness between the Street and Theodore Roosevelt gradually eased.²⁴

"Gentlemen" were assumed to put self-interest to one side in pondering matters of public import. This conceit was less disingenuous than it may seem. The "morganizers" genuinely sought an end to the economic and social chaos endemic to an order of things wholly given over to the pursuit of the narrowest self-interest. One might say, fairly, that it was in their corporate self-interest to achieve that end; moreover, that some of them at least adopted an even more general view, one that identified the national welfare with their own dispassionate, statesmenlike efforts to guide the country down the road of economic integration, efficiency, and ordered progress. This was a credible enough fiction to keep aloft images of Morgan, for example, as a kind of social umpire and cabinet secretary without portfolio.

The bitter anthracite coal strike of 1902 captured the antimonies. A pure form of hatred scarred relations between miners and owners. In perhaps the most infamous utterance of employer arrogance and tyranny, George F. Baer, speaking for the mine owners, declared that the rights and interests of the laboring man would be best protected "not by labor agitators, but by the Christian men to whom God in his infinite wisdom has given control of the property interests of the country." Most of the struck

companies were captive mines controlled by Morgan-run railroads like the Erie and the Reading. The mine workers knew well who pulled the strings and composed this ditty to the tune of a contemporary popular song, "Just Break the News to Mother":

*Just break the news to Morgan that great official organ,
And tell him we want ten percent of increase in our pay.
Just say we are united and that our wrongs must be righted,
and with these unjust company stores of course we'll do away.*

Yet despite this aggravated class consciousness, Morgan, along with E. H. Harriman, "paramount symbols of the bloated plutocracy," came forth to mediate the strike, serving alongside the president himself as figures of disinterested sagacity, seeking an equitable resolution of the crisis, fair to both sides. In fact his reputation as a guardian of social harmony preceded the coal strike. So a 1901 cartoon entitled "Hold on Boys" depicted Morgan sturdily holding apart two embattled figures ready to come to blows, one with his top hat and cane, the other with his lunch box and tool kit lying on the floor nearby.²⁵

Morgan's apotheosis came in 1907. To this day the story of the financial panic of that year gets retold every time there's a major blowup on Wall Street. The drama of the tale runs invariably like this: Those were the days when a single man held the fate of the nation in his hands. He acted with courage, decisiveness, and cool deliberation when all around him, dignified bankers and brokers, were frozen with fear, paralyzed into fatal inaction, or caught up in a cowardly race to protect themselves, no matter the consequences. If Morgan had not intervened to quarantine the rapidly spreading contagion, had he not by the very force of his personality and his enormous moral capital as the country's trusted if unofficial central banker, compelled his fellow financiers to pony up the necessary capital to save key tottering institutions, there is little doubt the country would have suffered a severe and protracted crash; indeed one not confined to America since the Tokyo and London markets plummeted on the news from New York, and foreign investors had long since come to rely implicitly on Morgan's recommendations and judgments. His heroics were

evidence of his extraordinary power and his just as extraordinary disinterested deployment of that power. He was a government unto himself acting on behalf of all. Even New York City, in the person of Mayor George B. McClellan (son of the Civil War general), approached the syndicate to save the city from an embarrassing \$30 million shortfall in its payroll. The syndicate obliged.

Bernard Berenson, celebrated art critic, writer, and the banker's chief adviser as he went about amassing one of the world's most impressive private art collections, struck a note of exaltation: "Morgan should be represented as buttressing up the tottering fabric of finance the way Giotto painted St. Francis holding up the falling Church with his shoulder." Dissenting views that the great banker had personally profited, that indeed he might have provoked the panic as a means to other mercenary ends, were dismissed as calumnies by the president who was quite openly grateful. Roosevelt praised "those influential and splendid businessmen... who have acted with such wisdom and public spirit" to accomplish what many were coming to believe ought to be a government responsibility.²⁶

