

# MONEY TRUST INVESTIGATION

---

---

## INVESTIGATION

OF

## FINANCIAL AND MONETARY CONDITIONS IN THE UNITED STATES

UNDER

HOUSE RESOLUTIONS NOS. 429 AND 504

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON  
BANKING AND CURRENCY

---

## PART 15

---

WASHINGTON  
GOVERNMENT PRINTING OFFICE

1913

**SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY.**

**HOUSE OF REPRESENTATIVES.**

**ARSÈNE P. PUJO, Louisiana, *Chairman.***

**WILLIAM G. BROWN, West Virginia.**

**GEORGE A. NEELEY, Kansas.**

**ROBERT L. DOUGHTON, North Carolina.**

**HENRY McMORRAN, Michigan.**

**HUBERT D. STEPHENS, Mississippi.**

**EVERIS A. HAYES, California.**

**JAMES A. DAUGHERTY, Missouri.**

**FRANK E. GUERNSEY, Maine.**

**JAMES F. BYRNES, South Carolina.**

**WILLIAM H. HEALD, Delaware.**

**R. W. FONTENOT, *Clerk.***

**A. M. McDERMOTT, *Assistant Clerk.***

# MONEY TRUST INVESTIGATION.

SUBCOMMITTEE OF THE COMMITTEE  
ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES,  
*Washington, D. C., Thursday, December 19, 1912.*

The subcommittee met at 10.30 o'clock a. m.

Present: Messrs. Pujo (chairman), Stephens, Daugherty, Byrnes, Neely, McMorran, Hayes, and Heald.

Present also: Samuel Untermyer, Esq., of New York City, counsel for the committee.

## TESTIMONY OF MR. J. PIERPONT MORGAN—Continued.

The CHAIRMAN. There being a quorum of the committee present, the committee will be considered in session and the examination of Mr. Morgan will be resumed.

Mr. UNTERMYER. Mr. Morgan, can you give the committee a statement of the total amount of deposits of your banking firm in New York as of the 1st of November, 1912, including all deposits?

Mr. MORGAN. I have not got it here, sir.

Mr. UNTERMYER. Can you approximate it?

Mr. MORGAN. I should think one hundred millions.

Mr. UNTERMYER. You have given us a statement of upward of eighty-one millions held by your banking house in New York on behalf of interstate corporations?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Seventy-three interstate corporations, I believe?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Would you say, then, that there are only about twenty millions of average deposits outside of those?

Mr. MORGAN. I should think there were more than that.

Mr. UNTERMYER. So I supposed.

Mr. MORGAN. Say one hundred to one hundred and ten. I can not give the exact figures.

Mr. UNTERMYER. Will you furnish those figures to be put in the record?

Mr. MORGAN. I will.

Mr. UNTERMYER. Does your banking house pay interest on these interstate deposits?

Mr. MORGAN. We do, sir.

Mr. UNTERMYER. Are you, or is any member of your firm, a director in the corporations that deposit their funds, or a part of their funds, with your banking house in New York?

Mr. MORGAN. With some of them.

Mr. UNTERMYER. Will you furnish the committee with a statement of those interstate corporations that are represented on the board by some member of your firm?

Mr. LINDABURY. We have done that.

Mr. MORGAN. I think you have them already on file.

Mr. UNTERMYER. No; we have no such information. I am referring to interstate corporations that have accounts with J. P. Morgan & Co.

Mr. LINDABURY. I did not get the latter part of your question.

Mr. UNTERMYER. We have no such statement; but you will furnish it?

Mr. MORGAN. Yes. Any statement of that kind you shall have, sir, with great pleasure.

Mr. UNTERMYER. That is, we want the names of those of the interstate corporations in which some member of your firm is a director and those that are depositors with J. P. Morgan & Co.

Mr. MORGAN. Yes.

Mr. UNTERMYER. Has the firm of Morgan, Drexel & Co., of Philadelphia, the same method of doing business; that is, so far as concerns the receipt of deposits from interstate corporations?

Mr. MORGAN. They have, sir.

Mr. UNTERMYER. And do you know the extent of its deposits?

Mr. MORGAN. I do not think I have them here. I do not, myself; no, sir.

Mr. UNTERMYER. And you can not approximate them from memory?

Mr. MORGAN. No; I could not from memory.

Mr. UNTERMYER. Will you be good enough to furnish the committee with that data as of January 1, 1912, and November 1, 1912?

Mr. MORGAN. We will, sir.

Mr. UNTERMYER. There is no objection to that?

Mr. MORGAN. Not at all.

Mr. UNTERMYER. As to the London and Paris houses, have you the same system of doing business there? Do you receive deposits there?

Mr. MORGAN. Not to any great extent, sir. I can not say that we do not take any.

Mr. UNTERMYER. They would be infinitesimal, would they?

Mr. MORGAN. Comparatively; yes, sir. In the case of the Paris house, of course, the business is largely that of travelers who happen to be in Europe; but there is no commercial business.

Mr. UNTERMYER. I am not speaking of letters of credit or that class of deposits. I am speaking of deposits against check by interstate corporations.

Mr. MORGAN. We do not keep those accounts to any extent.

Mr. UNTERMYER. At the adjournment last evening, Mr. Morgan, we were discussing this subject of fiscal agents.

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. I think you have here, have you not, one or two of those fiscal agency agreements?

Mr. MORGAN. I think so.

Mr. LINDABURY. We telegraphed for them overnight and have gotten them.

Mr. MORGAN. Shall I hand them to you?

Mr. UNTERMYER. If you please. [The papers referred to were handed to Mr. Untermyer.]

Mr. MORGAN. You will find that these are divided into two sections, the New York Central and allied lines and the New Haven and allied lines.

Mr. UNTERMYER. Are these copies that we may use, or are they the originals?

Mr. LINDABURY. They are copies that you may use.

Mr. UNTERMYER. How many such agreements have you in all, do you know?

Mr. MORGAN. In writing? I think that is all we have.

Mr. UNTERMYER. How many such fiscal agency arrangements are there outstanding?

Mr. MORGAN. None, except what you have there—except by tacit agreement.

Mr. UNTERMYER. That is what I meant. You are acting as fiscal agents for a number of these corporations, are you not?

Mr. MORGAN. We are; yes, sir.

Mr. UNTERMYER. Among others, for the United States Steel Corporation, are you not?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. And that is under a resolution of the Steel Corporation?

Mr. MORGAN. That is under a resolution of the Steel Corporation. I know of no other. There is no written agreement.

Mr. UNTERMYER. But all the others are merely by word of mouth?

Mr. MORGAN. By correspondence or word of mouth.

Mr. UNTERMYER. I will read this into the record.

Resolution at a meeting of the board of directors of the New York Central & Hudson River Railroad Co., 16th of December, 1908:

*Resolved*, That J. P. Morgan & Co. be, and they hereby are, appointed sole agents of this company to act for it whenever it requires the services of bankers to dispose of its securities. Such securities offered by them to the public shall be at such price and their commission on the sale thereof shall be such as may be agreed upon by them and the finance committee of this company. Said J. P. Morgan & Co. shall, on request, advance to this company upon the securities thus offered to the public, as collateral, up to 75 per cent of said offered price, such loans to be repayable within one year. This agency may be terminated at any time on 30 days' notice by either party. The secretary is directed to advise Messrs. J. P. Morgan & Co. of this appointment and to receive their acceptance thereof.

Then follows the acceptance.

Was this resolution followed by a written agreement?

Mr. MORGAN. Nothing more than that, sir.

Mr. UNTERMYER. Nothing more than the resolution and its acceptance in writing?

Mr. MORGAN. It is all in the correspondence there.

Mr. UNTERMYER. Who was the chairman of the finance committee of the New York Central & Hudson River Railroad Co. at that time?

Mr. MORGAN. The president.

Mr. UNTERMYER. Were you a member of the committee?

Mr. MORGAN. I do not think so. I do not believe I was here. What is the date of that?

Mr. UNTERMYER. The date of this is the 16th of December, 1908.

Mr. MORGAN. I do not think I was here, but I do not remember. I am a member of the finance committee.

Mr. UNTERMYER. You are a member of the finance committee?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Of how many does the finance committee consist?

Mr. MORGAN. I think it consists of six—five or six.

Mr. UNTERMYER. And you have been for many years a member of the board of directors of the New York Central?

Mr. MORGAN. Yes; about 35 years, I think.

Mr. UNTERMYER. And a member of the executive committee?

Mr. MORGAN. And a member of the executive committee.

Mr. UNTERMYER. I will read this resolution, passed at a meeting of the board of directors of the Michigan Central Railroad Co., held at the Grand Central Depot the 16th of December, 1908.

Mr. LINDABURY. What is that date?

Mr. UNTERMYER. The same date and the same resolution and the same form of acceptance.

I read the same form of resolution, passed at a meeting of the board of directors of the Lake Shore & Michigan Southern, held at the Grand Central Depot the 16th of December, 1908—the same resolution and the same form of acceptance.

Then there is the same form of resolution for the Cleveland, Cincinnati, Chicago & St. Louis Railway Co., passed the same day at the Grand Central Depot, and accepted by the same form of letter.

Mr. Pardee is the secretary for all those companies, is he not?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. I read the following letter of February 2, 1911, addressed to W. C. Brown, president of the New York Central & Hudson River Railroad Co., by J. P. Morgan & Co., and the same letter to the Lake Shore & Michigan Southern, the Michigan Central, and the Cleveland, Cincinnati, Chicago & St. Louis:

DEAR SIR: The vote of the board of directors of your company on the 16th day of December, 1908, whereby we were appointed sole agents of your company to act for it whenever it requires the services of bankers to dispose of its securities, provides that our commission on the sale thereof shall be such as may be agreed upon by us and your finance committee. We are inclined to think that it would be more satisfactory, both to your company and ourselves, that a general rule be established to cover this question. We therefore propose that it be agreed that our commission on such sales shall be  $1\frac{1}{2}$  per cent on the par value of all such securities; provided, that in the case of a security having less than six years to run, then the commission shall be at the rate of one-quarter of 1 per cent for each year of the life of the security.

We also beg to confirm what we understand our Mr. Morgan has heretofore stated, that the provision in the said resolution for the advance to your company, upon securities offered to the public as collateral, up to 75 per cent of said offered price, should read "up to 90 per cent of said offered price."

Furthermore, we beg to say we are quite willing that said resolution be further amended so as to provide that if there shall be a failure on the part of your finance committee and ourselves to agree upon the price at which any particular security shall be offered to the public, then the agreement shall not apply to such security.

The acceptance of this proposition by your board will constitute an amendment or modification of the terms of said resolution.

Was there any official action taken on this last letter by any of the companies?

Mr. MORGAN. It was accepted by them all, if I remember rightly.

Mr. UNTERMYER. Was there any official action taken, so far as you know? I see nothing in the way of correspondence or copies of resolutions on that subject.

Mr. MORGAN. I assume so, because it has been acted upon since.

Mr. UNTERMYER. Have any issues of New York Central securities been made in the past 10 years except through your house of J. P. Morgan & Co.?

Mr. MORGAN. The last 10 years? I think so.

Mr. UNTERMYER. Can you recall any?

Mr. MORGAN. I can not recall that, but I am sure there have been.

Mr. UNTERMYER. Have any in the past five years been so made?

Mr. MORGAN. I do not remember, Mr. Untermyer.

Mr. UNTERMYER. Not so far as you can now recall?

Mr. MORGAN. Not that I recall at the moment, although I think they have.

Mr. UNTERMYER. If they have, perhaps Mr. Davison can tell you and give you the data.

Mr. MORGAN. Mr. Davison will be in a condition to answer that, I presume.

Mr. UNTERMYER. If there have been, we would like to know what they are.

Mr. MORGAN. Yes.

Mr. UNTERMYER. You have issued during that time, through J. P. Morgan & Co., some hundreds of millions of securities?

Mr. MORGAN. Oh, yes, sir.

Mr. UNTERMYER. And they have all been handled by you on the commission basis?

Mr. MORGAN. That I do not know.

Mr. UNTERMYER. You bought them outright and resold them?

Mr. MORGAN. Since that date, that is so.

Mr. UNTERMYER. With respect to the New Haven, how long have you had an agency arrangement with them?

Mr. MORGAN. Since the date of those documents.

Mr. UNTERMYER. Prior to that, were you not the fiscal agent of the New Haven?

Mr. MORGAN. What?

Mr. UNTERMYER. Prior to that was not your firm the fiscal agent of the New York & New Haven Road?

Mr. MORGAN. When?

Mr. UNTERMYER. Prior to these documents?

Mr. MORGAN. I know we had financial arrangements with them, but nothing formal.

Mr. UNTERMYER. You had nothing in writing?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Were you not their financial agents and had you not been for many years?

Mr. MORGAN. I think we had.

Mr. UNTERMYER. Do you recall other large issues of securities the New Haven road has made except through the firm of J. P. Morgan & Co. in recent years?

Mr. MORGAN. I do not recall them now, but I am very sure there have been.

Mr. UNTERMYER. Within what period of time?

Mr. MORGAN. Within 10 years.

Mr. UNTERMYER. Do you recollect any instance in either company, within 10 years, at this time?

Mr. MORGAN. No; I can not.

Mr. UNTERMYER. I will read this letter into the record:

NOVEMBER 17, 1910.

Mr. CHARLES S. MELLENS,  
*President New York, New Haven & Hartford Railroad Co., etc.*

DEAR SIR: Referring to recent conferences respecting a fiscal agency agreement between ourselves and your companies, we would be pleased to act as fiscal agents on the following understanding:

From time to time as either of your companies may desire to sell its securities we will give it the benefit of our counsel and advice, with a view of obtaining the best possible results to the company, and in its behalf we will offer such securities for sale at prices mutually satisfactory. In case there should be radical disagreement regarding the value of the company's securities to be offered, then this agreement is to be suspended as to such securities.

Pending the sale of any such securities or the realization of the proceeds thereof, we will loan to the company from time to time, upon the securities then offered, such sum as it may desire, not exceeding in the aggregate 90 per cent of the offered price agreed upon, payable at any time within one year, as the company may in each instance elect, the company's notes for such loans to bear interest at a fair rate to be determined in each instance according to the circumstances, such rate not to exceed in any instance 6 per cent per annum.

In view of such unlimited commitment to loan up to 90 per cent, we would want it understood that we shall be the sole agents of the company in the sale of its securities while the arrangement shall remain in force. This obligation will be binding upon us at all times, regardless of monetary conditions then prevailing.

As compensation for all services rendered we will accept a commission of 1½ per cent of the par value of securities sold, payable from the proceeds of the sale.

This arrangement is not, however, to cover the handling of any financial arrangements between the company and its stockholders, such as the offering of additional stock or convertible debentures to stockholders not the temporary borrowings of the company upon its promissory notes, or, in other words, covering the issue of temporary obligations for floating debt, the company being in position to better handle this directly with the banks in the community it serves than through any financial agency.

We suggest that the arrangement continue until the lapse of 90 days after either shall have given written notice to the other of a desire to terminate it.

The written acceptance of these suggestions will be regarded as the conclusion of an agreement between us and the New York, New Haven & Hartford Railroad Co., the Maine Central Railroad Co., and the Boston & Maine Railroad Co., respectively, to the effect above stated.

Very truly, yours,

J. P. MORGAN & Co.

Mr. UNTERMYER. Does that complete all the written data you have covering this subject of fiscal agency with respect to the New York Central and the New York & New Haven?

Mr. MORGAN. And their allied lines.

Mr. UNTERMYER. It does?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Can you give us from memory a statement of the other interstate corporations for which you were acting as fiscal agents?

Mr. MORGAN. I can not.

Mr. UNTERMYER. Can you name any one of them other than the steel company?

Mr. MORGAN. I can not do it at this minute. They can be supplied you.

Mr. UNTERMYER. Can you give us an idea of how many of them there are?

Mr. MORGAN. There is another question to come in, and that is, what constitutes a fiscal agency?

Mr. UNTERMYER. What is your definition of a fiscal agency?

Mr. MORGAN. I would call a fiscal agent a person that does it by contract, or is acknowledged as such by the directors, by their annual report, for instance.

Mr. UNTERMYER. Regardless of whether you are acknowledged as fiscal agents by the annual report, would you not regard yourselves as fiscal agents for every corporation with which you had an arrangement through one of its officers?

Mr. MORGAN. Yes; provided we had a regular arrangement.

Mr. UNTERMYER. Under which you were acting as fiscal agents?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. How many of such corporations are there?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. Can you not give us any idea?

Mr. LINDABURY. We furnished the list.

Mr. MORGAN. I understand a list has already been furnished.

Mr. UNTERMYER. That list, I assume, referred only to such corporations as to which you had written, formal resolutions.

Mr. LINDABURY. It was not so intended. It was intended to be comprehensive.

Mr. MORGAN. I think we included in that statement every corporation that we considered ourselves fiscal agents for, whether by contract or otherwise.

Mr. UNTERMYER. Did you include in that all the corporations for which you were acting as fiscal agents who had issued their securities to you?

Mr. MORGAN. We included all those we considered ourselves fiscal agents for.

Mr. UNTERMYER. Just take the American Telephone & Telegraph Co., for instance. You have been acting as its fiscal agent, have you not?

Mr. MORGAN. Yes; we have, to a certain extent.

Mr. UNTERMYER. I see in answer to my question here, over the heading of "Fiscal agents," you say as to that company, "No." I suppose by that you meant, did you not, that you had no formal resolution or agreement in writing with them?

Mr. MORGAN. That is it.

Mr. UNTERMYER. You did not mean you were not acting as its fiscal agent, did you?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Is not the same true of the Southern Railway? You have been its sole fiscal agent for years, have you not?

Mr. MORGAN. Ever since the reorganization.

Mr. UNTERMYER. That is about how many years ago—1894, was it not?

Mr. MORGAN. I think it was; yes, sir.

Mr. UNTERMYER. In the data supplied to the committee, under the head of "Fiscal agents," you say with respect to that company, "No." That is, you say that you were not their fiscal agents. I suppose you meant you had no written agreement?

Mr. MORGAN. That is it.

Mr. UNTERMYER. But that company is operating under a voting trust, is it not?

Mr. MORGAN. It is.

Mr. UNTERMYER. And is that a renewal of the original voting trust that was made at the time of its reorganization in 1895?

Mr. MORGAN. An extension of it; yes, sir.

Mr. UNTERMYER. Who are the voting trustees of that company?

Mr. MORGAN. I have not the data before me.

Mr. UNTERMYER. There are three, are there not?

Mr. MORGAN. I suppose there are three. They are all in the record.

Mr. UNTERMYER. You are one of them, are you not?

Mr. MORGAN. I am one of them; yes, sir.

Mr. UNTERMYER. You are chairman of the voting trustees, are you not?

Mr. MORGAN. I think it is Mr. Baker, Mr. Lanier, and myself, but I do not remember.

Mr. UNTERMYER. That is Mr. George F. BAKER.

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Let us take another instance here, the Northern Pacific. Your firm reorganized that company, did they not?

Mr. MORGAN. We did.

Mr. UNTERMYER. You were the reorganization managers?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Was that company reorganized under a voting trust?

Mr. MORGAN. It was.

Mr. UNTERMYER. Were you one of the voting trustees?

Mr. MORGAN. I was. In that connection may I make a remark?

Mr. UNTERMYER. Certainly.

Mr. MORGAN. I produced here, thinking it might be of interest to the committee—because I was asked a question about the voting trust—the report of the voting trust of the Northern Pacific and of the Reading.

Mr. UNTERMYER. We would be glad to have those.

Mr. MORGAN. I would like to have them entered upon the record because they are very important as showing the situation with reference to the voting trust.

Mr. UNTERMYER. We will discuss that a little later.

Mr. MORGAN. I only wanted to bring it in.

Mr. UNTERMYER. That is not the agreement, is it?

Mr. MORGAN. No; that is the report of the voting trustees when they surrendered the property to the shareholders.

Mr. UNTERMYER. This is their argument as to the result of their administration?

Mr. LINDABURY. It is the account of their stewardship.

Mr. UNTERMYER. One moment, Mr. Lindabury. Please do not do that.

Mr. MORGAN. It is the report of the trustees to the stockholders.

Mr. UNTERMYER. We will come to that in due course. You were a voting trustee there?

Mr. MORGAN. I was; yes, sir.

Mr. UNTERMYER. Were your firm fiscal agents for that company?

Mr. MORGAN. We have been ever since.

Mr. UNTERMYER. And you are acting yet as fiscal agents?

Mr. MORGAN. We are—that is, as I understand it. There is no agreement that I know of.

Mr. UNTERMYER. You mean there is no writing?

Mr. MORGAN. No written agreement.

Mr. UNTERMYER. And their security has been issued through your banking house?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. I do not think we need review all of the companies in this way. I suppose we might correctly summarize the situation in respect to these fiscal agencies as follows, may we not, by saying that in the statement furnished under the head of "fiscal agents," where you said, as in the case of the Northern Pacific, that you are not the fiscal agents, you meant you were not acting under any written agreement?

Mr. MORGAN. That is it. On that point I will say that there was no written agreement. It may be by correspondence that has been going on for some years, but no formal agreement like that in the case of the New Haven and the New York Central.

Mr. UNTERMYER. Whether there is an agreement embodied in the correspondence, you do not know at the moment?

Mr. MORGAN. No.

Mr. UNTERMYER. I suppose you will furnish us with any such correspondence?

Mr. MORGAN. It goes over 15 or 20 years and it would be very extensive.

Mr. UNTERMYER. We are not alarmed by that: that does not matter if it is extensive. You will furnish it?

Mr. MORGAN. Anything you want, that we can give you.

Mr. UNTERMYER. Don't you think it would be better for these great interstate railroad corporations if they were entirely free to sell their securities in open competition than that they should be tied to any banking house, however just might be its methods in the issue of such securities?

Mr. MORGAN. I should not think so.

Mr. UNTERMYER. Take the case of the Southern Railway. During all the years it has been and is still under this voting trust. The fact is, is it not, that Mr. Baker and you, as a majority of the voting trustees, designate the directors of that company?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Don't you feel that in a sense, when it comes to issuing the securities of that company and fixing the prices on which they are to be issued, that you are in a sense dealing with yourselves?

Mr. MORGAN. I do not think so. We do not deal with ourselves.

Mr. UNTERMYER. Let us see if you do not.

Mr. MORGAN. The voting trusts—

Mr. UNTERMYER. The voting trustees name the board, do they not?

Mr. MORGAN. But when you have elected the board, then the board is independent of the voting trustees.

Mr. UNTERMYER. That is only until the next election?

Mr. MORGAN. It is during that time they act independently.

Mr. UNTERMYER. You think, therefore, that where you name a board of directors that is to remain in existence only a year and you have the power to name another board the next year, that his board so named is in an independent position to deal with your banking house as would be a board named by the stockholders themselves?

Mr. MORGAN. I think it would be better.

Mr. UNTERMYER. You think it is a great deal better?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. More independent?

Mr. MORGAN. Better.

Mr. UNTERMYER. Will you tell us why?

Mr. MORGAN. Simply because we select the best people that we can find for the positions.

Mr. UNTERMYER. Yes; but do you not see, taking the subject in a general aspect, rather than with respect to your particular banking house—

Mr. MORGAN. I am not doing that, Mr. Counsel. I am speaking from a broad point of view.

Mr. UNTERMYER. Yes. Well, speaking from a broad point of view, do you not realize that a board thus selected is under the domination of the people who name it?

Mr. MORGAN. My experience is quite otherwise, sir.

Mr. UNTERMYER. It is?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Is it your experience, then, that the people who name a board of directors and have the right to rename them, or to drop them, have less power with them than people who have no concern in naming them?

Mr. MORGAN. Very much so, sir.

Mr. UNTERMYER. And it is on that theory, is it—

Mr. MORGAN. That is my experience.

Mr. UNTERMYER. And it is on that theory, is it, that you see no objection to fiscal agency agreements between directors selected by a voting trust of which you and your firm are members?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. These issues of securities of interstate railway companies are in vast sums, are they not, running into the hundreds of millions of dollars a year—many hundreds of millions of dollars?

Mr. MORGAN. The securities?

Mr. UNTERMYER. Yes.

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. I mean, you issue many hundreds of millions a year?

Mr. MORGAN. Not many hundreds—not for the same company.

