

Handout 3 Morgan and Vanderbilt - Documents

J.P. Morgan

One of the most powerful bankers of his era, J. P. (John Pierpont) Morgan (1837-1913) financed railroads and helped organize U. S. Steel, General Electric, and other major corporations. The Connecticut native followed his wealthy father into the banking business in the late 1850s, and in 1871 formed a partnership with Philadelphia banker Anthony Drexel. In 1895, their firm was reorganized as J.P. Morgan & Company, a predecessor of the modern-day financial giant JPMorgan Chase [& Co.]. Morgan used his influence to help stabilize American financial markets during several economic crises, including the panic of 1907. However, he faced criticism that he had too much power and was accused of manipulating the nation's financial system for his own gain. The Gilded Age titan spent a significant portion of his wealth amassing a vast art collection.

J.P. Morgan: Early Years and Family

John Pierpont Morgan was born into a distinguished New England family on April 17, 1837, in Hartford, Connecticut. One of his maternal relatives, James Pierpont (1659-1714), was a founder of Yale University; his paternal grandfather was a founder of the Aetna Insurance Company; and his father, Junius Spencer Morgan (1813-90), ran a successful Hartford dry-goods company before becoming a partner in a London-based merchant banking firm. After graduating from high school in Boston in 1854, Pierpont, as he was known, studied in Europe, where he learned French and German, then returned to New York in 1857 to begin his finance career

In 1861, Morgan married Amelia Sturges, the daughter of a wealthy New York businessman. Amelia Morgan died of tuberculosis four months after the couple's wedding. In 1865, Morgan married Frances Louisa Tracy (1842-1924), the daughter of a New York lawyer, and the pair eventually had four children.

J.P. Morgan: Banking Titan

During the late 19th century, a period when the U. S. railroad industry experienced rapid over-expansion and heated competition (the nation's first transcontinental rail line was completed in 1869), Morgan was heavily involved in reorganizing and consolidating a number of financially troubled railroads. In the process, he gained control of significant portions of these railroads' stock and eventually controlled an estimated one-sixth of America's rail lines.

J.P. Morgan: Congressional Investigation

During Morgan's era, the United States had no central bank so he used his influence to help save the nation from disaster during several economic crises. In 1895, Morgan assisted in rescuing America's gold standard when he headed a banking syndicate that loaned the federal government more than \$60 million. In another instance, the financial panic of 1907, Morgan held a meeting of the country's top financiers at his New York City home and convinced them to bail out various faltering financial institutions in order to stabilize the markets.

Morgan initially was widely commended for leading Wall Street out of the 1907 financial crisis; however, in the ensuing years the portly banker with the handlebar mustache and gruff manner faced increasing criticism from muckraking journalists, progressive politicians and others that he had too much power and could manipulate the financial system for his own gain. In 1912, Morgan was called to testify before a congressional committee chaired by U. S. Representative Arsene Pujo (1861-1939) of Louisiana that was investigating the existence of a “money trust,” a small cabal of elite Wall Street financiers, including Morgan, who allegedly colluded to control American banking and industry. The Pujo Committee hearings helped bring about the creation of the Federal Reserve System in December 1913 and spurred passage of the Clayton Antitrust Act of 1914.

History.com Staff. (2009). J. P. Morgan. Retrieved from <http://www.history.com/topics/john-pierpont-morgan>

Cornelius Vanderbilt

Shipping and railroad tycoon Cornelius Vanderbilt (1794-1877) was a self-made multi-millionaire who became one of the wealthiest Americans of the 19th century. As a boy, he worked with his father, who operated a boat that ferried cargo between Staten Island, New York, where they lived, and Manhattan. After working as a steamship captain, Vanderbilt went into business for himself in the late 1820s, and eventually became one of the country's largest steamship operators. In the process, the Commodore, as he was publicly nicknamed, gained a reputation for being fiercely competitive and ruthless. In the 1860s, he shifted his focus to the railroad industry, where he built another empire and helped make railroad transportation more efficient. When Vanderbilt died, he was worth more than \$100 million.