In the aftermath of the near catastrophe of 1907, it became customary for Morgan to work with his friendly rivals, George F. Baker of First National Bank and James Stillman of National City Bank, to watch over the country's liquidity and money supply and steer its major banking institutions. They came to be known as the "Trio," carrying out, in effect, the work of a private central bank. Monitoring such a vital artery of national well-being could not forever remain a strictly private affair, however. The white-shoe ruling elite soon busied itself shaping the legislation everyone anticipated. So it was that in late November 1910, five men traveled to Jekyll Island, a secluded millionaire's retreat off the Georgia coast, disguised as hunters. Actually, Senator Nelson Aldrich (dubbed "the boss of the United States" by Lincoln Steffens), Henry P. Davison of the Morgan bank, Frank A. Vanderlip of Rockefeller's National City Bank, Paul Warburg of Kuhn, Loeb, and Harvard economist A. Piatt Andrew had no intention of hunting. They were there as draftsmen, determined to put together legislation that would answer the call for public oversight over the nation's monetary system while preserving the prerogatives of Wall Street's trusteeship.

In the end, the Federal Reserve system emerged as a hybrid concoction, reflecting more than the views of the Jekyll Island duck hunters. It allowed for a greater degree of public control over monetary affairs than they might have wished. Nonetheless, it marked a definitive moment in the evolution of the investment elite's career as a ruling class, translating their economic and social power into formal political authority, albeit imperfectly. Nor was it a provincial and selfish piece of legislation, but rather one conceived from the disinterested standpoint of keeping the whole social machine in good working order. As James Dill forecast back in 1900, "Industrial combinations are producing a new class of financiers, a new order of corporate men," prepared to assume the burden that went along with functioning as the general staff for the nation's political economy.²⁷

Wall Street's "new order" made itself felt in foreign affairs as well. Henry Adams was among the first to notice that the tidal waves of liquid capital flowing into the Street were the wherewithal of a new American independence from Europe and heralded the dawn of an imperial age. A great creditor nation, in perpetual search of new outlets for investment and new markets, abroad naturally gravitated toward an imperial diplomacy. Men like Elihu Root—McKinley's secretary of war, a political eminence *gris* since the 1860s, legal and political adviser to Morgan, Whitney, Thomas Fortune Ryan, and other noteworthies on the Street—pursued a grand vision. Root and his conferees imagined a kind of globalized "morganization," a trustified, consolidated, centralized world order of enduring stability. The ambassadorships in Paris, Berlin, Tokyo, and London were filled by men long affiliated with one or another of the dominant investment banking groups, men who shared this perspective.

Beginning with the Roosevelt regime and continuing on through the 1920s, one initiative of this global strategy extended American power and influence to less-developed regions of the world, in Central and South America particularly. There shaky governments in desperate need of capital received private bank loans with the proviso that they also welcome fleets of financial advisers empowered to install modern financial and administrative practices. The presumption was that such hothouse arrangements, incubated by Wall Street experts, would give birth to expanded trade and higher living standards for all, not to mention a more reliable

places like the Dominican Republic, Haiti, Liberia, Nicaragua, and Venezuela, the denouement was not always so neat. Now and again the Marines had to pay a visit to settle things down, and fledgling democracies gave way to military dictatorships. Still, they were not conceived as naked grabs for pelf and power, but rather as statesmenlike efforts by a financial-political elite to replace corrupt and rapacious interests with enlightened ones.

Morgan's bank, along with Kuhn Loeb, National City, and First National Bank, led the way in reaching out to the rest of the world, even as far away as China, with a Morgan loan in 1909. Indeed, Morgan personally involved himself in delicate forms of private diplomacy. So, for example, his energetic efforts to fashion an international shipping trust (International Mercantile Marine) entailed a serious threat to German and British commercial suzerainty and military security. With Roosevelt's blessing Morgan actually met with the kaiser and King Edward VI, together with ministry and State Department officials, to soothe ruffled feathers while relentlessly promoting America's newest manifest destiny. Root, and Adams's old friend John Hay, lent their support to this Wall Street demarche. The great banker not only lent money to both sides in the Russo-Japanese War, he lent his services as well to the mediation efforts of the great powers, and then helped bail out the czar's bankrupt government when the war ended. London would remain the center of the financial universe until World War I, but the global balance was already tilting West.²⁸