Mr. UNTERMYER. No, no; but I mean, for the different companies you issue many, many hundred millions a year, do you not?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Do you not think it would be entirely feasible that securities of such corporations should be openly marketed and should be sold by competition, just as securities of the United States Government and State governments and city administrations and municipal bonds of different kinds are sold?

Mr. MORGAN. I do not.

Mr. UNTERMYER. Do you not think there ought to be some kind of competition for them?

Mr. MORGAN. There always is a competition in the end.

Mr. UNTERMYER. No; but I mean, do you not think there should be some competition for them between the banking houses or between the original purchaser and the company?

Mr. MORGAN. No; I should think not.

Mr. UNTERMYER. You think not? There is not, in fact, any competition, is there, between the New York Central and J. P. Morgan & Co. in the purchase and sale of an issue of securities?

Mr. MORGAN. There is very apt to be.

Mr. UNTERMYER. When was there ever such a thing?

Mr. MORGAN (continuing). Because the company may think their securities are worth so much, and we may say that they would not sell for that; that they would sell for less.

Mr. UNTERMYER. Then you settle that between you, do you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. That is not what I mean by competition. What I mean by competition is this: Do you not think the company should be in a position to have other banking houses compete for these securities and perhaps get a higher price than you might think they were worth?

Mr. MORGAN. I have no doubt that could be done occasionally, but it would not be often.

Mr. UNTERMYER. Do you not think it ought to be done—that they ought to be open to that field?

Mr. MORGAN. I do not; not for the interests of the company.

Mr. UNTERMYER. You do not?

Mr. MORGAN. No.

Mr. UNTERMYER. You think it is best for the interests of the company that it should only have one purchaser available?

Mr. MORGAN. There is another point—

Mr. UNTERMYER. Do you think so? Is that your idea, Mr. Morgan?

Mr. MORGAN. There is another point that I—

Mr. UNTERMYER. Will you not first answer my question?

Mr. MORGAN. Yes; I will answer it. What is it? [The stenographer read the pending question.] I think so.

Mr. UNTERMYER. Now, if you like you may explain why that is so.

Mr. MORGAN. What I was going to say has gone out of my head. Wait a moment.

Mr. UNTERMYER. If it occurs to you later, you may state it.

Mr. MORGAN. I was simply going to say that there is another point about it, and that is this: You must remember that securities that are issued and sold do not always prove good. I do not say that that often happens, but it sometimes does.

Mr. UNTERMYER. That would not apply to bonds of the New York Central, would it?

Mr. MORGAN. Not to that particular road; but it has applied to other roads in New England and to other roads in New York State, when there is no fiscal agent or person responsible for them who will put their name on them. That is a thing which is sometimes overlooked.

Mr. UNTERMYER. But the name does not help after the bond is proved bad, does it?

Mr. MORGAN. It does in this way: The house is called upon to protect those bonds, to assist in the reorganization of the road, to make them good in case of a disaster.

Mr. UNTERMYER. But what I mean is that the banking house assumes no legal responsibility for the value of the bonds, does it?

Mr. MORGAN. No, sir; but it assumes something else that is still more important, and that is the moral responsibility which has to be defended as long as you live.

Mr. UNTERMYER. Yes; but when a bond turns out to be bad, the moral responsibility never materializes into money for the bondholder, does it?

Mr. MORGAN. It does, very often.

Mr. UNTERMYER. In what way?

Mr. MORGAN. Because the company is reorganized, and bonds are issued, and the people get their money and interest.

Mr. UNTERMYER. Let us see about that. When the bond that you have sold defaults on its interest, and the property is reorganized, it is reorganized at the expense of the property, is it not? That is, the property pays the expense of the reorganization?

Mr. MORGAN. Yes; but there is a good deal done before that.

Mr. UNTERMYER. But it does pay the expense?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Then, whatever the property can afford is given in new securities, is it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. All this time the banking house is not losing any money through its error of judgment, is it?

Mr. MORGAN. It is not necessarily the error of judgment of the banking house. There are a great many reasons—

Mr. UNTERMYER. Perhaps I ought not to have said it was an error of judgment of the banking house. Sometimes it is and sometimes it is not.

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Whatever the cause, if the bond turns out to be bad, the banking house does not suffer any monetary loss after it has distributed the bonds, does it?

Mr. MORGAN. Why, certainly; at least, they may, very seriously.

Mr. UNTERMYER. How?

Mr. MORGAN. Because they are obliged to do any number of things for the bondholders.

Mr. UNTERMYER. And they do those things out of the treasury of the company, do they not?

Mr. MORGAN. They do after the company has got a treasury or money to pay them from.

Mr. UNTERMYER. Yes, but they get their money back, do they not?

Mr. MORGAN. Not always.

Mr. UNTERMYER. In a reorganization, that is the first thing that is provided for, is it not?

Mr. MORGAN. Yes, but it does not always go through.

Mr. UNTERMYER. Will you name any instance of a railroad bond issued by your firm that proved bad, where the property was reorganized and your company personally put up any money to make the bond good, that it did not get back?

Mr. MORGAN. I can not recall any now, but there are cases of that kind.

Mr. UNTERMYER. Will you try to remember one such case, so that we may have the benefit of it?

Mr. MORGAN. I will send it to you. I can not do it now.

Mr. UNTERMYER. You do not remember any case of that kind, do you?

Mr. MORGAN. Not at the moment, no.

Mr. UNTERMYER. But the rule is—

Mr. MORGAN. There have been such cases though.

Mr. UNTERMYER. The rule is, is it not, that where there is a mistake of judgment, anywhere, and the bond is proven bad, and the road

has to be reorganized, the reorganization comes out of the security holders?

Mr. MORGAN. Not always. It comes out of the property.

Mr. UNTERMYER. Yes, but that is out of the security holders, is it not?

Mr. MORGAN. Yes?

Mr. UNTERMYER. It always comes out of them?

Mr. MORGAN. I will refer you to that report of the Reading, which will show you all that.

Mr. UNTERMYER. We will get to that in a minute. But the fact is, at the moment, that the expense of reorganization, and whatever loss there is in the property has to be borne by the security holders in the end?

Mr. MORGAN. No, sir; by the securities which are issued in the reorganization.

Mr. UNTERMYER. Yes; and those securities are issued to the underwriters in the reorganization?

Mr. MORGAN. That depends upon whose hands the reorganization is in.

Mr. UNTERMYER. Assuming that it is in the best possible hands—your own?

Mr. MORGAN. Thank you, sir.

Mr. UNTERMYER. The question then is, does not the expense and all the money necessary to reorganize the property come out of the security holders?

Mr. MORGAN. I should hardly say that. It comes out of the property.

Mr. UNTERMYER. Yes. It comes out of the property. It does not come out of the bankers, does it?

Mr. MORGAN. It comes out of the property, provided the property will pay it.

Mr. UNTERMYER. If the property will not pay it, the security holder has to take less, has he not?

Mr. MORGAN. He will have to take the property.

Mr. UNTERMYER. Yes; but all this time the banker does not suffer, does he?

Mr. MORGAN. He does, because very often he has to pay the money.

Mr. UNTERMYER. Pay the money to whom?

Mr. MORGAN. To the parties who get their interest.

Mr. UNTERMYER. But he pays it out of the property, does he not?

Mr. MORGAN. He does, if he gets it.

Mr. UNTERMYER. He does not pay anything until he does get it, does he?

Mr. MORGAN. Yes; he does, very often.

Mr. UNTERMYER. Give us one instance in which a banker has done anything more than occasionally advance the interest on the securities, and then get it back out of the property.

Mr. MORGAN. I think there are a great many cases of that kind. I can not recall—

Mr. UNTERMYER. Can you not give us one?

Mr. MORGAN. I can not recall it at the moment.

Mr. UNTERMYER. In the whole history of railroading and railroad reorganization?

Mr. MORGAN. I have had a good deal of it.

Mr. UNTERMYER. I know it; and that is the reason I am asking you to scan the whole history of it and give us a single instance in which the banker who advanced the interest on a defaulted security, or advanced any other money on a defaulted security, failed to get back his money in the reorganization.

Mr. MORGAN. I can not recall it now, sir, but I am sure there are cases.

Mr. UNTERMYER. If you find any of that sort——

Mr. MORGAN. I will give you the details of it.

Mr. UNTERMYER. It would be quite a find, would it not?

Mr. MORGAN. Yes.

Mr. LINDABURY. Would you mind our suggesting to Mr. Morgan?

Mr. UNTERMYER. Yes. I think I would rather have him go on and give testimony without suggestions. You will have the fullest opportunity, Mr. Morgan, to go over the minutes and furnish anything you want to file later.

Mr. LINDABURY. I only——

Mr. UNTERMYER. I rather object to the interruption of the examination.

Mr. LINDABURY. Mr. Untermyer, I simply put a question to you. I would not presume to make a suggestion without your permission.

Mr. UNTERMYER. Very well; we would rather have the information furnished later.

Mr. LINDABURY. Very well. When do you want it?

Mr. UNTERMYER. We want it as soon as we can get it. If I am going too fast, at any time, just let me know, Mr. Morgan.

Mr. MORGAN. You are not; that is all right.

Mr. UNTERMYER. Have you stated, now, all the reasons that occur to you why a fiscal agency giving exclusive rights to a given banking house in the securities of railroad systems is a good thing as against open competition for the sale of those securities?

Mr. MORGAN. I do not know that I have, sir, but I have stated all that occur to me at the minute.

Mr. UNTERMYER. You have stated all you care to say about it now, have you?

Mr. MORGAN. All that occurs to me; yes, sir.

Mr. UNTERMYER. Under this fiscal-agency arrangement with the United States Steel Corporation your firm has issued a large number of securities?

Mr. MORGAN. Not a great many since the formation of the company.

Mr. UNTERMYER. You issued \$250,000,000 of convertible bonds at one time, did you not, in exchange for preferred stock?

Mr. MORGAN. We exchanged them for preferred stock; yes, sir.

Mr. UNTERMYER. Have there been other issues of securities on the acquisition of different properties?

Mr. MORGAN. I do not know of any at the moment; at least, I do not recall any.

Mr. UNTERMYER. Were not bonds issued on the acquisition of Mr. Frick's property some years ago?

Mr. MORGAN. On what?

Mr. UNTERMYER. On the property Mr. Frick turned in when he became identified with the United States Steel Corporation?

Mr. MORGAN. I do not remember his turning in any property. There may have been some stock that he owned that they bought. I do not remember the details of that. I do not think the securities were publicly issued.

Mr. UNTERMYER. At the time of the organization of the United States Steel Corporation did you name the entire board of directors?

Mr. MORGAN. No. I think I passed upon it.

Mr. UNTERMYER. Did you not, as a matter of fact, name the board and pass out a slip containing the names of the board?

Mr. MORGAN. I can not say that no one else helped me in it.

Mr. UNTERMYER. Do you not remember that it was your—

Mr. MORGAN. I am willing to assume the final responsibility, if that will answer your question.

Mr. UNTERMYER. I want to know the fact, Mr. Morgan.

Mr. MORGAN. I am trying to give the fact.

Mr. UNTERMYER. Is it not a fact that you named the entire board?

Mr. MORGAN. I am endeavoring to give the fact.

Mr. UNTERMYER. Yes; I understand that.

Mr. MORGAN. But I say that whatever was done, if passing upon it and approving it is equivalent to making it, I did it.

Mr. UNTERMYER. Did you not only pass on it and approve it, but did you not further select the board and determine who should go on and who should stay off?

Mr. MORGAN. No; I probably did the latter.

Mr. UNTERMYER. Yes; and having determined who should stay off, you necessarily determined who should go on?

Mr. MORGAN. I am quite willing to assume the whole responsibility of it, Mr. Counsel.

Mr. UNTERMYER. I only want the fact. We are not characterizing it or criticizing it at all.

Mr. MORGAN. I know you are not. I understand that, sir. But you must remember that it is 12 or 14 years ago that this thing took place.

Mr. UNTERMYER. Yes; it is 14 years ago.

Mr. MORGAN. I can not recall all the conversation which led to it. I will say this, however, that whoever went on that board went with my approval.

Mr. UNTERMYER. And from time to time, as vacancies have occurred, or as the board has been changed, whoever has gone on has gone on with your approval, has he not?

Mr. MORGAN. Not always.

Mr. UNTERMYER. Has he gone on against your protest?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Nobody has gone on until he has been approved by you, has he?

Mr. MORGAN. Yes; because I have not always been here.

Mr. UNTERMYER. When you have not been here, then some representative of your firm has had that duty, has he not?

Mr. MORGAN. The question then comes up before the finance committee, first, for suggestions; but the election is made by the board.

Mr. UNTERMYER. Yes; I understand that; and the board is named by you and your associates?

Mr. MORGAN. No, sir; not now.

Mr. UNTERMYER. Nobody is nominated for that board without your approval, is he?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Is anybody nominated for it against your protest?

Mr. MORGAN. Not against my protest.

Mr. UNTERMYER. At these annual elections proxies are sent out, are they not, to the stockholders?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Who passes on the names of the persons who shall be the proxies to vote for directors?

Mr. MORGAN. The finance committee.

Mr. UNTERMYER. Are you a member of that committee?

Mr. MORGAN. I am not.

Mr. UNTERMYER. Is a member of your firm?

Mr. MORGAN. Yes; my son is a member.

Mr. UNTERMYER. And until his retirement from your firm Mr. Perkins was chairman of that committee, was he not?

Mr. MORGAN. He was for a time; not of late.

Mr. UNTERMYER. No; I say he was chairman of the finance committee until he retired from your firm, was he not?

Mr. MORGAN. No; I think—I do not remember. I think Judge Gary was before. I think Mr. Perkins retired from the committee before he retired from the firm.

Mr. UNTERMYER. Is not Judge Gary the chairman of the executive committee?

Mr. MORGAN. Yes—well, that is the finance committee.

Mr. UNTERMYER. The finance committee is the executive committee?

Mr. MORGAN. Yes, sir; the executive committee of the Steel Corporation is the finance committee. It is not named—

Mr. UNTERMYER. It has all the powers of both committees?

Mr. MORGAN. The finance committee has the full power of the board. There is no executive committee. It is called the finance committee.

Mr. UNTERMYER. You named Mr. Gary, did you not?

Mr. MORGAN. For what?

Mr. UNTERMYER. For chairman of the finance committee when Mr. Perkins resigned?

Mr. MORGAN. I think it is very likely. I do not remember.

Mr. UNTERMYER. While we are on this question of the constitution of the United States Steel Corporation will you tell me, Mr. Morgan, who fixed the prices at which the various subsidiary companies should go into the corporation?

Mr. MORGAN. In the end?

Mr. UNTERMYER. Yes, at the time of the organization of the Steel Corporation, did you fix the prices?

Mr. MORGAN. I approved the prices; yes.

Mr. UNTERMYER. It was left to you, was it not, to determine the prices at which they should go in?

Mr. MORGAN. Yes; but I was not always able to get it at the price at which I thought it ought to go in.

Mr. UNTERMYER. Yes; but on behalf of the corporation you were the one who approved the price?

Mr. MORGAN. Under the plan of formation, or whatever you may call it, the origin of the company, I passed upon it and approved it.

Mr. UNTERMYER. Yes. Who put Mr. Perkins at the head of the finance committee? Did you?

Mr. MORGAN. No; I think they did it themselves.

Mr. UNTERMYER. On the organization of the corporation?

Mr. MORGAN. Originally. The committee probably elected its own chairman. I do not remember, but my impression is—I do not remember, Mr. Counsel. I can not undertake to say.

Mr. UNTERMYER. I understand; it is very natural that you should not.

Mr. MORGAN. I can not recollect all the details of how the thing was done. I know the result.

Mr. UNTERMYER. Which committee of the Steel Corporation selects the depositories of the company—the banks, I mean?

Mr. MORGAN. The finance committee.

Mr. UNTERMYER. Who decided that J. P. Morgan & Co. should be the depository of the United States Steel Corporation?

Mr. MORGAN. That was rather *ex officio*, I think, sir.

Mr. UNTERMYER. You mean, you decided it both ways?

Mr. MORGAN. When the company was formed, J. P. Morgan & Co. had the whole company at that time, and I think that is the way it came.

Mr. UNTERMYER. You thought it was good business, and so you thought you would take it?

Mr. MORGAN. No; I did not know whether it was going to be good business or not at that time.

Mr. UNTERMYER. It proved pretty good?

Mr. MORGAN. It did; very good indeed, sir.

Mr. UNTERMYER. You did not think you were taking many chances on its being good business when you took it up, then?

Mr. MORGAN. No; but I began to have doubts when the stock went to \$8 a share afterwards.

Mr. UNTERMYER. Your doubt did not interfere with your buying heavily?

Mr. MORGAN. No; I bought all I could.

Mr. UNTERMYER. You did not have any doubt, did you?

Mr. MORGAN. Never; not for one moment.

Mr. UNTERMYER. You were getting the advantage of other people's doubts at that time?

Mr. MORGAN. Nobody ever sold it at my suggestion, sir.

Mr. UNTERMYER. No; I did not mean to assume that.

Mr. MORGAN. I know.

Mr. UNTERMYER. My question does not imply that.

Mr. MORGAN. I know.

Mr. UNTERMYER. It only implies your confidence in the company at that time?

Mr. MORGAN. I always had it, sir.

Mr. UNTERMYER. The Steel Corporation has power, has it not, to deal in its own shares?

Mr. MORGAN. That I do not know. I refer you to counsel for that corporation.

Mr. UNTERMYER. Have they dealt in their own shares frequently?

Mr. MORGAN. I do not think they ever have.

Mr. UNTERMYER. Do you know whether they have or not?

Mr. MORGAN. They must buy them for various purposes. They give them to the workmen.

Mr. UNTERMYER. I do not mean to refer to the purchases they have made of preferred stock to sell to the workmen.

Mr. MORGAN. I do not remember of any others.

Mr. UNTERMYER. I mean to ask whether or not the Steel Corporation has not at various times bought and sold its own securities?

Mr. MORGAN. I do not think so, but it may be.

Mr. UNTERMYER. Do you know?

Mr. MORGAN. I do not think they have.

Mr. UNTERMYER. You do not know, do you?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. You know they do have the power to do so?

Mr. MORGAN. I do not.

Mr. UNTERMYER. Have there been numerous buying and selling syndicates in the steel stock, to your knowledge?

Mr. MORGAN. I do not think there have been to any extent.

Mr. UNTERMYER. Do you not know of a number of such syndicates, purchasing pools or syndicates of various kinds?

Mr. MORGAN. I do not. There have been a great many syndicates formed, I have no doubt, without our knowing anything about it.

Mr. UNTERMYER. I am not speaking of those; I am speaking of the others.

Mr. MORGAN. There have been no others that I know of.

Mr. UNTERMYER. Do you know of any to which you or any of your firm have been parties?

Mr. MORGAN. I can not recall any at the moment, sir.

Mr. UNTERMYER. I do not mean to imply there are any. Mr. Morgan, but I am inquiring only to find out.

Mr. MORGAN. If I take any exceptions I will tell you so, sir. I do not misunderstand you at all, sir.

Mr. UNTERMYER. I want to inquire as to the processes and character of this business of buying and selling securities in which your firm is engaged.

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Are the securities, when they are in large issues, first underwritten before you sell them or offer them for sale?

Mr. MORGAN. Sometimes they are, sir.

Mr. UNTERMYER. At other times do you sell them by participations with one or two or three other banking houses without underwriting them?

Mr. MORGAN. Without any underwriting?

Mr. UNTERMYER. It is usually underwritten?

Mr. MORGAN. It is usually all underwritten, or none, one or the other, if the stock is sold.

Mr. UNTERMYER. Where there is not an underwriting, do you not at times divide with some other banking house, like the First National Bank, for instance?

Mr. MORGAN. Certainly we would.

Mr. UNTERMYER. You taking part and they taking part, and having no underwriting?

Mr. MORGAN. That is the same thing.

Mr. UNTERMYER. That happens?

Mr. MORGAN. That comes to the same thing.

Mr. UNTERMYER. That is not what you call an underwriting?

Mr. MORGAN. That is not an underwriting; no, sir.

Mr. UNTERMYER. But in the main, referring to the large issues of securities that you make, you underwrite those?

Mr. MORGAN. No; I should not think so; that is, we offer them to the public and the public take them.

Mr. UNTERMYER. Yes; but what I mean is this: We will say you buy \$100,000,000 of the securities of a corporation.

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you not give allotments?

Mr. MORGAN. Yes; and form a syndicate for that purpose.

Mr. UNTERMYER. You form a syndicate?

Mr. MORGAN. Yes.

Mr. UNTERMYER. What you call an underwriting syndicate?

Mr. MORGAN. Yes; an underwriting syndicate.

Mr. UNTERMYER. And then, having formed this underwriting syndicate, you propose to sell these securities for the syndicate?

Mr. MORGAN. For the syndicate? No; we sell them for the—

Mr. UNTERMYER. For the company?

Mr. MORGAN. For the company, whoever it is.

Mr. UNTERMYER. Sometimes you buy them outright, do you not?

Mr. MORGAN. Sometimes we buy them outright.

Mr. UNTERMYER. Then you sell them for the syndicate?

Mr. MORGAN. Then we sell them for the syndicate or for ourselves.

Mr. UNTERMYER. Those syndicate participations are distributed by you all over the world, are they not, to bankers and banking houses and others?

Mr. MORGAN. They are, sir, and to individuals.

Mr. UNTERMYER. Some to individuals and some to bankers and banking houses?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you have a list of those people whom you invite into these syndicate participations, have you not?

Mr. MORGAN. A regular list? No; we do not have a regular list that we go by.

Mr. UNTERMYER. I do not mean that you always go by the list.

Mr. MORGAN. No.

Mr. UNTERMYER. But you have a list, have you not, of the people who are among those to whom you offer participations?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. How large a list would you say that is?

Mr. MORGAN. How what?

Mr. UNTERMYER. How much of a list—a thousand names?

Mr. MORGAN. We have got a list. Go by the Steel Corporation, for instance. There was a syndicate of \$200,000,000.

Mr. UNTERMYER. I do not think you understand me. I understand that where you have a smaller amount of securities you do not offer them to the same underwriters, or to the same number, as where you have a larger number.

Mr. MORGAN. No; but you asked me—

Mr. UNTERMYER. Now, I want to know how many people or institutions there are in your available list?

Mr. MORGAN. I could not tell you, because you go from \$200,000,000, for instance, down to a \$50,000,000 syndicate.

Mr. UNTERMYER. I understand that; but you invite a very much less number of people into the \$50,000,000 syndicate than you do into the \$200,000,000 syndicate?

Mr. MORGAN. We might, or might not; because some people like to take a smaller amount, you know, in the one than the same number of people in the other.

Mr. UNTERMYER. I understand that; but what I am trying to get at is this. I want to know whether you keep any list of those with whom you are on such relations——

Mr. MORGAN. Not to my knowledge——

Mr. UNTERMYER (continuing). That you offer them participation in some syndicate or other?

Mr. MORGAN. Not to my knowledge.

Mr. UNTERMYER. Then, do you make up a separate list for each participation?

Mr. MORGAN. Yes.

Mr. UNTERMYER. A separate list?

Mr. MORGAN. Yes.

Mr. UNTERMYER. But it is generally in the same group, is it not?

Mr. MORGAN. It is very apt to be.

Mr. UNTERMYER. And in the same way, do other large banking institutions——

Mr. MORGAN. I want to say right here, in that connection, Mr. Counselor, that of course it depends somewhat upon the nature of the securities. For instance, you take two lists, one for one kind of business and another kind for another. The class that we would offer one form of security to we should not offer any of the other.

Mr. UNTERMYER. In other words, if you were issuing an industrial security you would probably offer participations to a different class of underwriters from that you would offer it to if you were issuing railroad bonds?

Mr. MORGAN. Exactly; that is what I wanted to say.

Mr. UNTERMYER. Yes; but those syndicate participations have been very profitable things for the banks and bankers who have taken them under your firm, have they not?

Mr. MORGAN. Yes; as a general thing they are profitable.

Mr. UNTERMYER. As a general thing they have been. There have been a few instances that have not been?

Mr. MORGAN. Otherwise you could not get any taken.

Mr. UNTERMYER. And the more profitable they have been the more they have been sought after?

Mr. MORGAN. That is so.

Mr. UNTERMYER. Do you issue a form of allotment letter to these underwriters, or do you first invite them to underwrite? Do you simply say to them that they have been allotted so much?