Cornelius Vanderbilt: Early Years

A descendant of Dutch settlers who came to America in the mid-1600s, Cornelius Vanderbilt was born into humble circumstances on May 27, 1794, on Staten Island, New York. His parents were farmers and his father also made money by ferrying produce and merchandise between Staten Island and Manhattan in his two-masted sailing vessel, known as a periauger. As a boy, the younger Vanderbilt worked with his father on the water and attended school briefly. When Vanderbilt was a teen he transported cargo around the New York harbor in his own periauger. Eventually, he acquired a fleet of small boats and learned about ship design.

In 1813, Vanderbilt married his cousin Sophia Johnson, and the couple eventually had 13 children. (A year after his first wife died in 1868, Vanderbilt married another female cousin, Frank Armstrong Crawford, who was more than four decades his junior.)

Cornelius Vanderbilt: Steamships

In 1817, Vanderbilt went to work as a ferry captain for a wealthy businessman who owned a commercial steamboat service that operated between New Jersey and New York. The job provided Vanderbilt the opportunity to learn about the burgeoning steamship industry. In the late 1820s, he went into business on his own, building steamships and operating ferry lines around the New York region. Shrewd and aggressive, he became a dominant force in the industry by engaging in fierce fare wars with his rivals. In some cases, his competitors paid him hefty sums not to compete with them. (Throughout his life, Vanderbilt's ruthless approach to business would earn him numerous enemies.)

In the 1840s, Vanderbilt constructed a large brick home for his family at Washington Place, in Manhattan's present-day Greenwich Village neighborhood. Despite his growing wealth, the city's elite residents were slow to accept Vanderbilt, considering him rough and uncultured.

In the early 1850s, during the California Gold Rush, a time before transcontinental railroads, Vanderbilt launched a steamship service that transported prospectors from New York to San Francisco via a route across Nicaragua. His route was faster than an established route across Panama, and much speedier than the other alternative, around Cape Horn at the southern tip of South America, which could take months. Vanderbilt's new line was an instant success, earning more than \$1 million (about \$26 million in today's money) a year.

Cornelius Vanderbilt: Railroads

In the 1860s, Vanderbilt shifted his focus from shipping to the railroad industry, which was entering a period of great expansion. He gained control of a number of railway lines operating between Chicago and New York and established an interregional railroad system. According to T.J. Styles, author of “The First Tycoon: The Epic Life of Cornelius Vanderbilt”: “This was a major transformation of the railroad network, which previously had been fragmented into numerous short railroads, each with its own procedures, timetables, and rolling stock. The creation of a coherent system spanning several states lowered costs, increased efficiency, and sped up travel and shipment times.”

Vanderbilt was the driving force behind the construction of Manhattan’s Grand Central Depot, which opened in 1871. The station eventually was torn down and replaced by present-day Grand Central Terminal, which opened in 1913.

Cornelius Vanderbilt: Final Years

Unlike the Gilded Age titans who followed him, such as steel magnate Andrew Carnegie (1835-1919) and oil mogul John Rockefeller (1839-1937), Vanderbilt did not own grand homes or give away much of his vast wealth to charitable causes. In fact, the only substantial philanthropic donation he made was in 1873, toward the end of his life, when he gave \$1 million to build and endow Vanderbilt University in Nashville, Tennessee. (In a nod to its founder’s nickname, the school’s athletic teams are called the Commodores.)

The Vanderbilt mansions associated with the Gilded Age, including the Breakers in Newport, Rhode Island, and the Biltmore in Asheville, North Carolina, were built by Cornelius Vanderbilt’s descendants. (The 250-room Biltmore estate, constructed in the late 19th century by one of Vanderbilt’s grandsons, is the largest privately owned home in the United States today.)

Vanderbilt died at age 82 on January 4, 1877, at his Manhattan home, and was buried in the Moravian Cemetery in New Dorp, Staten Island. He left the bulk of his fortune, estimated at more than \$100 million, to his son William (1821-85).

History.com Staff. (2010). Cornelius Vanderbilt. Retrieved from <http://www.history.com/topics/cornelius-vanderbilt>