These Wall Street forays into domestic politics as well as international relations were presumptuous and disinterested at one and the same time. They were the handiwork of a ruling stratum that saw itself and was seen by others as the bearer of order, reason, and gentlemanly cooperation. These were the gifts they brought to the running of the economy and to the society to which it gave life. An oligopoly of wealth-producing financial über-institutions manned by patricians, if left undisturbed by government meddling, could be trusted to do the right thing. Even their most lavishly appointed social get-togethers had a soberer purpose: "Here too were enjoyed unsung but productive . . . gatherings which helped those in authority to bear the burdens and carry on the tasks of their offices . . . the very walls

whisper of the state secrets they have heard, of decisions that have helped mold the political fate of the world."²⁹

AS WALL STREET occupied the commanding heights of the economy, as it assumed a directing role in matters of state, so, too, did its more public-spirited members step forward as missionaries of high culture and exemplars of a distinct social style that marked their ascendancy. This role of cultural and social guardianship hardly appealed to the Street en masse. Many were more than content simply to count their money and play with it. A critical number, however, turned their attention to the realm of cultural capital.

High society in New York remained a remarkably provincial, clannish, and cloistered habitat well into the nineteenth century. Edith Wharton's *Age of Innocence*, for example, is practically an anthropological account of all the many ways the old Knickerbocker patricate armored itself against the gale force winds of change, blowing in particularly from the direction of Wall Street. Social ritual, architectural style, residential geography, interior decoration, indoor and outdoor entertainments, marriage arrangements, and dynastic hierarchies all groaned and cracked and finally gave way under the strain. New York Society was forced open. Less-adaptable elements of "old New York" fell into social oblivion. Others with a stronger instinct for survival fused, sometimes reluctantly, with the rising plutocracy. Society became infinitely more fluid. In Wharton's novel, Julius Beaufort, a bon vivant and lecherous banker whose enormous wealth wins him a provisional pass into the inner sanctum, is mercilessly cast out once his Wall Street speculations are exposed. But within a generation his daughter marries her way back into the charmed circle. The vector of the future was unmistakable.

It came to be known all over the world as "the corner." The massively squat building at 23 Wall Street, catty-corner to the New York Stock Exchange and Federal Hall, was where the House of Morgan presided. Short and dense, towered over by heavily ornamented skyscrapers, it stood there as a widely acknowledged metaphor of the bank's discretion, self-

run by George Peabody in London, which the Morgan family acquired in 1838. Along with the bank the Peabody legacy turned out to include a serious commitment to cultural uplift. George Peabody was probably the first major cultural philanthropist to hail from Wall Street. Praised by both Victor Hugo and British Prime Minister William Gladstone for doing God's work, Peabody was responsible for the creation of the Peabody Institute in Baltimore, the natural history museum at Yale, the archaeology/Egyptology museum at Harvard, and an educational fund for emancipated slaves in the South.

For many years Peabody was practically unique. As *The Nation's* E. L. Godkin remarked, "Plenty of people know how to get money; but not very many know best what to do with it. To be rich properly is indeed a fine art. It requires culture, imagination, and character." In a sense, then, "morgанизation" as a cultural undertaking entailed the arduous process of converting a plutocracy into a socially conscious aristocracy.³⁰

After the Civil War, institutions of high culture were often treated first of all as arenas of invidious distinction and social emulation. This was especially true of the newly wealthy, growing numbers of whom lived out their lives in and around Wall Street in rituals consecrated to the purest form of moneymaking. For their families, for their wives in particular, that money was supposed to purchase entrée into all the exclusive preserves—clubs, civic groups, social gatherings, honorific posts—that marked off the boundaries of the ancien régime. The Anglo-Dutch elite jealously guarded those preserves. Skirmishes broke out all along the lines of social exclusivity. Perhaps the most decisive battle was fought at the Academy of Music.

All through the mid-nineteenth century the academy represented the epitome of Knickerbocker clannish elitism and cultural pretension. Its eighteen boxes were reserved for that caste's most lordly families. As the ranks of the financial nouveaux elite swelled in numbers, as their fortunes dwarfed those of their social superiors, the number eighteen came to seem a cruel mockery of their ambitions. Not only was the old guard determined to hold the line at eighteen, but when the truly astronomical sum of \$30,000 was offered for one of those precious chambers, they closed ranks and refused to sell to someone lacking in pedigree. If such déclassé