Mr. MORGAN. Sometimes one way and sometimes another. I mean sometimes, if the security is very much in demand, if it is in great demand, we take it and allot it the best we can.

Mr. UNTERMYER. Yes.

Mr. MORGAN. And announce to these people, "We will allot you so much."

Mr. UNTERMYER. You allot it to them without first asking them, do you not?

Mr. MORGAN. Well, they have applied for an allotment, but they do not get what they have applied for.

Mr. UNTERMYER. Do you not often allot it without any applications at all? Do you not just let them know that they can have so much?

Mr. MORGAN. That they can have so much, and can not have any more.

Mr. UNTERMYER. Yes.

Mr. MORGAN. But, in other cases, when it is very difficult to form a syndicate, then you ask for bids for participations?

Mr. LINDABURY. I do not think Mr. Morgan understood the former question, Mr. Untermyer.

Mr. UNTERMYER. I will ask any question you wish, if you will suggest it to me.

(After an informal conversation between Mr. Untermyer and Mr. Lindabury:)

Mr. UNTERMYER. Is it or not the fact that sometimes, when an issue is evidently going to be very popular, you make your allotments without any previous applications; and sometimes, when you have difficulty in making a syndicate, you invite applications. Is that right?

Mr. MORGAN. That is what I wanted to say. Allow me to say that the question of profitableness does not determine it. It is the question of whether it is very much in demand. We can not tell what the profit is going to be before we form the syndicate. We can only say that the participations are in demand.

Mr. UNTERMYER. The profit depends on the price at which you sell the securities afterwards, does it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And those sales you make for the account of the syndicate?

Mr. MORGAN. Yes.

Mr. UNTERMYER. There are many banks in New York which you permit to participate in these underwritings, are there not?

Mr. MORGAN. Yes; a great many.

Mr. UNTERMYER. And trust companies?

Mr. MORGAN. And trust companies.

Mr. UNTERMYER. But no insurance companies since the law of 1906? They are not allowed to go into these syndicates?

Mr. MORGAN. I do not exactly catch your question.

Mr. UNTERMYER. No life insurance companies participate, since 1906, do they?

Mr. MORGAN. Not since 1906; no.

Mr. UNTERMYER. They can buy the securities but they can not underwrite them?

Mr. MORGAN. That is it, sir.

Mr. UNTERMYER. In addition to banks and trust companies that you select, you also give participations to private bankers, do you not?

Mr. MORGAN. Yes; also to private individuals.

Mr. UNTERMYER. Yes; some to private individuals?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And does your list of underwriters extend to the other great cities of the country, like Boston—

Mr. MORGAN. Yes; all over.

Mr. UNTERMYER. Like Lee Higginson, and Kidder, Peabody & Co., of Boston?

Mr. MORGAN. All of them.

Mr. UNTERMYER. And, in Chicago, to Mr. Forgan's company and Mr. Mitchell's company?

Mr. MORGAN. The First National Bank, you mean?

Mr. UNTERMYER. Yes; that is Mr. Forgan's company.

Mr. MORGAN. Yes.

Mr. UNTERMYER. And the Illinois Trust & Savings Bank, which is John Mitchell's company. They all work with you in these financial enterprises, do they not?

Mr. MORGAN. They do not work with us, but they take or refuse an offer if we make it.

Mr. UNTERMYER. They do not often refuse it, do they?

Mr. MORGAN. Very often, sir.

Mr. UNTERMYER. Do they?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And then you try them again, do you, for something else?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you distribute these participations in New York City to all the banking firms or only to some of them that are friends of yours?

Mr. MORGAN. Oh, no. Of course it varies very much, but we distribute to those that we think will help the issue.

Mr. UNTERMYER. Do you not know there are some in New York who are never invited to participate; that there are some banking firms who are never invited to participate?

Mr. MORGAN. Very few, sir.

Mr. UNTERMYER. Is not that so in other cities, too?

Mr. MORGAN. It is more so in other cities than it is in New York.

Mr. UNTERMYER. Do you not know that some of the leading banking firms in New York City do not participate in your underwritings?

Mr. MORGAN. A great many of them refuse it.

Mr. UNTERMYER. But do you not know that there are some—

Mr. MORGAN (interposing). Some that we do not offer it to?

Mr. UNTERMYER. Yes.

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. It has been a source of great profit to the banks and trust companies and banking firms to participate in these underwritings, has it not?

Mr. MORGAN. Generally, sir. Sometimes, unfortunately, it has not been successful. It has not always been successful.

Mr. UNTERMYER. And do those participations also extend to London and Paris, and to Germany?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. And Austria?

Mr. MORGAN. Austria? I do not remember Austria, at the moment.

Mr. UNTERMYER. But in England, France, and Germany you always allot a part of every large issue, do you not?

Mr. MORGAN. Yes; any large one that they want.

Mr. UNTERMYER. That method of procedure gives you a vast market for your securities, does it not?

Mr. MORGAN. Not necessarily. It helps——

Mr. UNTERMYER. If these people have to take the securities, they have to sell them, do they not?

Mr. MORGAN. They do not get them.

Mr. UNTERMYER. You mean, what they generally get is their commission?

Mr. MORGAN. They can not sell them until after the syndicate is dissolved.

Mr. UNTERMYER. I understand that. You do not give them the securities. You market the securities, do you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And if there are any left at the dissolution of the syndicate, then they have to take their share, and if there are none they take their profits?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. And when they take their share of the securities then that makes a market for those securities?

Mr. MORGAN. Not necessarily. Sometimes they do not sell at all.

Mr. UNTERMYER. But it helps to make a market, does it not, when more people have to take them?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You think it retards the market?

Mr. MORGAN. It is generally the other way, yes.

Mr. UNTERMYER. The more people you have selling a security, the less you can sell them.

Mr. MORGAN. Yes; then the market is apt to be bad.

Mr. UNTERMYER. Are many of these securities that are marketed by your firm marketed for joint account with some one or two other great banking houses or banks?

Mr. MORGAN. Sometimes they are.

Mr. UNTERMYER. Can you give us any idea of the amount of securities, year by year, that have been marketed by your firm in the past 10 years?

Mr. MORGAN. I can not. It varies very much.

Mr. UNTERMYER. I think you were to get us that information. You will get that for us, will you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Have you no idea whether it amounts to a billion dollars a year?

Mr. MORGAN. How much?

Mr. UNTERMYER. A thousand millions a year?

Mr. MORGAN. Oh, no; nowhere near it.

Mr. UNTERMYER. There are some years in which it amounts to five or six hundred millions, are there not?

Mr. MORGAN. No; I should think that was very large.

Mr. UNTERMYER. You think that would be large year, do you?

Mr. MORGAN. Yes. I think it is very much over estimated.

Mr. UNTERMYER. You will give us the figures, will you not? Then we will know.

Mr. MORGAN. Yes. We will give you the figures, and then you will not overestimate.

Mr. UNTERMYER. It may be underestimated.

Mr. MORGAN. I hope it is, sir.

Mr. UNTERMYER. For instance, there have been a number of issues of over \$100,000,000 of a single issue, have there not?

Mr. MORGAN. One hundred millions? Yes.

Mr. UNTERMYER. I mean of a single issue of a single company.

Mr. MORGAN. Not very often, sir.

Mr. UNTERMYER. For instance, the American Telephone issue; one issue was \$150,000,000, was it not?

Mr. MORGAN. We did not issue them all.

Mr. UNTERMYER. But it was \$150,000,000, was it not?

Mr. MORGAN. Of bonds, yes; but we did not have them all.

Mr. UNTERMYER. You and Lee Higginson had them together, did you not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You and Kidder, Peabody & Co., I mean. You each had seventy-five million dollars of them, did you not?

Mr. MORGAN. I do not remember what our proportion was, but we did not have half of the issue, if I remember rightly. I do not remember, however. That is my recollection.

Mr. UNTERMYER. Have you made many of these issues or purchases jointly with the First National Bank—Mr. Baker's bank?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You are a director in that institution?

Mr. MORGAN. I am, sir.

Mr. UNTERMYER. And a member of the executive committee?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. You and Mr. Baker have been old and close friends and associates for many years, have you not?

Mr. MORGAN. For a great many years, yes.

Mr. UNTERMYER. Almost since you began business?

Mr. MORGAN. Well, since 1873, at least.

Mr. UNTERMYER. During that time your house has been of great aid to the First National Bank in building up their great prosperity and they have been of great aid to you?

Mr. MORGAN. I hope so.

Mr. UNTERMYER. That is the fact, is it not?

Mr. MORGAN. That is the fact, I think.

Mr. UNTERMYER. During that period you have made many purchases of securities jointly, and many joint issues of securities, have you not?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Is there any data obtainable that would show the extent of the joint or partnership transaction between the First National Bank and your firm?

Mr. MORGAN. I do not think there is any way of getting at that.

Mr. UNTERMYER. In general, would you say that you had been together in pretty much every big enterprise?

Mr. MORGAN. No; I would not like to say that.

Mr. UNTERMYER. Do you recall any of theirs in which you have not participated, or any of yours in which they have not participated?

Mr. MORGAN. I can not recall them, but I am very certain there are many on both sides.

Mr. UNTERMYER. Of large transactions?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. As a rule, you invited one another to participate?

Mr. MORGAN. I always offered them anything I had.

Mr. UNTERMYER. And they the same to you?

Mr. MORGAN. I think they would. For instance, take one case in point. They can not take anything except bonds; they can not go into stock operations.

Mr. UNTERMYER. But Mr. Baker can, can he not?

Mr. MORGAN. Individually, yes.

Mr. UNTERMYER. Either he or his bank have been, have they not, interested with you and you with them in all these various large transactions?

Mr. MORGAN. I do not remember. I only meant to say that the First National Bank itself can not buy securities, as you know.

Mr. UNTERMYER. But it has an institution known as the First Security Co., has it not?

Mr. MORGAN. Yes, they have now.

Mr. UNTERMYER. And until they had that they did deal in securities other than bonds, did they not?

Mr. MORGAN. I do not know. I never kept run of their accounts.

Mr. UNTERMYER. You were a member of the executive committee?

Mr. MORGAN. I know, but I do not know anything about their accounts. I do not look after their accounts.

Mr. UNTERMYER. You knew the general character of business they did, did you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And up to the time of the formation of the First Security Co., is it not a fact that they dealt very freely in stocks as well as bonds?

Mr. MORGAN. If they had authority to do it.

Mr. UNTERMYER. Do you not know the fact?

Mr. MORGAN. I do not know anything about it.

Mr. UNTERMYER. For instance, when the steel company was organized and its securities were issued, was not the First National Bank a very important factor in the underwriting?

Mr. MORGAN. I think that is very likely, but I do not remember.

Mr. UNTERMYER. Was not Mr. Baker also an important factor?

Mr. MORGAN. Mr. Baker may have been.

Mr. UNTERMYER. Were they not both very important factors in the underwriting?

Mr. MORGAN. Yes; I should think they were.

Mr. UNTERMYER. And you were issuing preferred and common stock, were you not, as well as bonds?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You issued these 5 per cent bonds, and preferred and common stock?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you remember when the First Security Co. was organized?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You were a director there, too, were you?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. They have the same directors as the bank, have they not?

Mr. MORGAN. I believe they have.

Mr. UNTERMYER. Do you not remember the arrangement?

Mr. MORGAN. No; I do not recollect the arrangement, but I am sure the members are the same.

Mr. UNTERMYER. They have to be identical, do they not?

Mr. MORGAN. I do not know that.

Mr. UNTERMYER. Do you not know you can not sell or buy the stock of one without buying or selling the stock of the other?

Mr. MORGAN. That is so.

Mr. UNTERMYER. You have to take one with the other, whichever way it goes?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Are you a member of the executive committee of the First Security Co.?

Mr. MORGAN. I do not think there is any executive committee.

Mr. UNTERMYER. You do not think there is an executive committee?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. How is it run?

Mr. MORGAN. By the board of directors.

Mr. UNTERMYER. Who does the business; the entire board?

Mr. MORGAN. The officers.

Mr. UNTERMYER. The entire membership? Who are the officers; the same as of the bank?

Mr. MORGAN. I suppose so.

Mr. UNTERMYER. Is there not the same arrangement outstanding with respect to the City Bank? Has it not also the City Security Co. tied to it in the same way?

Mr. MORGAN. That I do not know, because that has been changed backward and forward, and I could not tell you about that.

Mr. UNTERMYER. Is it you or your son who is a director in the City Bank?

Mr. MORGAN. My son.

Mr. UNTERMYER. But you are a large stockholder, are you not?

Mr. MORGAN. No, sir; not very large.

Mr. UNTERMYER. You have \$1,000,000 or so in stock, have you not?

Mr. MORGAN. I think so.

Mr. UNTERMYER. You do not remember how much you have of it?

Mr. MORGAN. No; I do not. I think the firm has more than I have. I wish I had it all.

Mr. UNTERMYER. Have they a million or so, also, of the stock of the City Bank?

Mr. MORGAN. Not also; we have it among us.

Mr. UNTERMYER. Is your son a member of the executive committee of the City Bank?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. You have a very large interest in the National Bank of Commerce, have you not?

Mr. MORGAN. I do not remember, not very large; about a million dollars. You have the statement there.

Mr. UNTERMYER. You and your firm have a good deal more than a million dollars, have you not, in that bank?

Mr. MORGAN. I do not remember how much.

Mr. UNTERMYER. You have \$1,686,000.

Mr. MORGAN. How much is down there for me?

Mr. UNTERMYER. The firm as a firm and the individual members have \$1,686,000. The firm has one million, and the individual members \$686,000. You bought some quite recently, did you not?

Mr. MORGAN. No; not lately.

Mr. UNTERMYER. Within a few years?

Mr. MORGAN. Within a few years, but I have had some for a long time.

Mr. UNTERMYER. You made a large purchase within a few years, did you not, in addition to what is shown here?

Mr. MORGAN. What do you call a large purchase?

Mr. UNTERMYER. You made a purchase? You may tell us how much it was.

Mr. MORGAN. I do not remember what the figures are. I do not remember the figures at all.

Mr. UNTERMYER. From whom was the purchase made?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. Did you not make it?

Mr. MORGAN. I did not make the purchase. I was in Europe at the time, I think.

Mr. UNTERMYER. It was made for you?

Mr. MORGAN. It may have been made for me.

Mr. UNTERMYER. Was it purchased from a life insurance company?

Mr. MORGAN. That I could not tell you.

Mr. UNTERMYER. In addition to this \$1,686,000 of stock—

Mr. MORGAN. How much?

Mr. UNTERMYER. \$1,686,000. In addition to that—

Mr. MORGAN. May I ask Mr. Davison?

Mr. UNTERMYER. Yes; if you wish. Let us get that straight, Mr. Davison.

Mr. DAVISON. The firm has 10,000 shares.

Mr. MORGAN. The firm has 10,000 shares and the partners have 6,000 shares. You said 10,600.

Mr. UNTERMYER. I said \$1,686,000 par value of stock.

Mr. MORGAN. All right.

Mr. UNTERMYER. Which is 16,860 shares.

Mr. MORGAN. That is right.

Mr. UNTERMYER. Does that include the purchases that you made, or that were made, from the life insurance company?

Mr. MORGAN. I do not know. The details of that I do not know anything about.

Mr. UNTERMYER. What I want to know is how much of that stock was bought from the life insurance company and where it went. There was a large purchase made, was there not, from the Mutual Life and Equitable Life, of Bank of Commerce stock?

Mr. MORGAN. Not by me. I was not here.

Mr. UNTERMYER. But it was made by your firm for you, was it not?

Mr. MORGAN. No, sir—they may have given me some of it, but I do not know anything about the transaction. I was not here at the time it was made and do not know anything about it.

Mr. UNTERMYER. Was it a syndicate operation?

Mr. MORGAN. I do not know anything about it.

Mr. UNTERMYER. You were not told anything about it?

Mr. MORGAN. I do not remember of being told anything about it.

Mr. UNTERMYER. So you have not any memory of that at all?

Mr. MORGAN. I have not any memory whatever on that subject.

Mr. UNTERMYER. Who is the president of that bank now?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. Was he named during your absence?

Mr. MORGAN. I suppose so; I do not know.

Mr. UNTERMYER. How many members of your firm are in that bank?

Mr. MORGAN. In the directory?

Mr. UNTERMYER. Yes.

Mr. MORGAN. Two, I think. I do not remember. Isn't it on that statement?

Mr. UNTERMYER. Are not the members of your firm who are represented in the board of that bank Mr. H. P. Davison and your son?

Mr. MORGAN. I am not in there.

Mr. UNTERMYER. Is Mr. Baker also in the board?

Mr. MORGAN. I do not know anything about the details of the board. I do not know about that; I do not watch it at all.

Mr. UNTERMYER. You do not watch the details as to the management of any of these banks, do you?

Mr. MORGAN. No.

Mr. UNTERMYER. To whom do you refer that in your firm?

Mr. MORGAN. Whoever happens to be there. They do not run it.

Mr. UNTERMYER. Who attends to the questions of management that come up with respect to these banks with which you are identified in your firm?

Mr. MORGAN. Any one of the firm.

Mr. UNTERMYER. Any one who happens to know about that particular business?

Mr. MORGAN. Yes.

Mr. UNTERMYER. The Bank of Commerce gets large participations in these underwritings, does it not?

Mr. MORGAN. Not very.

Mr. UNTERMYER. How large? It depends on the size of the underwriting, does it not?

Mr. MORGAN. It depends on the size of the underwriting. I do not remember how large. I should say by no means is it one of the largest.

Mr. UNTERMYER. You are doing everything you can to protect the prosperity of these institutions in which the members of your firm are directors, are you not?

Mr. MORGAN. We do not bother ourselves much about that. They look after themselves.

Mr. UNTERMYER. Why do members of your firm, in some instances two members of your firm and in some instances three members of your firm, go on the board?

Mr. MORGAN. Because we have a large interest to protect.

Mr. UNTERMYER. In the protection of that large interest, do you not look after the banks at all?

Mr. MORGAN. Not to any extent.

Mr. UNTERMYER. It takes the time of your partners, does it not?

Mr. MORGAN. Yes. I have already remarked on that a great many times. It takes too much time.

Mr. UNTERMYER. But still they remain there, do they not?

Mr. MORGAN. They do.

Mr. UNTERMYER. And when they are there I suppose they do their utmost to add to the prosperity of the institution?

Mr. MORGAN. They always do that, I hope.

Mr. UNTERMYER. That is what they are there for?

Mr. MORGAN. That is what they are there for.

Mr. UNTERMYER. Were you consulted personally about the establishment of the voting trust of the Guaranty Trust Co.?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Were you away at the time?

Mr. MORGAN. I do not know whether I was away or not. I never heard anything about it.

Mr. UNTERMYER. That was done by your partners, was it?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Was it reported to you?

Mr. MORGAN. I do not think so. I do not remember ever to have heard of it until within a month.

Mr. UNTERMYER. You spend a large part of your time abroad, do you not?

Mr. MORGAN. I have within the last two or three years. I have been obliged to.

Mr. UNTERMYER. You spend probably half the year abroad of late years?

Mr. MORGAN. No; not generally; about four or five months.

Mr. UNTERMYER. You know, do you not, that two of the three voting trustees of the Guaranty Trust Co. are members of your firm—Mr. Davison and Mr. Porter?

Mr. MORGAN. I do not know who they are. I do not think I ever heard, but if those two gentlemen are voting trustees, they are both of them members of my firm.

Mr. UNTERMYER. And Mr. Baker is the third voting trustee?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. We can not get any information from you at all as to the circumstances under which these men became voting trustees?

Mr. MORGAN. I do not know anything about the detail of it.

Mr. UNTERMYER. The same is true as to the Bankers' Trust Co.?

Mr. MORGAN. The same. That was long before we had any interest, that that was formed.

Mr. UNTERMYER. What?

Mr. MORGAN. That is an old voting trust.

Mr. UNTERMYER. Did you have anything to do with the establishment of that voting trust, personally?

Mr. MORGAN. Nothing whatever.

Mr. UNTERMYER. You know that two of the three members of that voting trust are members of that firm?

Mr. MORGAN. They were not when that was formed.

Mr. UNTERMYER. That was formed in March, 1903, the first voting trust.

Mr. MORGAN. Yes. Who were the trustees?

Mr. UNTERMYER. Mr. Davison, Mr. Perkins, and Mr. Reid. Was Mr. Perkins a member of your firm then?

Mr. MORGAN. I do not think he was. He may have been, but I knew nothing about that. That was an outside thing he was interested in, and I knew nothing about it.

Mr. UNTERMYER. Mr. Reid was associated with you in the steel company, was he not?

Mr. MORGAN. He was a director in the Steel Corporation; yes.

Mr. UNTERMYER. As a member of the executive committee?

Mr. MORGAN. No; I do not know. Of the finance committee, you mean?

Mr. UNTERMYER. Yes.

Mr. MORGAN. He was not.

Mr. UNTERMYER. He was a director of the First National Bank, of which you were a director?

Mr. MORGAN. That may be; I do not remember.

Mr. UNTERMYER. And a member of the executive committee of the First National Bank, was he not?

Mr. DAVISON. No.

Mr. MORGAN. He was not; no.

Mr. UNTERMYER. Are you sure of that?

Mr. MORGAN. I do not think Mr. Reid then was a director, but I do not know.

Mr. UNTERMYER. Oh, yes; I think so.

Mr. MORGAN. Of the First National Bank?

Mr. UNTERMYER. Let us see. Mr. Davison thinks not.

Mr. DAVISON. He never was.

Mr. UNTERMYER. Is not Mr. Reid a director of the First National Bank and of the Steel company?

Mr. MORGAN. He is a director of the Steel Corporation, but I do not think he is a director of the First National Bank.

Mr. UNTERMYER. That is my recollection. I will look and see.

Mr. MORGAN. I think I am right, Mr. Counsel.

Mr. UNTERMYER. Mr. Davison says you are right, does he not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. That is the reason you think so?

Mr. MORGAN. I always believe anything Mr. Davison says.

Mr. UNTERMYER. And are willing to swear to it, are you?

Mr. MORGAN. What?

Mr. UNTERMYER. You are willing to swear to anything he says?

Mr. MORGAN. I will swear by that; yes.

Mr. UNTERMYER. Was Mr. Davison a director of the First National Bank at the time the voting trust was made and one of the officers?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. He came to you from the First National Bank, did he not?

Mr. MORGAN. He did, but that was some years afterwards.

Mr. UNTERMYER. In what year was that; do you remember?

Mr. MORGAN. 1909.

Mr. UNTERMYER. He had been there some years, had he not, in the First National?

Mr. MORGAN. He had been in the First National before.

Mr. UNTERMYER. Yes.

Mr. MORGAN. He came to me in 1909. When that trust was formed he was not in my firm.

Mr. UNTERMYER. He was then in the First National, was he not, in 1903?

Mr. MORGAN. That I can not tell.

Mr. UNTERMYER. Mr. Reid is a director in the Bankers Trust Co. and in the Guaranty Trust Co., is he not?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. And in the Liberty Bank?

Mr. MORGAN. I do not know. I do not keep run of—

Mr. UNTERMYER. You do not keep run of the bank situation at all, do you?

Mr. MORGAN. I do not know the directors of the banks.

Mr. UNTERMYER. Is there any one partner in your firm who keeps run of the bank interests and the bank situation there, or is it distributed between them?

Mr. MORGAN. No; I do not think there is any particular one.

Mr. UNTERMYER. It is distributed between them, is it?

Mr. MORGAN. It is not always the same person, either.

Mr. UNTERMYER. Do you recall in how many corporations you or members of your firm are voting trustees?

Mr. MORGAN. No, sir. I do not recollect but two or three not outstanding, except the trust companies. I do not know about those but as far as the voting trusts created in our office for those things that we issue or reorganize are concerned—

Mr. UNTERMYER. For instance, the Mercantile Marine Co. is still under a voting trust, is it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. That was organized by you, was it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And controlled by you?

Mr. MORGAN. Not controlled; no. The voting trust controlled it.

Mr. UNTERMYER. The voting trust controls the selection of the directors, does it not?

Mr. MORGAN. They elect the directors.

Mr. UNTERMEYER. Yes. There have been a great many of those voting trusts created, have there not?

Mr. MORGAN. Not with us.

Mr. UNTERMEYER. From time to time, as railroads have been reorganized, have there not been voting trusts in connection with all of them?

Mr. MORGAN. Only in special cases. I think there are only two or three that I recollect.

Mr. UNTERMEYER. Only three altogether?

Mr. MORGAN. Three that are now outstanding.

Mr. UNTERMEYER. Which are those that are not outstanding?

Mr. MORGAN. And those two; that makes five.

Mr. UNTERMEYER. Which two do you mean?

Mr. MORGAN. The Reading and the—

Mr. UNTERMEYER. The Erie? How about the Northern Pacific?

Mr. MORGAN. That was terminated before the original term expired.

Mr. UNTERMEYER. Now let us see as to these voting trusts. You established one for the Chicago Great Western, did you not?

Mr. MORGAN. Yes; that is true. I had forgotten that one.

Mr. UNTERMEYER. That consisted of three voting trustees, did it not?

Mr. MORGAN. I do not recollect the details; but now that you mention the name, I recollect that there was a voting trust.

Mr. UNTERMYER. There was a voting trust for the International Harvester Co., was there not?

Mr. MORGAN. That I never knew anything about.

Mr. UNTERMYER. It was in your office, was it not?

Mr. MORGAN. Yes, sir. That does not make any difference, however.

Mr. UNTERMYER. It was attended to by one of your partners, was it?

Mr. MORGAN. Mr. Perkins managed that affair. I did not know anything about that.

Mr. UNTERMYER. You did not know there was a voting trust?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You do not know it now?

Mr. MORGAN. You tell me there was.

Mr. UNTERMYER. But you never heard of it before?

Mr. MORGAN. Not until I saw it in the paper the other day or so; but I know nothing about it.

Mr. UNTERMYER. There was a voting trust of the International Agricultural Corporation, was there not?

Mr. MORGAN. That I did not know about.

Mr. UNTERMYER. Then there was a voting trust of these two trust companies, was there not?

Mr. MORGAN. Those I did not know about.

Mr. UNTERMYER. Was there not a voting trust in Erie, as well as in Reading?

Mr. MORGAN. That I knew; yes. I say Erie, Northern Pacific, Reading, and the International Mercantile Marine.

Mr. UNTERMYER. And the Chicago Great Western?

Mr. MORGAN. That I do not recollect. I recollect the fact.

Mr. UNTERMYER. Who were the voting trustees there?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. And the Southern Railway?

Mr. MORGAN. Oh, yes; the Southern Railway. We have spoken of that already. That is the reason I did not mention it.

Mr. UNTERMYER. In the case of the Chicago Great Western the voting trustees are yourself, Mr. George F. Baker, and Mr. Robert Fleming, are they not?

Mr. MORGAN. Yes, sir; I think that is very likely.

Mr. UNTERMYER. And that trust expires in September, 1914, does it not?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. The Baltimore & Ohio had a voting trust, did it not, on reorganization?

Mr. MORGAN. I do not recollect that at all.

Mr. UNTERMYER. Was not Mr. Coster, of your firm, one of the voting trustees?

Mr. MORGAN. I think it is possible, but I should doubt it.

Mr. UNTERMYER. I see it here.

Mr. MORGAN. I should doubt whether that is so or not.

Mr. UNTERMYER. Was Mr. C. H. Coster a member of your firm?

Mr. MORGAN. He was at one time; yes.

Mr. UNTERMYER. Do you not remember, now that I remind you, that the voting trustees were Mr. Coster, Mr. William Solomon, Mr. Abram Wolf, Mr. Tod, and Mr. Fitzgerald?

Mr. MORGAN. I do not recollect that there ever was a voting trust of the Baltimore & Ohio. I should doubt it.

Mr. UNTERMYER. Well, there was.

Mr. MORGAN. All right, but there is not any now, is there?

Mr. UNTERMYER. No; there is none now. Do you remember reorganizing the Cincinnati, Hamilton & Dayton in your office?

Mr. MORGAN. It has not been reorganized yet.

Mr. UNTERMYER. Do you not remember that it was reorganized in 1909 without foreclosure?

Mr. MORGAN. I do not remember.

Mr. UNTERMYER. The Baltimore & Ohio acquired the stock.

Mr. MORGAN. They got the stock, but they did not—I do not know; I am not familiar with that.

Mr. UNTERMYER. Do you not remember that the trustees were Mr. Daniel Willard, Mr. J. P. Morgan (yourself), and Mr. Norman B. Ream?

Mr. MORGAN. I do not recollect at all, sir.

Mr. UNTERMYER. In the Erie there was a voting trust, too, was there not?

Mr. MORGAN. In the Erie there was a voting trust, but I thought that was terminated.

Mr. UNTERMYER. You were chairman of the voting trust.

Mr. MORGAN. I thought that was terminated; was it not?

Mr. UNTERMYER. Yes; that was terminated in May, 1904. I am going to ask you about that. In the Mercantile Marine voting trust there were how many trustees?

Mr. MORGAN. Three, I think.

Mr. UNTERMYER. There are five.

Mr. MORGAN. Maybe there are five.

Mr. UNTERMYER. You and Mr. Steele, of your firm, are two of those, are you not?

Mr. MORGAN. Mr. Steele is one; Lord Pirrie is another.

Mr. UNTERMYER. You are another?

Mr. MORGAN. I am another, and Mr. Isinay, I think, is another.

Mr. UNTERMYER. I am glad it is you and not I. [Laughter.]

Mr. MORGAN. I am ready to be anything, sir. [Laughter.]

Mr. UNTERMYER. Did your firm reorganize the Norfolk & Western?

Mr. MORGAN. I do not think so.

Mr. UNTERMYER. Were you not concerned in the reorganization?

Mr. MORGAN. It is possible, but I do not think so. I think it may have been the Philadelphia house, more likely.

Mr. UNTERMYER. In the Reading reorganization there were how many voting trustees?

Mr. MORGAN. The Reading? Five, I think.

Mr. UNTERMYER. Were there not three—yourself and Mr. Olcott and Mr. Paul?

Mr. MORGAN (after consulting reports). Mr. Morgan, Mr. Olcott, and Mr. Packard—yes, those were the trustees; three in number.

Mr. UNTERMYER. That is right. Did your firm organize the international agricultural corporation?

Mr. MORGAN. I think we did. I do not know it by that name.

Mr. UNTERMYER. Is Mr. Thomas W. Lamont a partner in your firm?

Mr. MORGAN. He is.

Mr. UNTERMYER. Is he one of the voting trustees for that corporation?

Mr. MORGAN. I do not know anything about that.

Mr. UNTERMYER. Is not that an existing voting trust, expiring in 1914?

Mr. MORGAN. It is very likely.

Mr. UNTERMYER. Let us see if we can refresh your memory as to the International Harvester Co. Do you not remember that the voting trustees there consisted of Mr. Perkins, Mr. Deering, and Mr. Cyrus McCormick?

Mr. MORGAN. I do not remember anything about that.

Mr. UNTERMYER. Did your firm also reorganize the Cramp & Sons Shipbuilding Co.?

Mr. MORGAN. It may have been done in Philadelphia. I do not remember about that.

Mr. UNTERMYER. Is there not a voting trust consisting of your partner, Mr. E. T. Stotesbury, Mr. George F. Baker, and Mr. Rushton?

Mr. MORGAN. When does that expire?

Mr. UNTERMYER. It says here, "Still in force."

Mr. MORGAN. I do not know anything about that, sir.

Mr. UNTERMYER. With respect to all these voting trusts, the voting trustees in all these cases have power, have they not, and it is their duty to name the directors who shall conduct the company?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. And those directors in turn name the officers?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Can you name any instance in which the board of directors thus named in these various voting trusts has undergone any considerable change after the expiration of the voting trust, from the way in which it was constituted under the voting trust, except that where deaths occur, the vacancies were filled?

Mr. MORGAN. I think very seldom.

Mr. UNTERMYER. You think they generally continue along the same board?

Mr. MORGAN. Yes; they are generally pretty well satisfied with what they do.

Mr. UNTERMYER. Who?

Mr. MORGAN. The stockholders, sir.

Mr. UNTERMYER. Have you ever known an instance in the history of corporations in this country, where the stock was largely scattered, in which the stockholders, however dissatisfied, have ever succeeded in procuring a change of management?

Mr. MORGAN. No; but I think—

Mr. UNTERMYER. Do you know of any such instance?

Mr. MORGAN. I do not recall any at the moment.

Mr. UNTERMYER. Is it not true that in this country, unlike other countries, it is difficult to get the stockholders to take any active interest in their companies?

Mr. MORGAN. That is very true. That is the reason why a voting trust is so desirable.

Mr. UNTERMYER. That is the reason for this paternalism on the part of the financial gentlemen who reorganize the company?

Mr. MORGAN. That is the reason why, in reorganizing a company, we employ that method—so that it can be protected.

Mr. UNTERMYER. Protected against whom?

Mr. MORGAN. Against anything. I would like to have this read—

Mr. UNTERMYER. You say you would like to have something read?

Mr. MORGAN. I would like to have somebody read these figures.

This is the report of the voting trustees of the Reading Co.

Mr. UNTERMYER. You would like to have that read into the record?

Mr. MORGAN. Yes. I would like to have this read into the record, as showing the advantages of management of a railroad under a voting trust.

Mr. UNTERMYER. Very well. I will read that in the record [reading]:

NEW YORK, October 31, 1904.

*To the holders of voting trustees' certificates for first preferred stock, second preferred stock, and common stock of Reading Co.:*

By the agreement dated February 1, 1897, under which the above-mentioned voting trustees' certificates were issued, it was provided, among other things, that—

On the 1st day of January, 1902, if then the Reading Co. for two consecutive years shall have paid 4 per cent per annum cash dividend on its first preferred stock, and if not, then so soon as such dividend shall be so paid, and upon surrender of any stock trust certificate then outstanding, the voting trustees will, in accordance with the terms hereof, deliver therefor corresponding proper certificates of stock of the Reading Co.

On June 15, 1904, the board of directors of Reading Co. declared a dividend of 2 per cent upon the first preferred stock, payable September 9, 1904. The payment of this dividend, being the second dividend of 2 per cent paid during the year of 1903, fulfilled the condition limiting the period of the voting trust as above set forth—

You do not want all of this read, do you?

Mr. MORGAN. No.

Mr. UNTERMYER. You want the figures?

Mr. MORGAN. I want the figures as showing what was done.

Mr. UNTERMYER (reading):

In surrendering their trust to the stockholders, the voting trustees desire to call attention to the results obtained during their administration thereof:

For the fiscal year ended June 30, 1897, the total gross receipts of the three companies were \$45,557,889.77. For the fiscal year ended June 30, 1904, the total gross receipts of the three companies were \$77,040,255.27. Making an increase of \$31,482,365.50, equivalent to 69 per cent.

For the fiscal year ended June 30, 1897, there was a deficiency in net earnings of the three companies of \$579,134.38. For the fiscal year ended June 30, 1904, the net earnings of the three companies were \$7,757,538.07. Making an increase of \$8,336,672.45.

On the 1st of December, 1896, the annual fixed charges and taxes of the Reading System were \$10,350,046. On the 30th of June, 1904, the annual fixed charges and taxes of the Reading System were \$10,863,094. Showing an increase of \$513,048.

That is all you wanted read, is it not?

Mr. MORGAN. No—

Mr. UNTERMYER. That is the end of the figures, is it not?

Mr. MORGAN. No; there is another page.

Mr. UNTERMYER (reading):

The railway company has expended for improvements and betterments during this period \$3,282,421. The value of the rolling stock equipment has increased from \$16,990,856.19, as of December 1, 1896, to \$31,027,728, as of June 30, 1904. The floating equipment has increased during the same period from \$1,439,850 to \$3,224,108.16. The railway company has accumulated an insurance capital fund of \$1,000,000.

General mortgage bonds have been purchased and canceled amounting to \$2,016,000. There has been paid on account of an old unadjusted claim \$560,648.41. And there has been set aside to provide for the maturing obligations issued by the city of Philadelphia to pay for construction of the Pennsylvania Avenue subway \$494,063.86.

The Philadelphia & Reading Coal & Iron Co. has spent \$5,870,505, and has also paid off its coal-trust certificate, amounting to \$3,600,000.

(Signed)

J. PIERPONT MORGAN,  
FREDERIC P. OLCOTT,  
C. S. N. PACKARD,

*Voting Trustees.*

During that time how much has the price of coal increased to the consumer?

Mr. MORGAN. That I do not know anything about.

Mr. UNTERMYER. That you know nothing about?

Mr. MORGAN. I find it out every month; but I do not remember the details.

Mr. UNTERMYER. You forget it again?

Mr. MORGAN. I forget it.

Mr. UNTERMYER. You can not give us any idea whether the Reading Co. has made this money by boosting the price of coal and on the carriage of coal?

Mr. MORGAN. I think they have done all they could do to sell it.

Mr. UNTERMYER. And all they could to get all they could for carrying it?

Mr. MORGAN. I do not think they have cared so much about that as they have about selling it, at all.

Mr. UNTERMYER. All the railroads of the country have increased very much since 1897, have they not?

Mr. MORGAN. Some of them have not.

Mr. UNTERMYER. But all the great systems have, or most of them. Is that your argument in favor of the voting trust—what I have just read?

Mr. MORGAN. That is one of the arguments to show the advantage of it. You asked me the other day, I think—

Mr. UNTERMYER. No; I asked it to-day, I think. If I did not, I will ask you now as to the advantages of taking the rights away from stockholders—

Mr. MORGAN (interposing). You asked me about the voting trusts?

Mr. UNTERMYER. Yes.

Mr. MORGAN. My idea is that in the infancy of a corporation, or in its incipency, a voting trust is necessary for the protection of the property.

Mr. UNTERMYER. Now, then, you would not call 15 years the incipency of the Southern Railway?

Mr. MORGAN. Yes; the Southern Railway was created at that time.

Mr. UNTERMYER. When does it ever get out of swaddling clothes?

Mr. MORGAN. We have been trying to get rid of it, but they will not take it.

Mr. UNTERMYER. You mean the stockholders will not take it?

Mr. MORGAN. Yes; the stockholders.

Mr. UNTERMYER. All the trustees have got to do, under the agreement, is to distribute the stock, is it not?

Mr. MORGAN. Yes; but we have made it a rule always to ask the stockholders whether they wished us to give it up.

Mr. UNTERMYER. That is the point. Do you not realize that these voting trusts, putting into the hands of one or a few men these great systems, tends to enormous concentration and control?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You do not think it does?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Do you not think that if, for instance, you are voting trustee of all the systems of railroad in the United States, it concentrates a great deal of control in you?

Mr. MORGAN. That can not be.

Mr. UNTERMYER. But I say, assuming you were the voting trustee for all of the great systems of railroad in the United States, it would concentrate control in you, would it not?

Mr. MORGAN. No, sir; it would not.

Mr. UNTERMYER. It would not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You would not have any more control than than if you were not voting trustees?

Mr. MORGAN. Not in them all.

Mr. UNTERMYER. No; but I say, if you did have a voting trust of them all, it would be a vast concentration in your hands, would it not?

Mr. MORGAN. It would be a concentration in my hands; but the board of directors are the ones, and you do not put the same board in every company.

Mr. UNTERMYER. Sometimes they come pretty near it?

Mr. MORGAN. No, sir; never.

Mr. UNTERMYER. Take the banks of New York; do you realize the identity of directors in the banks?

Mr. MORGAN. I do, but the number of directors is very small in proportion to them all.

Mr. UNTERMYER. But do you realize this vast and dangerous concentration through having these same directors in various institutions?

Mr. MORGAN. In the banks?

Mr. UNTERMYER. Yes.

Mr. MORGAN. No, sir; I do not see any danger in it at all.

Mr. UNTERMYER. Let us see about it. These banks and trust companies are potentially competitive, are they not?

Mr. MORGAN. Yes; I suppose they are.

Mr. UNTERMYER. They are supposed to be competitive, are they not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you think that competitive institutions, that ought to be competitive, should have the same boards?

Mr. MORGAN. But they do not have the same boards.

Mr. UNTERMYER. Do you think they ought to have the same boards?

Mr. MORGAN. Certainly not.

Mr. UNTERMYER. No. Do you think they ought to have a preponderating influence in each board?

Mr. MORGAN. I do not think they have.

Mr. UNTERMYER. Do you think they ought to have?

Mr. MORGAN. I do not.

Mr. UNTERMYER. That is the point. Do you think they ought to have the same representation or representation in competitive boards?

Mr. MORGAN. That they what?

Mr. UNTERMYER. In other words, let us illustrate. Your firm is represented, is it not, and largely represented, in the boards of the Bankers' Trust, the Guaranty Trust, and the First National, the Bank of Commerce, the Chase National Bank, the City Bank, the Liberty Bank, the Chemical Bank, the Astor Trust Co., and so forth? Those are institutions, are they not, that all appeal for the same kind of business?

Mr. MORGAN. No, not—they are all banks or trusts companies, one or the other.

Mr. UNTERMYER. But they are all appealing for deposits, are they not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And they are all supposed to be competing for them, are they not?

Mr. MORGAN. No; not necessarily that.

Mr. UNTERMYER. Is it not their business to be competing for business?

Mr. MORGAN. They do compete.

Mr. UNTERMYER. Let us see about it.

Mr. MORGAN. Well.

Mr. UNTERMYER. Do you see nothing improper in having the same men looking into one another's business in competing institutions?

Mr. MORGAN. No; but I do not—

Mr. UNTERMYER. Do you? Will you not answer?

Mr. MORGAN. They are not looking into each other's business.

Mr. UNTERMYER. It is the duty of a director to know what is going on in his bank, is it not?

Mr. MORGAN. It is what?

Mr. UNTERMYER. It is the duty of a director to know what is going on in his bank?

Mr. MORGAN. But a general director does not know. He does not see the books.

Mr. UNTERMYER. What is he there for?

Mr. MORGAN. He is there to see that it is properly carried on.

Mr. UNTERMYER. What does he do?

Mr. MORGAN. He does not see all the details—all the books.

Mr. UNTERMYER. Is it not his business to know what is going on?

Mr. MORGAN. It may be his business, but he can not do it.

Mr. UNTERMYER. Then he is a sort of a figurehead?

Mr. MORGAN. Call him a figurehead, if you like.

Mr. UNTERMYER. What is it he does?

Mr. MORGAN. But that has nothing to do with the proposition. As I say—

Mr. UNTERMYER. Yes.

Mr. MORGAN. You go on.

Mr. UNTERMYER. No; go on.

Mr. MORGAN. What I say is this: You take two banks, just for the sake of argument, you know. You take a bank, say, with three men.

Mr. UNTERMYER. Yes.

Mr. MORGAN. You take the Bank of Commerce—this is just for the sake of argument; this is fictitious.

Mr. UNTERMYER. Yes.

Mr. MORGAN. You take the Bank of Commerce and the City Bank—

Mr. UNTERMYER. And the First National?

Mr. MORGAN. And the First National. You take those three banks. Now, you take three men and put them in each of those banks. In one bank they are 3 out of 25; in another they are 3 out of 20; in this bank they are 3 out of 10, if you like.

Mr. UNTERMYER. But suppose you have named all the other directors?

Mr. MORGAN. But you do not.

Mr. UNTERMYER. Suppose you have a voting trust, and you have, under the power given by that voting trust, named the whole board, as has been done in these two cases of the Guaranty Trust and the Bankers Trust.

Mr. MORGAN. I am not talking about voting trusts now; I am talking now about a bank. You started out with a proposition as to putting directors in these different banks. That is what I am discussing now. The voting trust of the trust companies I will take up later, if you want to; but I am passing now upon the question of directors, of three directors, who go into 3 or 4 or 10 banks.

Mr. UNTERMYER. Now, go on.

Mr. MORGAN. I say that those three directors—and I have been in a good many banks and a good many corporations—I defy any man to go into any one of those boards, even myself—I will say that for the sake of argument—I do not believe I could carry any one question through any one board that I was a director in against the views of the directors.

Mr. UNTERMYER. Is that all you wanted to say?

Mr. MORGAN. On the contrary, I have a great quantity of cases where I could bring in proof of it. There is no question of control unless you have got a majority of the directors, then, in all banks.

Mr. UNTERMYER. Is that all you wanted to say?

Mr. MORGAN. Yes; that is all I have got to say on that point.

Mr. UNTERMYER. Now let us take it up. Do you not know that in these banks the representatives of your firm are not only on the board, but on the executive committee?

Mr. MORGAN. Even on the executive committee.

Mr. UNTERMYER. The executive committee runs the bank, does it not?

Mr. MORGAN. You say the directors run the bank.

Mr. UNTERMYER. No, I do not. I say they ought to, but you say they do not. Now, who does run the bank, in your judgment?

Mr. MORGAN. The officers run the bank.

Mr. UNTERMYER. What are the directors there for?

Mr. MORGAN. They are there to pass upon what the officers do every week.

Mr. UNTERMYER. Then they are supposed to pass upon what the officers do?

Mr. MORGAN. Yes.

Mr. UNTERMYER. So that each director is supposed to know what is going on in his bank?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And as he is a director in a number of competitive banks he gets the information, does he not, of what is going on among his competitor banks?

Mr. MORGAN. He would do that in any bank.

Mr. UNTERMYER. If he was in any one bank, he would only know the business of that bank, would he not?

Mr. MORGAN. If he was in another one, he would know the business of two banks.

Mr. UNTERMYER. If he was a member of the executive committee of all of them, he would know the business of every competitor, would he not?

Mr. MORGAN. Not necessarily, but assuming that he did——

Mr. UNTERMYER. Do you think it is a good thing?

Mr. MORGAN. I do not see any objection to it.

Mr. UNTERMYER. Do you think that promotes competition?

Mr. MORGAN. It does not prevent it.

Mr. UNTERMYER. You are opposed to competition, are you not?

Mr. MORGAN. No; I do not mind competition.

Mr. UNTERMYER. You would rather have combination, would you not?

Mr. MORGAN. I would rather have combination.

Mr. UNTERMYER. You would rather have combination than competition?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You are an advocate of combination and cooperation, as against competition, are you not?

Mr. MORGAN. Yes; cooperation I should favor.

Mr. UNTERMYER. Combination as against competition?

Mr. MORGAN. I do not object to competition, either. I like a little competition.

Mr. UNTERMYER. You like a little if it does not hurt you? Competition that hurts you, you do not believe in?

Mr. MORGAN. I do not mind it. What I mean to say is this—now, another point—may I go on for a moment?

Mr. UNTERMYER. Certainly.

Mr. MORGAN. This may be a sensitive subject. I do not want to talk of it. This is probably the only chance I will have to speak of it.

Mr. UNTERMYER. You mean the subject of combination and concentration?

Mr. MORGAN. Yes; the question of control. Without you have control, you can not do anything.

Mr. UNTERMYER. Unless you have got control, you can not do what?

Mr. MORGAN. Unless you have got actual control, you can not control anything.

Mr. UNTERMYER. Well, I guess that is right. Is that the reason you want to control everything?

Mr. MORGAN. I want to control nothing?

Mr. UNTERMYER. Then what sort of control is it that you want? You say, in order to have complete control——

Mr. MORGAN. I do not want either—I do not want any control.

Mr. UNTERMYER. What is the point, Mr. Morgan, you want to make, because I do not quite gather it?

Mr. MORGAN. What I say is this, that control is a thing, particularly in money, and you are talking about a money control—now, there is nothing in the world that you can make a trust on money.

Mr. UNTERMYER. What you mean is that there is no way one man can get it all?

Mr. MORGAN. Or any of it, except——

Mr. UNTERMYER. Or control of it?

Mr. MORGAN. Or control of it.

Mr. UNTERMYER. There is no way one man can get a monopoly of money?

Mr. MORGAN. Or control of it.

Mr. UNTERMYER. He can make a try at it?

Mr. MORGAN. No, sir; he can not. He may have all the money in Christendom, but he can not do it.

Mr. UNTERMYER. Let us go on. If you owned all the banks of New York, with all their resources, would you not come pretty near having a control of credit?

Mr. MORGAN. No, sir; not at all.

Mr. UNTERMYER. Now, suppose you owned all the banks and trust companies, or controlled them.

Mr. MORGAN. Yes.

Mr. UNTERMYER. And somebody wanted to start up in the steel business, you understand, against the United States Steel Corporation.

Mr. MORGAN. Yes.

Mr. UNTERMYER. And wanted a vast amount of capital, and it was a good business.

Mr. MORGAN. Yes.

Mr. UNTERMYER. New York would be the natural market for money, would it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. If you owned all the banks and trust companies, or controlled them, you would be under a duty, would you not, to the United States Steel Corporation, to see that it was not subjected to ruinous competition?

Mr. MORGAN. No, sir; it has nothing to do with it.

Mr. UNTERMYER. You would not be under any such obligation?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You would welcome competition?

Mr. MORGAN. I would welcome competition.

Mr. UNTERMYER. The more of it the better?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And the more new steel plants started up, and the bigger they were, and the more money they had——

Mr. MORGAN. I would be perfectly willing for them to do it.

Mr. UNTERMYER (continuing). The better you would like it?

Mr. MORGAN. I would not object to that. But I am not discussing the question of trade; I am talking about money.

Mr. UNTERMYER. Now, we are getting there. I am talking about credit rather than about money.

Mr. MORGAN. Yes.

Mr. UNTERMYER. The concentration and control of credit. I want to know, if you controlled all those banks, and a competitor came

along, or a potential competitor, who wanted to compete, whether he would get the money from those banks you control?

Mr. MORGAN. Yes; he would.

Mr. UNTERMYER. That is what you would be there for?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Some other man who might control might not take the view you have?

Mr. MORGAN. He would not have the control.

Mr. UNTERMYER. That is your idea, is it? Your idea is that when a man has got a vast power, such as you have—you admit you have, do you not?

Mr. MORGAN. I do not know it; sir.

Mr. UNTERMYER. You admit you have, do you not?

Mr. MORGAN. I do not think I have.

Mr. UNTERMYER. You do not feel it at all?

Mr. MORGAN. No; I do not feel it at all.

Mr. UNTERMYER. Well, assuming that you had it, your idea is that when a man abuses it, he loses it?

Mr. MORGAN. Yes; and he never gets it back again, either.

Mr. UNTERMYER. Yes, I understand. Now, have you any instance in your mind of any such man who has had any such power and control in order to experiment with it?

Mr. MORGAN. No; but I know from experience.

Mr. UNTERMYER. Experience of your own?

Mr. MORGAN. No; I am talking about the experience of having things. What I mean to say is this. Allow me. The question of control, in this country at least, is personal; that is, in money.

Mr. UNTERMYER. How about credit?

Mr. MORGAN. In credit, also.

Mr. UNTERMYER. Personal to whom? To the man who controls?

Mr. MORGAN. No, no; he never has it. He can not buy it.

Mr. UNTERMYER. No, but he gets—

Mr. MORGAN. All the money in Christendom and all the banks in Christendom can not control it.

Mr. UNTERMYER. That is what you wanted to say, is it not?

Mr. MORGAN. Yes, sir.

Mr. UNTERMYER. Now, having acquired that control, Mr. Morgan, you think that if he abuses it he loses it?

Mr. MORGAN. Of course.

Mr. UNTERMYER. You think he does?

Mr. MORGAN. Yes.

Mr. UNTERMYER. But have you not seen many instances in the history of this country of financial men getting vast control—

Mr. MORGAN. General control—

Mr. UNTERMYER. One moment—and abusing it through a long period of years before they lost it?

Mr. MORGAN. No.

Mr. UNTERMYER. I do not want to be invidious by stating illustrations.

Mr. MORGAN. In one particular line; but nobody has what you call a money trust, or anything of that kind.

Mr. UNTERMYER. You have known of men in some particular department, such as the railroads, getting control and abusing that control for a series of years before they lost it?

Mr. MORGAN. I want to state—

Mr. UNTERMYER. Will you answer that question?

Mr. MORGAN. I have; and I say that I am not discussing the question of railroads or merchandise or anything else. I am talking about money and credit.

Mr. UNTERMYER. You admit, do you not, that men may get control of railroads or business enterprises and monopolize them and so abuse their privilege?

Mr. MORGAN. Yes; anybody——

Mr. UNTERMYER. And retain that control?

Mr. MORGAN. Yes.

Mr. UNTERMYER. By the force of their power?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you say that so far as the control for the credit is concerned, they can not do the same thing?

Mr. MORGAN. On money, no; they can not control it.

Mr. UNTERMYER. Then the thing goes back to the question of the control of banks and trust companies in New York. Do you think that a competitive condition in the banks and trust companies of New York is more or less preferable than a concentrated control over those banks?

Mr. MORGAN. Oh, there is no——

Mr. UNTERMYER. Will you answer that question? Which do you think is the better?

Mr. MORGAN. I would rather have competition.

Mr. UNTERMYER. Would you rather have it free and the freer the better?

Mr. MORGAN. Up to a certain extent, yes, I would have it.

Mr. UNTERMYER. You would have it free, would you?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Let us see about that. If the same groups converge and come together in each of the great banks, does not that interfere with competition between them?

Mr. MORGAN. No; I do not think so.

Mr. UNTERMYER. You do not think so?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You think the same men can dominate——

Mr. MORGAN. They would not be the same.

Mr. UNTERMYER. Wait a moment. Do you think the same men or the same groups coming together can dominate a number of institutions and still keep competition open between those institutions?

Mr. MORGAN. Certainly.

Mr. UNTERMYER. You think they can?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You think that is possible?

Mr. MORGAN. Because they have to have a board of directors.

Mr. UNTERMYER. I am speaking of men who dominate the institutions.

Mr. MORGAN. You have to have a board of directors.

Mr. UNTERMYER. You know every big thing is run by one or two men?

Mr. MORGAN. No; I do not know that.

Mr. UNTERMYER. Your firm is run by you, is it not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. It is not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You are the final authority, are you not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You are not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You never have been?

Mr. MORGAN. Never have.

Mr. UNTERMYER. You do not believe that great projects are best concentrated in the management or hands of one or two men?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You think they are best managed when the responsibility is scattered?

Mr. MORGAN. It can not be otherwise than scattered.

Mr. UNTERMEYER. Take a railroad——

Mr. MORGAN. I am not talking about railroads. I am talking about money. A railroad is not the same thing. A railroad is different. I am not talking about railroads.

Mr. UNTERMYER. I am talking about railroads to you, and I want to know whether you think a railroad can be run by a board of directors, or whether some one man has to run it.

Mr. MORGAN. I think it would be better run by the board of directors.

Mr. UNTERMYER. The whole board run the road?

Mr. MORGAN. Not every man.

Mr. UNTERMYER. You do not believe in individual responsibility in great enterprises, do you?

Mr. MORGAN. No; I do not.

Mr. UNTERMYER. Do you not know the great enterprises have been built up in that way, by the efforts and responsibility of some one man?

Mr. MORGAN. Not necessarily; no, sir.

Mr. UNTERMYER. Is not that the rule?

Mr. MORGAN. Occasionally that happens.

Mr. UNTERMYER. Has not that always been so?

Mr. MORGAN. In a great many cases it has been by the directors.

Mr. UNTERMYER. Do you think the prosperity of any of the great systems in this country is due to the directors as a body?

Mr. MORGAN. In a great many cases; yes, sir.

Mr. UNTERMYER. That is your experience?

Mr. MORGAN. That is my experience.

Mr. UNTERMYER. I understand you to say the directors do not take any very active part?

Mr. MORGAN. Their policies direct it.

Mr. UNTERMYER. They do not get any salaries as a rule, do they?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. And as a rule do you not understand that boards of directors leave pretty much everything to their executive committees?

Mr. MORGAN. Yes; I think that would be the case.

Mr. UNTERMYER. And do you not find as a rule the executive committees leave pretty much everything to their managing officials?

Mr. MORGAN. No; I do not.

Mr. UNTERMYER. For instance, taking the case of a railroad, again, a transcontinental railroad will have a board of directors which will meet in New York?

Mr. MORGAN. What road?

Mr. UNTERMYER. Any transcontinental road. The directors will meet in New York, as a rule?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And the executive committee meet there also?

Mr. MORGAN. They meet there; yes.

Mr. UNTERMYER. And they leave the management of the road to the officials?

Mr. MORGAN. The details of the management, but not the policy.

Mr. UNTERMYER. I gather from your statement that you believe in divided responsibility as against concentrated responsibility?

Mr. MORGAN. Yes.

Mr. UNTERMYER. But you do believe in concentrated power, do you not?

Mr. MORGAN. Concentrated power? I do not exactly understand that.

Mr. UNTERMYER. Power to do things, confided and delegated to some one man?

Mr. MORGAN. That is a question of personality.

Mr. UNTERMYER. Coming back again to the banks and the trust companies of New York, in which we are quite interested and with reference to which the committee wishes to know all it can learn from you, do I correctly understand you, then, to say that the facts are that different groups of directors of potentially competing institutions may successfully act in all these institutions without affecting competition?

Mr. MORGAN. Some of them; yes.

Mr. UNTERMYER. Why do you say "some of them"?

Mr. MORGAN. Because you would not give the same board of directors to every bank. You would not have the same board in every bank. I am not talking about that—

Mr. UNTERMYER. There is the Guaranty Trust Co. and the Bankers Trust Co. I think there are 12 or 14 directors of the Bankers Trust Co. in the Bank of Commerce, and a large number of directors of the Guaranty Trust Co. in the Bank of Commerce, and a large number of directors of the Guaranty Trust Co. in the Bankers Trust Co., and vice versa. Those three institutions—

Mr. MORGAN. Which is the other one?

Mr. UNTERMYER. The Bankers Trust Co., the Guaranty Trust Co., and the Bank of Commerce. Those three institutions are located in the same section of the city, are they not?

Mr. MORGAN. Yes; but they do not do the same business.

Mr. UNTERMYER. Answer my question. Are they not located in the same section of the city?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And they are potential competitors?

Mr. MORGAN. They do not do the same business. The two trust companies do, but not the bank.

Mr. UNTERMYER. Let us see if that is not so. Have they not the same class of depositors?

Mr. MORGAN. I do not know that. I do not know whether they have the same class of depositors. I should doubt if they had.

Mr. UNTERMYER. They all compete for the same deposits?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. Do you not know anything about that ?

Mr. MORGAN. I should doubt it. I have been in business for a great many years in New York and I do not compete for any deposits. I do not care whether they ever come. They come.

Mr. UNTERMYER. But everybody is not so fortunately situated.

Mr. MORGAN. But the parties that have their money to deposit decide that question.

Mr. UNTERMYER. Your idea is that the Bank of Commerce or any other great institution should not try to get business, but just sit down and wait for it to come ?

Mr. MORGAN. The Bank of Commerce, if it transacts its business right, will get its share of the business.

Mr. UNTERMYER. Suppose it wants more than its share ?

Mr. MORGAN. It can not get it.

Mr. UNTERMYER. It often does, does it not ?

Mr. MORGAN. Then it ought not to have it.

Mr. UNTERMYER. What determines what is its share of the business ?

Mr. MORGAN. The public will decide that

Mr. UNTERMYER. Even if they do not compete with somebody else in looking for the business ?

Mr. MORGAN. I have never known any case of that kind to run to excess.

Mr. UNTERMYER. For instance, let us take a case like the Bankers Trust Co., that went from \$5,000,000 of deposits to \$168,000,000 of deposits in nine years. Did they get there by sitting there and waiting for the business ?

Mr. MORGAN. Certainly not, but they started—the young men that formed the Bankers Trust Co. got together and they arranged—

Mr. UNTERMYER. Did they get there by pursuing your policy of sitting there and waiting for their share of the business, or did they take it from somebody else ?

Mr. MORGAN. They got it because people wanted to send money to them.

Mr. UNTERMYER. Do you not believe they got it by going out after it ?

Mr. MORGAN. I do not believe they did.

Mr. UNTERMYER. You do not ?

Mr. MORGAN. No.

Mr. UNTERMYER. You did not help them get it, did you ?

Mr. MORGAN. I have done everything I could to help them.

Mr. UNTERMYER. And the same is true with reference to the Guaranty Trust Co. ?

Mr. MORGAN. Yes; but that had already grown before I was—

Mr. UNTERMYER. It had not grown as compared with the way it grew after you took hold of it, had it ? It had not grown anything like the way it grew after you took hold of it ?

Mr. MORGAN. I helped the banks; yes.

Mr. UNTERMYER. You know, do you not, that the Guaranty Trust Co. has merged five institutions ?

Mr. MORGAN. Yes.

Mr. UNTERMYER. So it represents to-day six trust companies ?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You know, do you not, that the Bankers' Trust Co. has taken in two large trust companies ? You know that, do you not ?

Mr. MORGAN. Yes.

Mr. UNTERMYER. So these two institutions represent to-day what were formerly nine large, prosperous institutions, do they not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you approve of that kind of concentration?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Carrying that on to its logical outcome, would you approve of their gathering in all the rest of these banks and trust companies?

Mr. MORGAN. Certainly not.

Mr. UNTERMYER. How many of them would you think they ought to gather?

Mr. MORGAN. I think they have about enough.

Mr. UNTERMYER. You think that other concerns—

Mr. MORGAN. They may have to do more; that is all; but they have enough.

Mr. UNTERMYER. They may have to take in some more?

Mr. MORGAN. Yes.

Mr. UNTERMYER. In order to get more business?

Mr. MORGAN. No; not business at all.

Mr. UNTERMYER. As a public-spirited thing?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Why?

Mr. MORGAN. Because it might be necessary to protect some companies.

Mr. UNTERMYER. They did not take in any of these companies in order to protect them, did they?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. They were all solvent institutions, were they not?

Mr. MORGAN. They were all solvent institutions at the time; yes.

Mr. UNTERMYER. And they paid well for all of them?

Mr. MORGAN. They might not be hereafter.

Mr. UNTERMYER. What would prevent solvent institutions, for which \$700 or \$800 a share was paid, to take them in as these were taken in, from continuing solvent?

Mr. MORGAN. It was profitable.

Mr. UNTERMYER. Profitable to take them in?

Mr. MORGAN. Yes; and profitable for the stockholders of the old one, too.

Mr. UNTERMYER. So you say that they might have to take them from some reason of public policy. I am trying to find out in what instance they have ever taken in a bank or trust company except for the profit there was in it.

Would you like to stop here, Mr. Morgan?

Mr. MORGAN. I do not want to stop at all. I am ready to go right on. I would like to get through; that is all. I have had enough. I wanted to have you understand my views about the thing. I will stop any remarks on my side, however.

The CHAIRMAN. Gentlemen, the committee will take a recess at this time until 1.45 o'clock this afternoon.

Thereupon, at 12.45 o'clock p. m., the committee took a recess until 1.45 p. m.

AFTER RECESS.

The subcommittee met at the expiration of the recess.

**TESTIMONY OF MR. J. PIERPONT MORGAN—Resumed.**

Mr. UNTERMYER. Mr. Morgan, are you familiar with the English and continental regulations concerning the limitation on the voting power of stock in banks in England, France, and Germany?

Mr. MORGAN. I do not think I could give you anything that would be of any use to you, Mr. Counsel. I know the general ideas over there. Anything that you would like to ask I will try to answer.

Mr. UNTERMYER. For the convenience of the committee I will read a few of these in evidence from the Senate documents on file, so that we will have them in the record, and as a basis for your examination.

From Book A, page 8, Senate Document No. 405:

In the Bank of England each stockholder holding 500 shares of stock or more has but one vote, regardless of the amount of his holding.

In the Commercial Bank of Scotland 5 shares give one vote, 10 shares two votes, 15 shares three votes, 20 shares four votes, 25 shares five votes, and 200 shares sixteen votes, which is the maximum amount of stock allowed to be voted by any one interest in that bank.

In the National Bank of Belgium 10 shares has the right to one vote. No one can have more than five votes as a shareholder, and five votes as the attorney for others, whatever may be the number of his principals.

The Russian banking law, from Senate Document No. 596:

No shareholder has a voting power exceeding one-tenth of the aggregate number of votes of members at general meeting.

From Senate Document No. 578:

The Bank of England has 145,530 shares, divided among 11,986 shareholders.

From Senate Document No. 508:

The Reichsbank, which is the Government bank in Germany, has a capital of 100,000 shares of two classes of stock—40,000 shares of 2,000 marks each, and 60,000 shares of 1,000 marks each. This was held on January 1, 1912, by 18,757 shareholders, holding an average of five and one-third shares each.

From Senate Document No. 405:

In the Bank of England bankers, brokers, bill discounters, or directors of other banks operating in England are excluded as directors, and custom has decreed that the directors should never be chosen from the ranks of other banks. They are taken from the merchant firms and their accepting houses.

From the same document:

In the Bank of France the directors are chosen only from the commercial and industrial classes. The consulting discount committee is composed of 12 merchants and manufacturers. That is the National Bank of France.

In the National Bank of England the governors and directors can not be on the board of any other bank.

Under the Russian banking law no person is allowed to be a member of the board of management of more than one bank.

From the same document:

In the Royal Bank of Scotland the directors are chosen entirely from the professional classes, and not from mercantile or financial classes who might desire advances for themselves or their friends.

In the Union Bank of Scotland no banker or stockholder is eligible as a director.

In the Commercial Bank of Scotland directors must not be directors of any other bank.

## From Senate Document No. 586:

The Russian banking law provides that the members of the board of managers, as well as the president and the officials, are not to obtain credit at the bank in any shape or form.

The Bank of England never owns bank shares.

The Union Bank of Scotland does not own bank shares.

The Royal Bank of Scotland owns no bank shares.

The Commercial Bank of Scotland never owns bank shares.

In the Bank of England each owner of 500 shares or over has but one vote, regardless of the amount held.

The Union of London and Smith's Bank has 229,340 shares, with 8,700 holders. No corporation can hold stock; no transfers are made except by the consent of the directors; each 10 shares up to 200 has one vote, but no holder, regardless of the amount held, has over 20 votes.

The Bank of France has 182,500 shares, held by 32,541 holders; 11,208 have 1 share, 6,925 have 2 shares, 7,351 have from 3 to 5 shares, 1,855 have 11 to 20 shares, 1,145 have 21 to 50 shares, and only 104 hold 100 shares or over.

Do you know what cumulative voting is, Mr. Morgan?

Mr. MORGAN. I do not think I understand it, Mr. Counsel; no.

Mr. UNTERMYER. You know they have cumulative voting in the Pennsylvania Railroad, do you not?

Mr. MORGAN. I did not know it; no, sir.

Mr. UNTERMYER. Cumulative voting may be described as follows: If there are, we will say, seven directors of a road to be elected, the owners of stock owning one-seventh of the shares by combining together and voting for one director can get a minority hold in that directorate, and so on; the holders of two-sevenths can get two directors, the holders of three-sevenths of the shares can get three directors, and so on, thus securing minority representation in the corporation. You know that in most of the systems a bare majority elects the whole board, do you not? You know that that is the general rule in this country?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You know that that does not allow for minority representation in the board?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you not think there should be minority representation in the board?

Mr. MORGAN. I think it is a very good plan, sir.

Mr. UNTERMYER. And in your judgment cumulative voting would be an improvement upon the present system, would it not?

Mr. MORGAN. I do not think it makes much difference.

Mr. UNTERMYER. Do you not think it makes much difference whether the vast majority of a corporation is represented in the board, and has the right to know what is going on, rather than to have a bare majority control?

Mr. MORGAN. I think it is very desirable. I see no objection to it. But those figures that you have read seem to me to indicate a sort of voting trust in the case of all of those people over there.

Mr. UNTERMYER. On the contrary, do you not see that those figures make a voting trust impossible?

Mr. MORGAN. On the contrary, I consider them a voting trust. I think they are a voting trust in themselves. They prevent stockholders from being represented.

Mr. UNTERMYER. Let us see if that is so. Under that system do you not see that if you had a voting trust, as you have voting trusts

of the majority of the shares of a corporation, you could not vote in all the directors, anyway, could you ?

Mr. MORGAN. No.

Mr. UNTERMYER. You could only vote in a small proportion of them. The people who did not choose to give you a voting trust on their stock would have representation in the board, would they not ?

Mr. MORGAN. I do not want to suggest such a plan, but they could very easily transfer the shares into different names, so that they could accomplish the same purpose.

Mr. UNTERMYER. But you know that over there this sort of hocus-pocus does not go, do you not ?

Mr. MORGAN. I think the records will show otherwise, sir.

Mr. UNTERMYER. Do you not know that the laws there prevent the consolidation and concentration of banking control by prohibiting directors in one bank from being directors in another bank ?

Mr. MORGAN. Yes; but I would like to say in reply to that that there is no place where mergers and consolidations and all that have taken place to the same extent that they have in England during the last 20 years.

Mr. UNTERMYER. Not in the banking world, have they ?

Mr. MORGAN. In the banking world.

Mr. UNTERMYER. Do you not know that in the banking world in Great Britain there are a number of great groups of banks quite independent of one another ?

Mr. MORGAN. Oh, there may be, but there are fewer banks now than there were 20 years ago.

Mr. UNTERMYER. Do you not know that, quite in contrast with our own systems, those groups over there are absolutely independent of one another; that they have not any common directors at all, and are not allowed to have ?

Mr. MORGAN. That may be. I do not know about that.

Mr. UNTERMYER. Do you not know that that is so ?

Mr. MORGAN. I did not know that was so.

Mr. UNTERMYER. And do you not know that, unlike our own situation, if a man has a good project in England and he goes to one group and can not get his business done, the other groups take it up very readily, and that they have no connection with one another ?

Mr. MORGAN. Oh, that is very possible.

Mr. UNTERMYER. Is not that a very much more healthful condition of things than to have the groups interlocking, so that if one refuses the business you can not get it done at another ?

Mr. MORGAN. I do not think that exists to any extent here.

Mr. UNTERMYER. Will you tell me of any instance in the last 10 years in which there has been any independent railroad building as against any of the great systems ?

Mr. MORGAN. I do not think that is on account of the banks.

Mr. UNTERMYER. Will you not answer my question ?

Mr. MORGAN. What is it ?

Mr. UNTERMYER. Is it not a fact that in this country there has not been, in the last 10 years, any railroad construction of parallel or competing lines to any great system existing here ?

Mr. MORGAN. I understand that to be so; yes.

Mr. UNTERMYER. And is it not the fact that in this country there has been a consistent and continuous and increasing cementing and concentration and consolidation of the great systems?

Mr. MORGAN. I think that is true.

Mr. UNTERMYER. Do you attribute the absence of competing railroad building as against the great systems, to the dominance of the banking interests in those great railroad systems?

Mr. MORGAN. I do not.

Mr. UNTERMYER. You do not? Do you attribute it to the fact that in this comparatively new and growing country there is not any need for any more railroads?

Mr. MORGAN. I do not.

Mr. UNTERMYER. Do you attribute it to the difficulty of getting new capital?

Mr. MORGAN. I do.

Mr. UNTERMYER. For competing systems?

Mr. MORGAN. I do. I might add to my reply, if you will allow me to—

Mr. UNTERMYER. Yes.

Mr. MORGAN (continuing). That I think it is owing in large measure to the fact of the want of protection against railroads that has been current in this country for the last 10 years.

Mr. UNTERMYER. You mean the want of protection to the railroads?

Mr. MORGAN. To the railroads; yes. Nobody wants to put money into a new railroad in these times.

Mr. UNTERMYER. The railroads are doing pretty well, are they not?

Mr. MORGAN. Some of them are. The old ones are; yes.

Mr. UNTERMYER. Take, for instance, the Reading Road, in which you are very largely interested, are you not?

Mr. MORGAN. Very well.

Mr. UNTERMYER. You and Mr. Baker dominate the anthracite coal-road situation, do you not, together?

Mr. MORGAN. No; we do not.

Mr. UNTERMYER. Do you not?

Mr. MORGAN. I do not think we do. At least, if we do, I do not know it.

Mr. UNTERMYER. Your power in any direction is entirely unconscious to you, is it not?

Mr. MORGAN. It is, sir; if that is the case.

Mr. UNTERMYER. You do not think you have any power in any department of industry in this country, do you?

Mr. MORGAN. I do not.

Mr. UNTERMYER. Not the slightest?

Mr. MORGAN. Not the slightest.

Mr. UNTERMYER. And you are not looking for any?

Mr. MORGAN. I am not seeking it, either.

Mr. UNTERMYER. This consolidation and amalgamation of systems and industries and banks does not look to any concentration, does it?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. It looks, I suppose, to a dispersal of interests rather than to a concentration?

Mr. MORGAN. Oh, no; it deals with things as they exist.

Mr. UNTERMYER. It is for the purpose of concentrating the interests that you do amalgamate, is it not?

Mr. MORGAN. If it is desirable, yes.

Mr. UNTERMYER. That is the purpose you have had?

Mr. MORGAN. If it is for the ———

Mr. UNTERMYER. If it is good business?

Mr. MORGAN. If it is good business for the interests of the country to do it, I do it.

Mr. UNTERMYER. But, Mr. Morgan, is not a man likely, quite subconsciously, to imagine that things are for the interests of the country when they are good business?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You think that you are able to justly and impartially differentiate, where your own interests are concerned, just as clearly as though you had no interest at stake, do you?

Mr. MORGAN. Exactly, sir.

Mr. UNTERMYER. And you are acting on that assumption all the time, are you not?

Mr. MORGAN. I always do, sir.

Mr. UNTERMYER. Of course, there is a possibility of your judgment being mistaken, is there not?

Mr. MORGAN. Oh, I may be wrong in my judgment, but I do not think it lies in that direction.

Mr. UNTERMYER. Does it not go somewhat on the theory that the wish may be father to the thought?

Mr. MORGAN. What is your question?

Mr. UNTERMYER. That the wish to bring these interests together may lead you to believe that the country is not injured by that sort of concentration?

Mr. MORGAN. I do not think so.

Mr. UNTERMYER. You do not? Let us take a situation such as this: You issued the securities of the Baldwin Locomotive Works, did you not—your firm?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Recently?

Mr. MORGAN. No. It was done in Philadelphia. I do not know the details of it.

Mr. UNTERMYER. Your house did it?

Mr. MORGAN. Yes; our house.

Mr. UNTERMYER. Your New York house participated?

Mr. MORGAN. It is the same thing, sir; only they attend to their business and we attend to ours, you know.

Mr. UNTERMYER. And you pool the results?

Mr. MORGAN. It all goes into a pool; yes.

Mr. UNTERMYER. It all goes into one pot?

Mr. MORGAN. If there are any results.

Mr. UNTERMYER. Well, I am sorry—so far you have had no reason to complain, have you?

Mr. MORGAN. I do not complain of anything, sir.

Mr. UNTERMYER. The other locomotive works had combined under the corporate title of the American Locomotive Co., had they not, and the Baldwin Co. was outside, was it not?

Mr. MORGAN. The American Locomotive Works was a thing by itself; it had been in existence a long time before anything else was.

Mr. UNTERMYER. I know that; but I say the locomotive manufacturers of the United States had combined and formed the American Locomotive Co., and the Baldwin Co. was not in it. Is not that right?

Mr. MORGAN. No; it was not in that combination.

Mr. UNTERMYER. It was not in that combination?

Mr. MORGAN. But they were there before.

Mr. UNTERMYER. I understand that. Then you took hold of the Baldwin Co.?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Assuming that you and Mr. Baker and your few partners and associates dominated the great railroad systems of the country, and you were interested in the American Locomotive Co. and the Baldwin Locomotive Co., what chance would a new locomotive works have?

Mr. MORGAN. As against those two concerns?

Mr. UNTERMYER. Yes.

Mr. MORGAN. I do not know. They would—

Mr. UNTERMYER. What chance would they have after they found the money to do business?

Mr. MORGAN. They would have plenty of business.

Mr. UNTERMYER. Where?

Mr. MORGAN. In America.

Mr. UNTERMYER. We are assuming you and your associates dominate the railroad companies?

Mr. MORGAN. We would not give all the business to one company.

Mr. UNTERMYER. That is the reason you have two, is it not?

Mr. MORGAN. Yes; and if there was another one we would probably use that. We can not get our locomotives now.

Mr. UNTERMYER. I am not talking of a temporary condition, but I am taking the normal conditions when they have plenty of space to do business. In such a condition there would not be much chance for a new company, would there?

Mr. MORGAN. I think so.

Mr. UNTERMYER. You think there would?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Even if you and your associates gave that business to the existing companies?

Mr. MORGAN. We do not.

Mr. UNTERMYER. Where do you give your business except to those companies?

Mr. MORGAN. If there are no others, of course we give them the business.

Mr. UNTERMYER. Are there any others?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. Do you know of any that get any business in cars or locomotives?

Mr. MORGAN. I do not know anything about the details, but we certainly would not give the business all to one company or to two companies.

Mr. UNTERMYER. Do you know anything about that?

Mr. MORGAN. Know what?

Mr. UNTERMYER. Do you look after that yourself?

Mr. MORGAN. Not the details of it, but I know that from the railroad companies, etc., with which I am connected, that buy from every company that can give us what we want.

Mr. UNTERMYER. Do you think it is a healthful condition to have industries so concentrated that the interests in the supply company are alike or similar to the interests in the railroad company?

Mr. MORGAN. But they are not.

Mr. UNTERMYER. Do you think that would be a healthy condition?

Mr. MORGAN. But they are not the same.

Mr. UNTERMYER. Let us see if they are not. Are not the interests of the Baldwin Locomotive Co. dominated by the same interests that dominate the railroad situation?

Mr. MORGAN. By us?

Mr. UNTERMYER. In a sense.

Mr. MORGAN. No.

Mr. UNTERMYER. You are responsible for the securities issued?

Mr. MORGAN. Morally; yes.

Mr. UNTERMYER. And it is your duty to look after them?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You do not consider you are under any obligation to protect the securities you issue?

Mr. MORGAN. Unless there is trouble.

Mr. UNTERMYER. That is the only time you need to protect them, when trouble comes?

Mr. MORGAN. Then we have——

Mr. UNTERMYER. When trouble comes you do consider yourselves under a duty, do you not?

Mr. MORGAN. To the company.

Mr. UNTERMYER. And the security holders?

Mr. MORGAN. We do not attend to that part of it.

Mr. UNTERMYER. You do consider yourselves under a duty to the security holders when trouble comes, do you not?

Mr. MORGAN. They try to——

Mr. UNTERMYER. (interrupting). You do not answer my question.

Mr. MORGAN. I am trying to answer it.

Mr. UNTERMYER. When trouble comes, do you or not consider that as the issuing house of these securities, you are under a duty to protect the securities?

Mr. MORGAN. Yes; if they get into trouble.

Mr. UNTERMYER. Suppose they should get into trouble through threatened new competition; do you think you would be under no duty to them?

Mr. MORGAN. To stop it?

Mr. UNTERMYER. Do you think you would be under no duty to them?

Mr. MORGAN. To what?

Mr. UNTERMYER. Through threatened new competition?

Mr. MORGAN. To throttle it?

Mr. UNTERMYER. You may call it "throttling it" and somebody else may call it something else.

Mr. MORGAN. Call it anything you like.

Mr. UNTERMYER. We will not call it at all. We only want to know whether you think you are under any duty to protect them against new competition?

Mr. MORGAN. No; I do not.

Mr. UNTERMYER. Do you remember that in 1898 the independent operators, amongst whom were Simpson and Watkins, who controlled eight mines, projected a competing railroad from the coal fields, and to that end organized the New York, Wyoming & Western Railroad, and made other preparations. Do you remember that fact?

Mr. MORGAN. No.

Mr. UNTERMYER. Do you remember that thereupon negotiations for the acquisition of the collieries of Simpson and Watkins were opened by Robert Bacon?

Mr. MORGAN. I do not remember anything about that.

Mr. UNTERMYER. Who was Robert Bacon?

Mr. MORGAN. Who was Robert Bacon?

Mr. UNTERMYER. Yes.

Mr. MORGAN. At what date?

Mr. UNTERMYER. 1898.

Mr. MORGAN. He may have been a partner of mine.

Mr. UNTERMYER. He was a member of the firm of J. P. Morgan & Co., was he not?

Mr. MORGAN. He was.

Mr. UNTERMYER. Are you familiar with the evidence in the Temple Iron Co. case, which was decided a few days ago—the Reading Road case?

Mr. MORGAN. I know there was something of that kind, but I do not remember the details of it now.

Mr. UNTERMYER. Do you remember the decision a day or two ago?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you remember that at that time Mr. Bacon conducted the negotiations by which these parties were taken in and the railroad was not built?

Mr. MORGAN. I do not.

Mr. UNTERMYER. Do you not know those facts were proven in that case?

Mr. MORGAN. I do not know anything about the case.

Mr. UNTERMYER. You were not familiar with the facts in that case?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Then you consider your firm, as fiscal agents, and as promoting and being responsible for securities of the railroad system, under no sort of obligation to discourage or prevent a competing railroad?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You know a competing railroad might ruin you?

Mr. MORGAN. I could not help that.

Mr. UNTERMYER. You would not try to help it?

Mr. MORGAN. Something might occur that might necessitate it. I can not say what I would do, but on general principles I should not.

Mr. UNTERMYER. I would rather not discuss general principles on that particular point. I would rather have a concrete case. In a concrete case, for instance, like the Lake Shore road paralleling the New York Central, you thought the best policy was to buy up that competition, did you not?

Mr. MORGAN. The West Shore?

Mr. UNTERMYER. Yes.

Mr. MORGAN. Yes.

Mr. UNTERMYER. These concrete cases are occurring from time to time, are they not?

Mr. MORGAN. The New York Central wanted to lease it.

Mr. UNTERMYER. That meant doing away with competition, did it not? That was the effect of it, was it not?

Mr. MORGAN. That was the effect of it, yes.

Mr. UNTERMYER. Do you believe in buying up competing railroads?

Mr. MORGAN. That is a general question. I take each case by itself. I want a concrete question.

Mr. UNTERMYER. Taking each case by itself, do you know of any competing railroads that have not been bought up?

Mr. MORGAN. Oh, yes; a great many.

Mr. UNTERMYER. That is where they were great transcontinental systems, which took too much money to buy up?

Mr. MORGAN. I do not know the reason, but I know there are a great many that have not been bought up.

Mr. UNTERMYER. You were concerned, were you not, in the effort to destroy the competition between the Great Northern and the Northern Pacific through the organization of the Northern Securities Co.?

Mr. MORGAN. The Great Northern and the Northern Pacific?

Mr. UNTERMYER. Through the organization of the Northern Securities Co.?

Mr. MORGAN. I put them together.

Mr. UNTERMYER. Put them together for what purpose?

Mr. MORGAN. So as to make the line just as it is now.

Mr. UNTERMYER. You mean so as to do away with the then existing competition between the two lines?

Mr. MORGAN. Yes; I suppose that was it.

Mr. UNTERMYER. Do you think that is a justifiable thing?

Mr. MORGAN. It depends upon each particular case by itself.

Mr. UNTERMYER. Take that particular case. What would be your justification for destroying that competition?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. What?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. The same policy would dictate, would it not, buying competing industrials, or industries, and putting them together?

Mr. MORGAN. No. Take for instance, the United States Steel Corporation. To-day I would not buy anything.

Mr. UNTERMYER. I know, because you have got enough now to have a commanding power, have you not?

Mr. MORGAN. No; not that, either.

Mr. UNTERMYER. You did engage in buying up competition there in order to form a company, did you not?

Mr. MORGAN. No; I bought it up for the purpose of having a corporation which in itself could manufacture all kinds of steel.

Mr. UNTERMYER. Yes; but they were competitors, were they not? Perhaps I ought not to go into that. I will withdraw that, Mr. Morgan. That suit is pending.

Mr. MORGAN. If you get down to that subject——

Mr. UNTERMYER. It had not occurred to me when I asked the question that it affected a pending litigation, so that I will withdraw that.

You bought the control of the Equitable Life Assurance Society, did you not?

Mr. MORGAN. I did, sir.

Mr. UNTERMYER. From whom?

Mr. MORGAN. Mr. Ryan.

Mr. UNTERMYER. And Mr. Harriman?

Mr. MORGAN. And Mr. Harriman.

Mr. UNTERMYER. They held the control of it?

Mr. MORGAN. They did.

Mr. UNTERMYER. And what was the amount of the par value of the stock which you bought?

Mr. MORGAN. \$500,000.

Mr. UNTERMYER. No; it was \$51,000?

Mr. MORGAN. Yes; \$51,000.

Mr. UNTERMYER. The total capital of the company was \$100,000, was it not?

Mr. MORGAN. I have not the books with me. Whatever it was, it is a matter of record.

Mr. UNTERMYER. \$51,000. There were 510 shares of stock?

Mr. MORGAN. Yes.

Mr. UNTERMYER. What is the amount of dividends to which that stock is entitled?

Mr. MORGAN. The regular dividend is 7 per cent.

Mr. UNTERMYER. Seven per cent. That is all it can get, is it not?

Mr. MORGAN. I do not know. They claim that there is something besides.

Mr. UNTERMYER. That is all it ever has paid?

Mr. MORGAN. That is all it ever has gotten.

Mr. UNTERMYER. That is \$3,570 a year?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you paid how much for that?

Mr. MORGAN. I do not know the amount.

Mr. UNTERMYER. About \$3,000,000, was it not; two and a half millions; and the interest that had accrued?

Mr. MORGAN. Somewhere in that neighborhood.

Mr. UNTERMYER. About \$3,000,000. On that investment of \$3,000,000 the return in dividends is \$3,570. It yields a return of about one-eighth or one-ninth of 1 per cent a year; is not that right?

Mr. MORGAN. I believe so.

Mr. UNTERMYER. Are Messrs. Stillman & Baker associated with you or interested in that purchase?

Mr. MORGAN. Not as it stands to-day.

Mr. UNTERMYER. Have they never had any interest in that purchase?

Mr. MORGAN. It has never been consummated.

Mr. UNTERMYER. What was the understanding as to their being interested with you in that purchase?

Mr. MORGAN. As to what?

Mr. UNTERMYER. Sir.

Mr. MORGAN. I can not tell you that, sir. That is private business.

Mr. UNTERMYER. You think that is private business?

Mr. MORGAN. That is private business of my clients.

Mr. UNTERMYER. No; I am not speaking of clients, Mr. Morgan, and I have no desire to intrude upon your private business.

Mr. MORGAN. No; that is what I mean.

Mr. UNTERMYER. But it seems to me that the question of whether you had or have associates in that purchase, in the form of Mr. James Stillman and Mr. George F. Baker, is not a matter of private business. Did they not agree to participate with you in that business?

Mr. MORGAN. I should like to consult my counsel.

Mr. UNTERMYER. Do you want to consult?

Mr. MORGAN. Yes, sir. [After consulting with counsel.] Mr. Chairman, neither Mr. Baker nor Mr. Stillman has ever had any interest in it, but it is understood that if I want to they will take half of it at any time I say so.

Mr. UNTERMYER. When was that understanding reached?

Mr. MORGAN. I do not know. I think it has practically been so from the beginning.

Mr. UNTERMYER. From the time you took it?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And they are under obligation, then, to take half of this interest off your hands?

Mr. MORGAN. If I wish it.

Mr. UNTERMYER. There is no writing on the subject, is there?

Mr. MORGAN. What?

Mr. UNTERMYER. Is there any writing on the subject?

Mr. MORGAN. That I do not know. I do not know whether any writing has passed on the subject or not.

Mr. UNTERMYER. Who would be likely to know whether you had any writing or agreement on that subject?

Mr. MORGAN. I think our books would show it. [After consulting with counsel.] There is a writing on that subject.

Mr. UNTERMYER. May we have it?

Mr. MORGAN. You may have a copy of it, yes, sir.

Mr. UNTERMYER. I mean a copy of it.

Mr. MORGAN. You shall have it.

Mr. UNTERMYER. Have you got it here?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Then you will furnish that agreement by which they are to become interested with you?

Mr. MORGAN. In case I wish it.

Mr. UNTERMYER. In case you wish it?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You may explain, if you care to, Mr. Morgan, why you bought from Messrs. Ryan and Harriman \$51,000 par value of stock that paid only \$3,710 a year, for approximately \$3,000,000, that could yield you only one-eighth or one-ninth of 1 per cent.

Mr. MORGAN. Because I thought it was a desirable thing for the situation to do that.

Mr. UNTERMYER. That is very general, Mr. Morgan, when you speak of the situation. Was not that stock safe enough in Mr. Ryan's hands?

Mr. MORGAN. I suppose it was. I thought it was greatly improved by being in the hands of myself and these two gentlemen, provided I asked them to do so.

Mr. UNTERMYER. How would that improve the situation over the situation that existed when Mr. Ryan and Mr. Harriman held the stock?

Mr. MORGAN. Mr. Ryan did not have it alone.

Mr. UNTERMYER. Yes; but do you not know that Mr. Ryan originally bought it alone, and Mr. Harriman insisted on having him give him half?

Mr. MORGAN. I thought if he could pay for it that price I could. I thought that was a fair price.

Mr. UNTERMYER. You thought it was good business, did you?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You thought it was good business to buy a stock that paid only one-ninth or one-tenth of 1 per cent a year?

Mr. MORGAN. I thought so.

Mr. UNTERMYER. The normal rate of interest that you can earn on money is about 5 per cent, is it not?

Mr. MORGAN. Not always; no.

Mr. UNTERMYER. I say, ordinarily.

Mr. MORGAN. I am not talking about it as a question of money.

Mr. UNTERMYER. The normal rate of interest would be from 4 to 5 per cent, ordinarily, would it not?

Mr. MORGAN. Well?

Mr. UNTERMYER. Where is the good business, then, in buying a security that only pays one-ninth of 1 per cent?

Mr. MORGAN. Because I thought it was better there than it was where it was. That is all.

Mr. UNTERMYER. Was anything the matter with it in the hands of Mr. Ryan?

Mr. MORGAN. Nothing.

Mr. UNTERMYER. In what respect would it be better where it is than with him?

Mr. MORGAN. That is the way it struck me.

Mr. UNTERMYER. Is that all you have to say about it?

Mr. MORGAN. That is all I have to say about it.

Mr. UNTERMYER. You care to make no other explanation about it?

Mr. MORGAN. No.

Mr. UNTERMYER. The assets of the Equitable Life are a little over \$500,000,000, are they not?

Mr. MORGAN. I do not know what they are.

Mr. UNTERMYER. According to the charts and papers in evidence, on December 31, 1911, they were \$504,465,802.01. Did Mr. Ryan offer this stock to you?

Mr. MORGAN. I asked him to sell it to me.

Mr. UNTERMYER. You asked him to sell it to you?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Did you tell him why you wanted it?

Mr. MORGAN. No. I told him I thought it was a good thing for me to have.

Mr. UNTERMYER. Did he tell you that he wanted to sell it?

Mr. MORGAN. No; but he sold it.

Mr. UNTERMYER. He did not want to sell it; but when you said you wanted it, he sold it?

Mr. MORGAN. He did not say that he did not want to sell it.

Mr. UNTERMYER. What did he say when you told him you would like to have it, and thought you ought to have it?

Mr. MORGAN. He hesitated about it, and finally sold it.

Mr. UNTERMYER. He also sold the Morton Trust Co., did he not, to the Guaranty Trust?

Mr. MORGAN. I do not know. I suppose the stockholders sold that.

Mr. UNTERMYER. Do you not know that he had control of the Morton Trust?

Mr. MORGAN. I do not think he had it.

Mr. UNTERMYER. He was in control at the time of the sale, was he not?

Mr. MORGAN. He may have been the negotiator; I do not know. I had nothing to do with those negotiations, so far as he was concerned.

Mr. UNTERMYER. You had nothing to do with the acquisition of the Morton Trust stock?

Mr. MORGAN. All that I did was to buy Morton's—

Mr. UNTERMYER. You bought Morton's interest?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Who bought Mr. Ryan's interest?

Mr. MORGAN. I do not know. The Guaranty people, I suppose.

Mr. UNTERMYER. After you bought the Morton interest, did you put it into the Guaranty?

Mr. MORGAN. I put it in with the other—

Mr. UNTERMYER. You put it in with the others?

Mr. MORGAN. Those who bought the stock put it into the Guaranty? I want to say, in connection with that other matter—

Mr. UNTERMYER. In connection with the Equitable?

Mr. MORGAN (continuing). I have never had any question about the disposition of the Equitable Life stock. My idea has always been to have it turned over to the policyholders.

Mr. UNTERMYER. Let us see about that. You mean turned over provided you got the \$3,000,000 back?

Mr. MORGAN. Just what I paid for it. That is all.

Mr. UNTERMYER. You know what that means, do you not—turning over an insurance company to the policyholders?

Mr. MORGAN. I do not know how it could be done—the terms of it—at all. Whatever was to be done was to be done by trustees. The stock was in the hands of the trustees; I have no control over it, in any way, shape, or manner.

Mr. UNTERMYER. What I want to know is this: Do you not know, Mr. Morgan, from your experience with life insurance companies, with mutual companies, that the men who are in the saddle are the men who continue to control a life insurance company, whether it is mutual or stock?

Mr. MORGAN. Not necessarily that.

Mr. UNTERMYER. Have you ever heard of a case in which the policyholders have ever been able to take it out of the hands of the men who control it?

Mr. MORGAN. That has always been my idea.

Mr. UNTERMYER. Have you ever heard of a case in which they have been able to do that?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. Do you not know the case, for instance, of the Mutual Reserve, where the man went to jail, and they could not change the control of the company?

Mr. MORGAN. I do not know anything about that. I am not seeking that occupation.

Mr. UNTERMYER. Do you not know that the policy holders' control amounts to nothing, as against the management, who have the agency force under their domination?

Mr. MORGAN. I do not know anything about that. I think the legislature of the State of New York could fix that.

Mr. UNTERMYER. They have not fixed it yet, have they?

Mr. MORGAN. I am living in hopes.

Mr. UNTERMYER. You are living in hopes of getting back your money?

Mr. MORGAN. No. I do not care anything about the money.

Mr. UNTERMYER. I do not understand why you bought this company.

Mr. MORGAN. For the very reason that I thought it was the thing to do, as I said.

Mr. UNTERMYER. But that does not explain anything.

Mr. MORGAN. That is the only reason I can give.

Mr. UNTERMYER. It was the thing to do for whom?

Mr. MORGAN. That is the only reason I can give. That is the only reason I have, in other words. I am not trying to keep anything back, you understand.

Mr. UNTERMYER. I understand. In other words, you have no reason at all?

Mr. MORGAN. That is the way you look at it. I think it is a very good reason.

Mr. UNTERMYER. All right.

Mr. MORGAN. I think it is a very good reason. Some of these days you will agree with me.

Mr. UNTERMYER. You can never tell what may happen, some of these days. You may agree with me, Mr. Morgan.

Mr. MORGAN. Very well. That may be. If I do, I shall wait for a good reason.

Mr. UNTERMYER. In the meantime, I wish you would give me a good reason, or any reason, why you should have bought that stock, except the fact that you thought it was the thing to do.

Mr. MORGAN. That is the only reason I have. The reason I called it up again was that I wanted to call the attention of the members of the committee and yourself to the fact that I did not buy it to make money. I did it because I thought it was better in the hands of these three gentlemen.

Mr. UNTERMYER. It was in the hands of these three gentlemen before, was it not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. It was in the hands of three equally eminent gentlemen, was it not?

Mr. MORGAN. They were very eminent. I have no criticism of anybody.

Mr. UNTERMYER. Why was it not as good in Mr. Ryan's hands as it was in yours?

Mr. MORGAN. No, no. I thought it was best to have that stock where there was no danger of it being divided up into small lots. Mr. Ryan had already sold half of it, and you could not tell. Mr. Harriman died a few months afterwards, and if that had gone into his estate you could not tell how it would have been divided.

Mr. UNTERMYER. Let us look at that.

Mr. MORGAN. Those are the things that I had in mind. I am trying to show you some of the things that went through my mind.

Mr. UNTERMYER. I understand perfectly.

Mr. MORGAN. The only reason I did it, on which I am willing to stand up before the community, or anybody, is that I thought it was the thing to do.

Mr. UNTERMYER. That is a little nebulous, is it not?

Mr. MORGAN. You may call it so, but I do not look at it in that light.

Mr. UNTERMYER. You know, do you not, Mr. Morgan, that Mr. Ryan originally bought that stock alone?

Mr. MORGAN. I only know that he owned it at one time.

Mr. UNTERMYER. Do you not know that Mr. Harriman insisted on his dividing it with him?

Mr. MORGAN. That was afterwards. It could not have been so bad—that is another point—it could not have been so bad if Mr. Harriman was so anxious to get half of it.

Mr. UNTERMYER. I do not think it was; but I am trying to find out where the money was in it, at one-ninth of 1 per cent return.

Mr. MORGAN. My friend, if I should attempt to tell you where the money is in every transaction I make, I would have a very hard time of it.

Mr. UNTERMYER. You would not be able to do it?

Mr. MORGAN. I have given you, from my heart, the exact facts.

Mr. UNTERMYER. I know you have, Mr. Morgan, and I am trying to find out the real reason for this thing.

Mr. MORGAN. I have no reason, except the one I have already given you.

Mr. UNTERMYER. You say there was danger of it being divided into small lots?

Mr. MORGAN. I did not say there was danger of it, at all. I said there was a possibility of it.

Mr. UNTERMYER. Let us look at that. What would be the harm of its being divided into small lots? That would be a good deal like having a mutual company, would it not?

Mr. MORGAN. Then, if the company did want it, which was commonly discussed, as to the policy holders having it, it could not have been had.

Mr. UNTERMYER. Just a moment. Do you not think that a stock that was paying one-ninth of 1 per cent return could readily have been had by somebody who wanted to give money for it that would yield 5 per cent return, or 45 times what it was yielding them?

Mr. MORGAN. I know nothing about that, sir. I am willing to take the criticism or the credit, or whatever it may be, of the transaction. I only say this, that I did it because I thought it was the thing to do; and that is the only reason I had, and the only thing I can say.

Mr. UNTERMYER. We are trying to analyze that.

Mr. MORGAN. You can not analyze it.

Mr. UNTERMYER. I do not suppose we can. I wanted to see you analyze it.

Mr. MORGAN. No. I can not do it myself.

Mr. UNTERMYER. Let us see about this idea of any injury from this being divided into small lots.

Mr. MORGAN. I do not know anything about that.

Mr. UNTERMYER. If this stock were divided into small lots, it would be almost equivalent to mutualizing the company, would it not?

Mr. MORGAN. Not at all.

Mr. UNTERMYER. No one man would retain control.

Mr. MORGAN. It was not a question of control.

Mr. UNTERMYER. Take the New York Life, for instance. That is a mutual company, is it not?

Mr. MORGAN. I do not know.

Mr. UNTERMYER. Take the Mutual Life?

Mr. MORGAN. The Mutual Life is, yes.

Mr. UNTERMYER. And so is the New York, is it not? It is the New York Mutual Life Insurance Company.

Mr. MORGAN. I thought there was some stock in the New York.

Mr. UNTERMYER. No; there is no stock in it. They are both mutual companies. I think you will agree with me about that.

Mr. MORGAN. I thought there was, at one time, some stock in the New York.

Mr. LINDABURY. If you turn to me, for once, I shall be with you. They are both mutual companies.

Mr. UNTERMYER. Yes.

If the stock was divided into small lots, there would be less danger of some one man controlling it. It would be more like a mutual company?

Mr. MORGAN. I am not afraid of anybody trying to control it. If there was a committee appointed that wanted it, nobody could deliver the control of that stock.

Mr. UNTERMYER. If a man could get 45 times the return it was bringing?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You think not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. I see.

Mr. MORGAN. If a man came to me to-day and offered that price for it, I would not take it.

Mr. UNTERMYER. I understand that. I will put in evidence here the data that has been furnished us with respect to the investments—

Mr. LINDABURY. Are you putting in the data with regard to the mutualization that I handed you?

Mr. UNTERMYER. I have not seen it.

Mr. LINDABURY. I think you have it somewhere there.

Mr. UNTERMYER. Here it is. Do you want this in?

Mr. LINDABURY. I shall be very glad if you will put it in.

Mr. UNTERMYER. At the request of counsel for Mr. Morgan, we offer in evidence the data bearing upon the proposed mutualization of the company.

The paper referred to was marked "Exhibit No. 136, December 19, 1912," and will be found at the end of this day's proceedings.

Mr. UNTERMYER. I would like now to offer in evidence "list of securities held by the Equitable Life Assurance Society, as per New York Insurance report for 1911, which securities were sold or issued through J. P. Morgan & Co. regardless of the fact whether J. P. Morgan & Co. sold these particular securities to the Equitable Life Assurance Society."

The list referred to was marked "Exhibit No. 137, December 19, 1912," and will be found printed at the end of this day's proceedings.

Mr. UNTERMYER. I also offer in evidence a similar list with a like heading, with reference to the Mutual Life Insurance Co.; also a similar list with reference to the New York Life Insurance Co., and also a similar list with reference to the Metropolitan Life Insurance Co.

The three lists last referred to were marked, respectively, "Exhibit 138, Exhibit 139, and Exhibit 140, December 19, 1912," and are printed at the end of to-day's proceedings.

Mr. MORGAN. Had not those better be read, as to the amounts, etc.?

Mr. UNTERMYER. They are very long.

Mr. MORGAN. Just as to the amounts, I mean.

Mr. UNTERMYER. They will be read when they are aggregated.

Is there anything you want to say, after talking with Mr. Nicoll just now?

Mr. MORGAN. I do not know of anything I want to say, except I was just thinking about the condition of affairs at the time. Mr. Ryan at that time was not in good health. You asked me for the facts.

Mr. UNTERMYER. You say he did not want to sell?

Mr. MORGAN. I did not say he did not want to sell. He did not offer it to me.

Mr. UNTERMYER. When you offered to sell, you say he did not want to sell, but he did sell.

Mr. MORGAN. He did sell.

Mr. UNTERMYER. Then it was not because of his health that he finally sold?

Mr. MORGAN. No; but I was thinking of where the thing might go. I only want to get the facts: I only want to explain why.

Mr. UNTERMYER. It was not on account of his health, was it, that you paid \$3,000,000 for securities earning \$3,370?

Mr. MORGAN. I would have bought it anyway rather than have it go into hands that might have been injurious.

Mr. UNTERMYER. But he was not offering it to anybody, was he?

Mr. MORGAN. No; but I knew he had it.

Mr. UNTERMYER. Was it injurious then?

Mr. MORGAN. I have explained it. I have nothing more to say on that subject.

Mr. UNTERMYER. Were you consulted with respect to the organization of this City Security Co. by the City Bank?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Or the First Security Co. by the First National Bank?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Do you not know why those two security companies were formed from the First National Bank and the City Bank?

Mr. MORGAN. I have my impression.

Mr. UNTERMYER. Do you not know from any discussion—

Mr. MORGAN. No, sir; I do not know anything about it.

Mr. UNTERMYER. You are a large stockholder in both, are you not?

Mr. MORGAN. The firm is, yes, sir.

Mr. UNTERMYER. And you received your stock as a dividend from the bank, did you not?

Mr. MORGAN. I do not know whether it has ever been delivered.

Mr. UNTERMYER. You are entitled to that stock, and it was in the way of a dividend, was it not—that is, each bank, the First National Bank and the City Bank, declared a dividend of \$10,000,000, and with that these companies were organized?

Mr. MORGAN. Yes; that I understand was the case.

Mr. UNTERMYER. What do you understand to have been the reason for the organization of those companies?

Mr. MORGAN. I do not know, except that I suppose they wanted to do business in securities, which as a bank they could not do. I do not know anything about that.

Mr. UNTERMYER. Do you know anything about the operations of these two companies?

Mr. MORGAN. I know to a certain extent.

Mr. UNTERMYER. They buy stocks of other banks, do they not?

Mr. MORGAN. You are talking about the security companies?

Mr. UNTERMYER. Yes.

Mr. MORGAN. They deal in securities the same as any other trust company.

Mr. UNTERMYER. Did they not buy stocks of a vast number of small banks?

Mr. MORGAN. The City?

Mr. UNTERMYER. Yes.

Mr. MORGAN. I do not know anything about the City at all.

Mr. UNTERMYER. You are a large stockholder in the City?

Mr. MORGAN. I can not help it. I do not know anything about the details of the work.

Mr. UNTERMYER. I do not think you want to help it, either. But you a large holder, as a fact?

Mr. MORGAN. The firm is. I am not, individually, I think. If I am it is a small amount.

Mr. UNTERMYER. The firm has one and one-half million dollars per value, has it not?

Mr. MORGAN. What have I got?

Mr. UNTERMYER. The firm has one and one-half million dollars, has it not? That is largely yours, is it not?

Mr. MORGAN. None of it is mine except—

Mr. UNTERMYER. Except as a member of the firm?

Mr. MORGAN. Yes.

Mr. UNTERMYER. That stock is quoted to-day at what price?

Mr. MORGAN. I do not know—four hundred and something.

Mr. UNTERMYER. So that would be, at present value, about \$6,000,000?

Mr. MORGAN. Yes.

Mr. UNTERMYER. In value.

Mr. MORGAN. Yes.

Mr. UNTERMYER. You would not call that a small holding, would you?

Mr. MORGAN. That is not a controlling interest, is it?

Mr. UNTERMYER. But it is not a small holding in dollars and cents?

Mr. MORGAN. No, I should hardly call it a small holding, but it is not a controlling interest.

Mr. UNTERMYER. I understand. It is not a stock control?

Mr. MORGAN. It is not a thing that requires constant watching and all that, like other securities——

Mr. UNTERMYER. You do not know, do you, whether that company distributed ten millions to put into this security——

Mr. MORGAN. I do not know. I never heard what was done. I know it was discussed at one time and I understood it was given up, but I have not heard anything more.

Mr. UNTERMYER. The company is still in existence?

Mr. MORGAN. I do not know. If anybody should ask me, I could not tell them to save my life.

Mr. UNTERMYER. Do you think it a wise thing for a national bank to have an attachment of that kind?

Mr. MORGAN. I do not feel called upon to pass upon the action of my associates one way or the other.

Mr. UNTERMYER. Do you not think you ought to, in a matter affecting a national bank, in which you are so largely interested?

Mr. MORGAN. I voted in favor of it.

Mr. UNTERMYER. Then you did approve of it?

Mr. MORGAN. I did not say I did individually, but as a stockholder my proxy went in favor of the transaction.

Mr. UNTERMYER. Personally, did you approve of it?

Mr. MORGAN. I have not said, and I do not feel called upon to say that. I do not think that is a fair question.

Mr. UNTERMYER. Why not?

Mr. MORGAN. I mean to say my firm as a stockholder voted for that thing, and as such I approved it.

Mr. UNTERMYER. We are investigating here, you know, the concentration of money and credit, and the questions affecting the national banks and their relations to concentration of money and credit; and in that connection I would like to ask you to tell us in a general way whether you think it is a wise public policy to permit a national bank to have organized, out of its surplus, a company that circulates or invests in stock in which the bank can not deal, with identical directors, and so tied to the bank that the stock of that company can neither be sold nor bought except in connection with the stock of the bank. Do you think that is a wise thing?

Mr. MORGAN. It can be distributed.

Mr. UNTERMYER. Do you not know it can not be distributed except——

Mr. MORGAN. To the stockholders of the other.

Mr. UNTERMYER. Do you not know that one can not be bought or sold without the other?

Mr. MORGAN. It might be distributed. As I understand it—I do not know; I may be wrong—it is attached and can be distributed at any moment.

Mr. UNTERMYER. It can not be distributed except in proportion.

Mr. MORGAN. They have to distribute it to the people that paid for it.

Mr. UNTERMYER. No; that is not the point. Don't you know—

Mr. MORGAN. No; it belongs to the people that paid for it.

Mr. UNTERMYER. Yes; but that is not what I am trying to get at. Do you not know that each stockholder of a national bank must own the same proportion of stock in the holding company that he holds in the bank and that each stockholder of the holding company must own the same proportion of the stock of the bank that he holds of the holding company?

Mr. MORGAN. Yes; but—

Mr. UNTERMYER. Do you not know that fact?

Mr. MORGAN. But the things are separate.

Mr. UNTERMYER. I want to know whether you do not know that that is a fact?

Mr. MORGAN. No; I do not know that.

Mr. UNTERMYER. Do you not know the arrangement?

Mr. MORGAN. No; but as you have stated it.

Mr. UNTERMYER. In what respect does your recollection in regard to that transaction differ from mine?

Mr. MORGAN. I understand that as far as the banks were concerned they were criticised, or people discussed the question of their doing business in securities—this is what I understand to be the case—although it was natural, and, as far as the directors of the bank knew, it was legal. That being the case, they got this idea. It is not a new one in New York. It exists in Chicago and other places too—the same thing.

Mr. UNTERMYER. That is right, the example was set in Chicago, was it not?

Mr. MORGAN. It started in Chicago.

Mr. UNTERMYER. That is right.

Mr. MORGAN. Consequently they formed another company of the same capital as the bank?

Mr. UNTERMYER. No; the other company was of a less capital than the bank, was it not? The capital of the other company was \$10,000,000, and the capital of the bank was \$25,000,000. Is not that right?

Mr. MORGAN. No; I think not. You are talking about the City?

Mr. UNTERMYER. Yes.

Mr. MORGAN. I am talking about the First. I know nothing about the City. I know nothing about their contracts or anything of that kind. I am talking now about the First. The First had the same capital, and then the stockholders paid for their stock separate from the bank, and then the dividend at the end of the year, or whenever it was, was paid them, which was the same amount.

Mr. UNTERMYER. Is it not the fact, then, Mr. Morgan, that this disposition of ten millions of the bank's assets was made, and put into the Security Co., with the proviso that the stock of the Security Co. would have to be owned by the same people and in the same proportion, and continue to be owned by the same people and in the same proportion as that of the bank?

Mr. MORGAN. That is so; yes.

Mr. UNTERMYER. And the wisdom and the propriety of that is a thing on which you do not want to pass? Is that right?

Mr. MORGAN. Oh, no; but you asked me if I thought it was proper, and I say I voted for it, and that is all I can say.

Mr. UNTERMYER. Are you at all familiar with the clearing-house situation?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. But you understand how it is operated, of course, do you not?

Mr. MORGAN. No; I do not know anything about them except that they clear checks every morning. That is all I know about it.

Mr. UNTERMYER. Do you see any reason why any solvent bank, that is approved as to solvency by the banking authorities having charge of it, should not be entitled to become a full member of the clearing house?

Mr. MORGAN. That depends upon the organization of the clearing house, I should think.

Mr. UNTERMYER. No; but no matter what its present organization may be, the question is, As a matter of banking and as a question of justice and right, do you see any reason why every solvent bank should not have the right to become a member of the Clearing House Association?

Mr. MORGAN. I say it depends upon the by-laws.

Mr. UNTERMYER. I know. But if the by-laws are wrong, the question is whether they should not be changed.

Mr. MORGAN. There is nobody to change the by-laws, is there, except the clearing house itself?

Mr. UNTERMYER. What about the Government? Do you forget about that?

Mr. MORGAN. No; not at all. The Government can take the clearing house, of course.

Mr. UNTERMYER. The point is this: Do you not think that the Clearing House Association should be put in such form, through the law, that solvent banks can not be excluded?

Mr. MORGAN. I do not think so; not unless—

Mr. UNTERMYER. Do you not think there ought to be some authority, in the State or the Government somewhere, to give to a solvent bank the right of clearance through the association?

Mr. MORGAN. Yes; but it depends upon in whose hands the bank is.

Mr. UNTERMYER. Oh, you think the competitors of a bank ought to determine into whose hands it should go?

Mr. MORGAN. For instance, suppose I were the clearing house—I should not be in favor of allowing a man to be associated with me that I thought was a fraud, simply because he owned a bank which at that particular moment was solvent.

Mr. UNTERMYER. Let us see about that. Do you think it ought to be left to a man's competitors to say whether he is a fraud or not, without any right of review by the State authorities?

Mr. MORGAN. According to your own theory—

Mr. UNTERMYER. Do you think so?

Mr. MORGAN. I am not prepared to decide that question.

Mr. UNTERMYER. Very well.

Mr. MORGAN. I am willing to go into the merits of it, but I do not think we want to do it this afternoon. That is all.

Mr. UNTERMYER. Do you know the difference between a clearing house member and what they call a nonmember that clears through a member?

Mr. MORGAN. Yes; but the bank that clears is responsible for it.

Mr. UNTERMYER. I say, do you know the difference?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You know, do you not, that in New York, for instance, the Clearing House Association has a given number of members, 63 members, and that it has 22 nonmembers? You know the difference between a member and a nonmember, do you not?

Mr. MORGAN. No.

Mr. UNTERMYER. Do you know that distinction?

Mr. MORGAN. I do not know what you call a nonmember.

Mr. UNTERMYER. A nonmember is a bank that clears through a member bank.

Mr. MORGAN. Yes.

Mr. UNTERMYER. They are called nonmembers. Do you know whether or not, where a nonmember has to clear through a member, the refusal of the member further to clear for that nonmember closes up the nonmember bank, as a rule?

Mr. MORGAN. Why?

Mr. UNTERMYER. Do you not know that that is so?

Mr. MORGAN. No.

Mr. UNTERMYER. Do you not know that that has happened in New York in every instance?

Mr. MORGAN. It depends upon whether or not another bank would do it. It has not in every instance, because I have known of cases—I can not recall them, but I know there have been cases—where a bank has cleared one day through the City Bank, and the next day it has cleared through another bank.

Mr. UNTERMYER. Yes; but as a rule the cases in which a clearing house bank has withdrawn its clearance privileges from a nonmember have been followed immediately by the closing of the bank, have they not?

Mr. MORGAN. That is because they do not think it is solvent.

Mr. UNTERMYER. Do you not think that in such a case a nonmember bank should have a right to the judgment of the Clearing House Association rather than be dependent upon the judgment and decision of one bank?

Mr. MORGAN. No; because they are the bank that is responsible. If the clearing house will assume all the indebtedness of the member that originally cleared for them, then I would do it.

Mr. UNTERMYER. But do you not think that if you had no nonmembers, but if the clearing house were compelled to admit to membership all banks that they believed to be solvent, and that the banking authorities believed to be solvent, that would do away with any injustice that might be practiced by one member on a nonmember?

Mr. MORGAN. No; I should not think so.

Mr. UNTERMYER. You do not think that would improve the situation at all, do you?

Mr. MORGAN. No.

Mr. UNTERMYER. You do not think the judgment of the whole association would be better than that of some one bank?

Mr. MORGAN. Yes; but they can not pool——

Mr. UNTERMYER. That is not the point.

Mr. MORGAN. But then, my good friend, there must be a reason. I am not going to say "Yes" or "No" to a question in regard to my opinion. I have got to state why I think so.

Mr. UNTERMYER. Go right on and state it as fully as you please.

Mr. MORGAN. That is what I say. I say you can not.

Mr. UNTERMYER. You have no complaint to make on that score?

Mr. MORGAN. No, not at all, only you said: "Now answer my question." But I can not answer your question in that way, you know. I want to say why I think so. I will give you my opinion if you want it.

Mr. UNTERMYER. Let us see if we understand the case.

Mr. MORGAN. You want to know whether, when a bank which clears for another bank is dissatisfied with it, or for any reason wishes to do so no longer, they ought not to have to go to the clearing house to get the consent of the clearing house to make this transfer.

Mr. UNTERMYER. No; that is not anywhere near it.

Mr. MORGAN. Then I do not understand the question.

Mr. UNTERMYER. That is what I thought. The point on which I am trying to get your judgment is this: As to whether every solvent bank should not be permitted to clear through the clearing house directly, instead of through a member?

Mr. MORGAN. To that I say no.

Mr. UNTERMYER. You think the clearing-house members ought to have sole discretion as to whether they will keep a man out or let him in?

Mr. MORGAN. Yes.

Mr. UNTERMYER. With no review at all?

Mr. MORGAN. No review from the clearing house.

Mr. UNTERMYER. You do not think, for instance, that there should be a right of review with reference to a State bank on the part of the superintendent of banks or with reference to a national bank on the part of the Comptroller of the Currency?

Mr. MORGAN. Not if the clearing house finds them insolvent; no.

Mr. UNTERMYER. Suppose it turns out in the end that they are not insolvent, after they have been closed up.

Mr. MORGAN. That is an unfortunate thing, but I can not imagine such a thing.

Mr. UNTERMYER. You would let them do it then?

Mr. MORGAN. I assume that 63 banks could decide whether a bank was solvent or not.

Mr. UNTERMYER. You never heard of instances of that kind?

Mr. MORGAN. I never heard of a case of that kind; no.

Mr. UNTERMYER. There have been some instances sought to be proven here.

Mr. MORGAN. Have there?

Mr. UNTERMYER. Yes.

Mr. MORGAN. I did not know it. I never had heard of them.

Mr. UNTERMYER. Have you no opinion as to whether that judgment and that final decision as to whether a bank shall be closed and the depositors injured should be left entirely with its competitors?

Mr. MORGAN. We were talking this morning on the question of competition. Now, you are on the other side of competition.

Mr. UNTERMYER. No; I am on the same side, and so are you, Mr. Morgan. The question I ask you is as to whether competitors should have the fate of another competitor entirely in their hands, to close it up or let it go on, without any review anywhere?

Mr. MORGAN. If they are insolvent, I think they should be shut up at once.

Mr. UNTERMYER. But do you think the competitors should have the right to pass upon that without any review?

Mr. MORGAN. There is no other review possible that I know of.

Mr. UNTERMYER. Do you not think a review on the part of the banking authority would be possible?

Mr. MORGAN. Not unless there is time. The question of time comes in.

Mr. UNTERMYER. It does not take long to telephone, does it?

Mr. MORGAN. It does sometimes.

Mr. UNTERMYER. It takes too long to give the bank a chance, anyway?

Mr. MORGAN. Yes. Sometimes some people have to step in and take the bank's balance in order to get them cleaned, at that.

Mr. UNTERMYER. Have you known of other banks doing that and getting well paid for it?

Mr. MORGAN. I have known of some people doing it without being paid at all.

Mr. UNTERMYER. Have you known of banks doing it and getting well paid for it?

Mr. MORGAN. No, sir; I never knew of that.

Mr. UNTERMYER. Did you ever hear of the case of the Oriental Bank?

Mr. MORGAN. No, sir; I never heard of that.

Mr. UNTERMYER. Or the Metropolitan Trust Co.?

Mr. MORGAN. No; I never heard of it.

Mr. UNTERMYER. Did you ever hear of a bank called the Oriental Bank?

Mr. MORGAN. No.

Mr. UNTERMYER. I want to ask you a few questions bearing on the subject that you have touched upon this morning, as to the control of money.

Mr. MORGAN. Yes.

Mr. UNTERMYER. The control of credit involves a control of money, does it not?

Mr. MORGAN. A control of credit? No.

Mr. UNTERMYER. You do not think so?

Mr. MORGAN. What I call money is the basis of banking.

Mr. UNTERMYER. But the basis of banking is credit, is it not?

Mr. MORGAN. Not always. That is an evidence of banking, but it is not the money itself. Money is gold, and nothing else.

Mr. UNTERMYER. Do you not know that the basis of banking all over the world is credit rather than gold?

Mr. MORGAN. It is the basis of credit, but it is not the basis of money.

Mr. UNTERMYER. I say, the basis of all banking is credit, is it not, and not money?

Mr. MORGAN. No; I do not think so.

Mr. UNTERMYER. Do you not know that it is?

Mr. MORGAN. A basis of banking is credit, but not a basis of money.

Mr. UNTERMYER. The basis of banking is credit?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you know, do you not, that in no part of the world is the supply of gold anything like sufficient to meet the outstanding obligations in the form of notes representing credit?

Mr. MORGAN. That is so.

Mr. UNTERMYER. That is so, is it not?

Mr. MORGAN. Of course.

Mr. UNTERMYER. Therefore, when money is issued by a Government it is issued largely on the basis of credit, is it not? It has got dollar for dollar of gold to support it, has it?

Mr. MORGAN. Well, no; not always.

Mr. UNTERMYER. Is there any country in the world of which the outstanding obligations passing as money are supported dollar for dollar by gold?

Mr. MORGAN. It comes nearer to it in England than anywhere else.

Mr. UNTERMYER. Does it not come nearer to it here than in England?

Mr. MORGAN. No; because you have got your greenbacks.

Mr. UNTERMYER. How near does it come to it in England?

Mr. MORGAN. I do not know. I can not tell you.

Mr. UNTERMYER. You can not tell the proportions?

Mr. MORGAN. I can not tell you the proportions.

Mr. UNTERMYER. At any rate, it is largely credit there, as it is everywhere, is it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. A man or a group of men who have the control of credit have control of money, have they not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Is not that so?

Mr. MORGAN. No, sir; not always.

Mr. UNTERMYER. That is generally so, is it not?

Mr. MORGAN. No.

Mr. UNTERMYER. If you had the control of all the credit and the funds—

Mr. MORGAN. Now, the funds—no; leave credit alone.

Mr. UNTERMYER. If you had the control of all that represents the assets in the banks of New York, you would have the control of money—of all that money?

Mr. MORGAN. No; you would not.

Mr. UNTERMYER. You would not?

Mr. MORGAN. No.

Mr. UNTERMYER. You would not?

Mr. MORGAN. No, sir; not in my opinion. I may be wrong; but that is my opinion of it.

Mr. UNTERMYER. Money is a commodity, is it not?

Mr. MORGAN. A very important one.

Mr. UNTERMYER. It is a commodity?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You regard it as regulated by supply and demand, like any other commodity, do you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you know you can control any other commodity, do you not?

Mr. MORGAN. No; I do not think so.

Mr. UNTERMYER. Do you not? I thought you said this morning that you could control a commodity, but you could not control money?

Mr. MORGAN. I say, you can get a combination that can control business, and all that.

Mr. UNTERMYER. A given commodity?

Mr. MORGAN. Not a question of a commodity. You can control business; but you can not control money.

Mr. UNTERMYER. You can control a given commodity, like steel or wool or some other article of commerce, can you not? I say, you can control it?

Mr. MORGAN. Yes; but if you try to control it—take the question of food and all that sort of thing. You could not control that.

Mr. UNTERMYER. I am not speaking of food.

Mr. MORGAN. That is a commodity.

Mr. UNTERMYER. I say there are commodities that you can control?

Mr. MORGAN. Yes; I suppose there are.

Mr. UNTERMYER. And it is conceivable that every commodity could be controlled, is it not?

Mr. MORGAN. Except money.

Mr. UNTERMYER. I say, every commodity except money?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And money is a commodity?

Mr. MORGAN. I do not like to think of it as a commodity.

Mr. UNTERMYER. If a man controlled the credit of a country, he would have a control of all its affairs?

Mr. MORGAN. He might have that, but he would not have the money. If he had the credit and I had the money, his customer would be badly off.

Mr. UNTERMYER. Yes; I understand that. But it is not conceivable that one man would have the credit and the other the money, is it, because the credit is based upon money?

Mr. MORGAN. But money can not be controlled.

Mr. UNTERMYER. Is not the credit based upon the money?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. It has no relation?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. None whatever?

Mr. MORGAN. No, sir; none whatever.

Mr. UNTERMYER. So that the banks of New York City would have the same credit, and if you owned them you would have the same control of credit as if you had the money, would you not?

Mr. MORGAN. I know lots of men, business men, too, who can borrow any amount, whose credit is unquestioned.

Mr. UNTERMYER. Is that not because it is believed that they have the money back of them?

Mr. MORGAN. No, sir; it is because people believe in the man.

Mr. UNTERMYER. And it is regardless of whether he has any financial backing at all, is it?

Mr. MORGAN. It is very often.

Mr. UNTERMYER. And he might not be worth anything?

Mr. MORGAN. He might not have anything. I have known a man to come into my office, and I have given him a check for a million dollars when I knew he had not a cent in the world.

Mr. UNTERMYER. There are not many of them?

Mr. MORGAN. Yes; a good many.

Mr. UNTERMYER. That is not business?

Mr. MORGAN. Yes; unfortunately it is. I do not think it is good business, though.

Mr. UNTERMYER. Commercial credits are based upon the possession of money or property?

Mr. MORGAN. What?

Mr. UNTERMYER. Commercial credits?

Mr. MORGAN. Money or property or character.

Mr. UNTERMYER. Is not commercial credit based primarily upon money or property?

Mr. MORGAN. No, sir; the first thing is character.

Mr. UNTERMYER. Before money or property?

Mr. MORGAN. Before money or anything else. Money can not buy it.

Mr. UNTERMYER. So that a man with character, without anything at all behind it, can get all the credit he wants, and a man with the property can not get it?

Mr. MORGAN. That is very often the case.

Mr. UNTERMYER. But that is the rule of business?

Mr. MORGAN. That is the rule of business, sir.

Mr. UNTERMYER. If that is the rule of business, Mr. Morgan, why do the banks demand, the first thing they ask, a statement of what the man has got, before they extend him credit?

Mr. MORGAN. That is what they go into; but the first thing they say is, "We want to see your record."

Mr. UNTERMYER. Yes; and if his record is a blank, the next thing is how much has he got?

Mr. MORGAN. People do not care, then.

Mr. UNTERMYER. For instance, if he has got Government bond or railroad bonds, and goes into get credit, he gets it, and on the security of those bonds, does he not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. He does not get it on his face or his character, does he?

Mr. MORGAN. Yes; he gets it on his character.

Mr. UNTERMYER. I see; then he might as well take the bonds home, had he not?

Mr. MORGAN. Because a man I do not trust could not get money from me on all the bonds in Christendom.

Mr. UNTERMYER. That is the rule all over the world?

Mr. MORGAN. I think that is the fundamental basis of business.

Mr. UNTERMYER. That is the way money is loaned on Wall Street, on collateral?

Mr. MORGAN. I do not know anything about that. I have nothing to do with it; but that is the principle.

Mr. UNTERMYER. You loan money on Wall Street?

Mr. MORGAN. Yes; sometimes.

Mr. UNTERMYER. You loan it on stock-exchange collateral?

Mr. MORGAN. I know who the man is.

Mr. UNTERMYER. Do you mean to say that when you send money to loan on the stock exchange you know to whom you loan it?

Mr. MORGAN. I may not know before it goes, but I know who he is before very long.

Mr. UNTERMYER. I know, but suppose you were lending money on demand loans on stock-exchange collateral?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You do a lot of that, do you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You loan it from day to day on the exchange, do you not?

Mr. MORGAN. I used to do it.

Mr. UNTERMYER. And you do it now?

Mr. MORGAN. Yes; I know. That is all right.

Mr. UNTERMYER. You lend it at the loan stand on the exchange?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you get certain collateral?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you know anything about to whom you lend it?

Mr. MORGAN. I do; at least I always did.

Mr. UNTERMYER. Do you mean to say that when people lend, as loans are made on stock-exchange collateral, to the extent of hundreds of millions of dollars, they look to anything except the collateral?

Mr. MORGAN. Yes; they do.

Mr. UNTERMYER. They do?

Mr. MORGAN. Yes. Right on that point, what I did, what I used to do—and I think it is pretty generally done now—is this: If I see there is a loan to Mr. Smith I say, "You call that loan right away." I would not have that loan in the box. I would not have that loan.

Mr. UNTERMYER. That is not the way money is loaned on the stock exchange?

Mr. MORGAN. That is the way I loan it.

Mr. UNTERMYER. No matter what collateral a man has on the stock exchange—

Mr. MORGAN. If he is not satisfactory to me, I call the loan at once, personally.

Mr. UNTERMYER. I am not talking about you, personally.

Mr. MORGAN. I call that loan personally. I am not talking of anybody else's way of doing business, but I tell you what I think is the basis of business.

Mr. UNTERMYER. I am not asking for your way of doing business, but I am asking for the current way of doing business. I want to know if you really want us to understand that the great mass and volume of loans made on stock-exchange collateral from day to day are not made entirely upon the collaterals?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You think they are made upon individual responsibility?

Mr. MORGAN. No; allow me to say just what I would do.

Mr. UNTERMYER. I do not want to know what you do, but I want to know the course of business.

Mr. MORGAN. Others do it also; that I know.

Mr. UNTERMYER. Every bank in New York, every great national bank down town, lends money on the stock exchange?

Mr. MORGAN. Yes.

Mr. UNTERMYER. From day to day?

Mr. MORGAN. Yes; I suppose so. I do not know anything about that.

Mr. UNTERMYER. And the matter there is regulated by supply and demand, and the rate is regulated by supply and demand, is it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And they lend that money through brokers, do they not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And the thing they look to is the collateral?

Mr. MORGAN. Fundamentally, yes.

Mr. UNTERMYER. Do you think they ever look at the name? Do you think the banks ever look at anything but the collateral?

Mr. MORGAN. I do not know what the banks do. I know I do.

Mr. UNTERMYER. I am asking about the banks.

Mr. MORGAN. I do not know what the banks do.

Mr. UNTERMYER. Is it or not a fact that many of the great corporations are dominated by men who neither have stock nor offices in the company?

Mr. MORGAN. They ought not to be, sir.

Mr. UNTERMYER. You know that to be the fact, do you not?

Mr. MORGAN. I do not think they are to any great extent.

Mr. UNTERMYER. Have you not any instances in mind in which they are so dominated?

Mr. MORGAN. That have nothing?

Mr. UNTERMYER. That have neither a stock interest of any extent nor are officers or directors of the company.

Mr. MORGAN. I do not know of any; no.

Mr. UNTERMYER. Let us see. We will take the prosperity of a bank, which is dependent largely upon the patronage it can get, is it not? Is not the prosperity dependent more largely upon people who can give it business than upon any other one factor except that of management?

Mr. MORGAN. I never heard of a case of the sort. I never heard of a case of any bank being controlled by anybody who gave it business.

Mr. UNTERMYER. Do you not think the giving of business is the most important inducement to a bank?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. What are the banks looking for—large business, are they not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. They are looking for large deposits?

Mr. MORGAN. Yes; that is true, but they want to know where it comes from. The first thing is to get the business, and the next thing is the way you transact your business.

Mr. UNTERMYER. The people who give large business to a bank and who practically supply its business—

Mr. MORGAN. And are not stockholders?

Mr. UNTERMYER. Have they any potent voice in that bank?

Mr. MORGAN. I never knew of such a case.

Mr. UNTERMYER. Suppose \$100,000,000 out of \$150,000,000 of deposits of a bank came through the influence of one man or group of men, do you mean to say that would not give them any dominating voice in the management?

Mr. MORGAN. I should not think so.

Mr. UNTERMYER. That would not have anything to do with it?

Mr. MORGAN. No; it ought not to, anyway.

Mr. UNTERMYER. That is not the question.

Mr. MORGAN. I never knew of such a case.

Mr. UNTERMYER. Have you considered the question as to whether or not the stock exchange ought to be put under some sort of governmental control?

Mr. MORGAN. I do not think it ought to.

Mr. UNTERMYER. Have you ever considered it?

Mr. MORGAN. I have never considered it, but offhand I should say no.

Mr. UNTERMYER. If you have not considered it, I do not think we care much about an offhand opinion.

Mr. MORGAN. Then I do not make any answer to your question.

Mr. UNTERMYER. You have not considered it?

Mr. MORGAN. I have not considered it.

Mr. UNTERMYER. You recognize it, do you not, as a great national financial agency?

Mr. MORGAN. Most decidedly.

Mr. UNTERMYER. And you know, do you not, that the banks loan upon its quotations?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You know, do you not, that the courts act upon its quotations?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you not realize that it is important that those quotations should represent genuine transactions?

Mr. MORGAN. I think generally they do.

Mr. UNTERMYER. That is not the question. Do you know anything about it?

Mr. MORGAN. No; by facts, no.

Mr. UNTERMYER. You do not know anything about it?

Mr. MORGAN. No.

Mr. UNTERMYER. You never heard of such a thing as manipulation on the stock exchange?

Mr. MORGAN. Oh, yes.

Mr. UNTERMYER. You do not think that is genuine, do you?

Mr. MORGAN. No; not at all.

Mr. UNTERMYER. That is very illegitimate, is it not?

Mr. MORGAN. It is different from quotations.

Mr. UNTERMYER. But manipulation is a bad thing, is it not?

Mr. MORGAN. I think manipulation is always bad.

Mr. UNTERMYER. Do you know that the exchange governors think manipulation is a legitimate thing?

Mr. MORGAN. I should like to see the vote on that subject. I should doubt that—

Mr. UNTERMYER. It has been testified here repeatedly that they regard manipulation as a legitimate thing.

Mr. MORGAN. You have not had a majority of the governors here, have you?

Mr. UNTERMYER. Do you think a majority of the governors would hold the other way?

Mr. MORGAN. I do not know, sir. I should like to see the vote.

Mr. UNTERMYER. At any rate, you disapprove of it, do you not?

Mr. MORGAN. I do, sir.

Mr. UNTERMYER. You are fairly familiar, are you not, with the methods prevailing in England and other countries for the flotation of corporations?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And the sale of its securities to the public?

Mr. MORGAN. Yes; not in detail, but generally; yes.

Mr. UNTERMYER. You know how rigid the rules are as to disclosures of bankers' and promoters' profits?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You know in those countries the prospectus has to state all the contracts between the original vender and right down to the selling public?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You think that is a wise and wholesome thing, do you not?

Mr. MORGAN. I think so, yes; as a rule.

Mr. UNTERMYER. You know, do you not, that in this country the amount of profits that bankers or promoters make in an enterprise which they offer to the public is considered a matter of their private business?

Mr. MORGAN. Yes; to a certain extent.

Mr. UNTERMYER. Do you not think that is wrong?

Mr. MORGAN. I think the other way is better.

Mr. UNTERMYER. You think it ought to be done the other way?

Mr. MORGAN. I think it is the better of the two. Whether you can do it in this country, I rather doubt.

Mr. UNTERMYER. Do you not think it would go pretty far in that direction if the stock exchange were required to have the contracts on file before they would list the securities?

Mr. MORGAN. No; but I think they would get up another stock exchange.

Mr. UNTERMYER. You think it is a wholesome thing, but if it is done they would get up another exchange?

Mr. MORGAN. I do not think you could do it. I do not think you could carry it out if you tried it.

Mr. UNTERMYER. You say it is right and ought to be done?

Mr. MORGAN. I say so. I should favor something of that kind and would assist it, but I should think the result would be rather doubtful.

Mr. UNTERMYER. Have you no faith in the patriotism and public spirit of the stock exchange?

Mr. MORGAN. I have, absolutely.

Mr. UNTERMYER. Why do you think they would not do it?

Mr. MORGAN. Because they would say it interfered with their business.

Mr. UNTERMYER. Do you believe that the securities of any company, over a period of five or six years, we will say, are legitimately sold over from 20 to 30 times a year.

Mr. MORGAN. I should not be at all surprised.

Mr. UNTERMYER. You mean to speculators?

Mr. MORGAN. Speculators, either long or short.

Mr. UNTERMYER. And sometimes both ways?

Mr. MORGAN. And sometimes both.

Mr. UNTERMYER. You do not call them investors, do you?

Mr. MORGAN. No; but they become investors. For instance, take a stock like that of the New York Central Railroad, and sell it 100 per cent short. You have increased the capital stock of the New York Railroad to \$200,000,000, double the amount.

Mr. UNTERMYER. You think you have increased the capital stock by that, do you?

Mr. MORGAN. Yes. In other words, if you wanted to buy it up, if you wanted to control the New York Central, you would have to buy two hundred millions of the stock.

Mr. UNTERMYER. We will say there are one hundred millions of the stock outstanding.

Mr. MORGAN. Yes.

Mr. UNTERMYER. And somebody sells one hundred millions short.

Mr. MORGAN. Yes.

Mr. UNTERMYER. He has to get that stock, has he not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. There are only one hundred millions outstanding?

Mr. MORGAN. That is all.

Mr. UNTERMYER. Where would he get it except from that which is outstanding?

Mr. MORGAN. He would try to buy it.

Mr. UNTERMYER. But he has only one hundred millions outstanding?

Mr. MORGAN. On the contrary, if he puts up the 10 per cent, and I had sold him the stock, I would sell my stock back again and get the 10 per cent.

Mr. UNTERMYER. That would be a very good operation for you, but I do not see how that would make more than one hundred millions of stock obtainable.

Mr. MORGAN. I did not say "obtainable."

Mr. UNTERMYER. We are speaking of obtainable things.

Mr. MORGAN. It is obtainable if you can sell it.

Mr. UNTERMYER. You mean you can sell something you have not got? Do you approve of short selling?

Mr. MORGAN. I never did it in my life, that I know of, but that is neither here nor there.

Mr. UNTERMYER. Do you approve of it?

Mr. MORGAN. I do not like it—not that I wish to criticize it at all, because I do not see how you can get along without it.

Mr. UNTERMYER. Why can you not get along without a man's selling something he has not got, in the way of stocks?

Mr. MORGAN. That is a principle of life, I think.

Mr. UNTERMYER. Does Wall Street speculation, Mr. Morgan, draw a great deal of money from the country?

Mr. MORGAN. I think so; yes.

Mr. UNTERMYER. Would you favor any legislation that would reduce the volume of speculation?

Mr. MORGAN. No.

Mr. UNTERMYER. You would let speculation run riot?

Mr. MORGAN. Yes; provided the transactions are legal.

Mr. UNTERMYER. Provided they are genuine?

Mr. MORGAN. What you call speculation. You can not prevent the public buying a thing that they think is low, or selling a thing that they think is high.

Mr. UNTERMYER. You can prevent them, however, from making fictitious or manipulated transactions?

Mr. MORGAN. That is another point.

Mr. UNTERMYER. If the money were not available from the banks to carry these stocks that are bought on speculation there would be less speculation, would there not?

Mr. MORGAN. Then the gold would come from Europe.

Mr. UNTERMYER. I say, there would be less speculation.

Mr. MORGAN. Not at all. They would get the money.

Mr. UNTERMYER. They would get the money if they had to draw it from the country anywhere?

Mr. MORGAN. Or from Europe.

Mr. UNTERMYER. They would do that by paying high rates?

Mr. MORGAN. Yes; money can be obtained at a rate somewhere.

Mr. UNTERMYER. A prohibitive rate would not stop money from coming?

Mr. MORGAN. Not in the least.

Mr. UNTERMYER. If you had a usury law that would apply to collateral loans on the stock exchange and was rigid, you think they would get around that, too, would they?

Mr. MORGAN. Yes; they would make loans in Europe.

Mr. UNTERMYER. Suppose, Mr. Morgan, you or one of your partners wanted to ascertain the commitments of a big operator on the Street and the collateral that he had, into how many banks and trust companies could you delve through your own partner's connections with them as directors?

Mr. MORGAN. None of them. I do not think they would be allowed to look at them.

Mr. UNTERMYER. The board of directors of the corporation would not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. You do not think a director has a right to look at the loans of his bank?

Mr. MORGAN. In the aggregate stocks, but not as to whose they are.

Mr. UNTERMYER. You do not think the director of a corporation has a right to find out to whom the bank lends its money?

Mr. MORGAN. Yes, to whom they loan; but not to examine it for that purpose.

Mr. UNTERMYER. They have a right to see to whom they loan their money and on what collateral, have they not?

Mr. MORGAN. Yes; in blank.

Mr. UNTERMYER. They would not be allowed to know the name?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. A director would not?

Mr. MORGAN. No.

Mr. UNTERMYER. Who would have a right to do that?

Mr. MORGAN. The officers of the bank.

Mr. UNTERMYER. Only the officers of the bank?

Mr. MORGAN. That is all.

Mr. UNTERMYER. That is your idea of the rights of a director?

Mr. MORGAN. Yes. That is the reason why a director is not so controlling as he might be.

Mr. UNTERMYER. Do you not know that, under the law, a director has the right of access to all the affairs of the bank?

Mr. MORGAN. Yes; he gets the information. Every loan is reported to the directors, but they can not go and examine. You can not, in a bank in which you are a director—not in any first-class bank, at any rate—go and find out how much I have got in that bank.

Mr. UNTERMYER. You think not?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. Well, Mr. Morgan, I think that is all. I am very much obliged to you.

The CHAIRMAN. The committee will now take an adjournment until January 6, when the inquiry will be resumed and concluded.

Thereupon the committee adjourned.

EXHIBIT NO. 136, DECEMBER 19, 1912.

DOCUMENTS RELATING TO THE VOTING TRUST OF EQUITABLE LIFE ASSURANCE SOCIETY STOCK.

[Extract from annual report of William H. Hotchkiss, superintendent of insurance, dated January 23, 1911.]

*Equitable stock holding.*—Throughout the year there have been numerous conferences between the superintendent and the representatives of J. Pierpont Morgan, who now holds the majority of the stock of this company, looking to a solution of the problem referred to in the last annual report; but no solution which would accomplish mutualization or its equivalent, without either the danger of protracted litigation or a serious depletion of the free surplus, which, in equity, belongs to its policyholders, has yet been found. The subject is, however, still open, the department having the assurance of Mr. Morgan and his representatives that, as soon as a means is found whereby this great company can become mutual—i. e., a policyholders' and not a stockholders' company—he will cooperate with the department to accomplish that result. Meanwhile, the Ryan voting trust having expired by limitation last June and not having been renewed at that time, this owing to Mr. Morgan's absence in Europe, has now been renewed by a voting trust agreement, dated December 31, 1910, which, with certain modifications due to its expected temporary operation, is, in its essentials, the same as the previous voting trust. Copies of the agreement and of the correspondence accompanying its deposit with the department are hereto appended.

LETTER FROM MR. MORGAN TO SUPT. HOTCHKISS AND REPLY.

NEW YORK, *January 17, 1911.*

HON. WILLIAM H. HOTCHKISS,

*Superintendent of Insurance.*

DEAR SIR: I herewith send you the voting trust agreement of the Equitable Life Assurance Society, which I have executed.

You will note that it places us all in such a position that when some determination can be reached in the interests of the policy holders, and which is satisfactory to your department, it can be carried into effect without unnecessary delay.

I trust that you and the trustees will continue to pursue the subject until a plan is worked out that will be satisfactory to all concerned, and to that end I would bespeak a continuance of your kindly interest and cooperation.

Very truly, yours,

J. PIERPONT MORGAN.

STATE OF NEW YORK, INSURANCE DEPARTMENT,  
*Albany, January 18, 1911.*

Mr. J. PIERPONT MORGAN,  
*Wall and Broad Streets, New York.*

MY DEAR SIR: This acknowledges yours of the 17th instant. The voting trust agreement contained therein evidences the understanding arrived at some months ago, which was, in substance, as follows:

"That, pending the ascertainment of a legal means whereby the Equitable Life Assurance Society could, without protracted litigation or a substantial reduction of its free surplus, be made a mutual company, in fact as well as by representations, the former voting trust—which expired by limitation last June—would be renewed, but with trustees of your choosing, and so modified that it could be canceled whenever mutualization or some equivalent plan had been arranged.

"I, therefore, accept the formal execution of such agreement as a preliminary, and, for a time—no satisfactory solution of this perplexing problem having yet been found—seemingly necessary step toward fixing the control of this insurance corporation where it belongs, namely, in its policy holders.

"Understanding, therefore, that it is your purpose, as soon as possible, to formulate or accept a plan whereby the dangers which in years past have lurked in the private ownership of this vast public trusteeship will be permanently avoided, I will continue to cooperate with you to that end.

"A copy of the original agreement has been taken and filed and such original is returned to you herewith.

"Yours, very truly,

"WILLIAM H. HOTCHKISS, *Superintendent.*"

---

COPY OF VOTING TRUST AGREEMENT.

This agreement, made this 31st day of December, 1910, between J. Pierpont Morgan, of the first part, and Morgan J. O'Brien, Lewis Cass Ledyard, George W. Perkins, hereinafter called the trustees, of the second part, witnesseth:

Whereas an agreement made on the 15th day of June, 1905, wherein five hundred and two (502) shares of the capital stock of the Equitable Life Assurance Society of the United States, a corporation of the State of New York, were transferred to trustees, so as to vest the trustees with a right to vote thereon for the term of five years from the 15th day of June, 1905; and

Whereas the rights secured to the trustees by said agreement expired on the 15th day of June, 1910, and the party of the first part is desirous of continuing such trust for the period and upon the terms hereinafter mentioned; now this agreement witnesseth:

First. That the party of the first part hereby transfers to the parties of the second part, as trustees aforesaid, five hundred and two (502) shares of the capital stock of the Equitable Life Assurance Society of the United States, for the purpose of vesting in the trustees the right to vote thereon for the term and upon the terms and conditions stated in this agreement. The existing certificate of stock is to be surrendered and canceled and certificates thereof issued to the trustees, in which certificates it shall appear that the same were issued in pursuance to this agreement, and that fact shall also be noted in the entry of the trustees as owners of such stock in the proper books of the society.

Second. The trustees are exclusively authorized to exercise the voting power on the stock held under this agreement for the election of directors of the society, and shall, at every annual election of directors of the society, so vote on said stock that out of every thirteen (13) persons for whom such vote shall be cast seven (7) shall be policyholders of the society, selected in accordance with the wishes of the policyholders of the society, expressed as hereinafter provided, and the remaining six (6) directors shall be selected by the trustees in their uncontrolled discretion, to the end that, of the entire fifty-two (52) directors, twenty-eight (28) shall be policyholders of the society, selected by or on behalf of the policyholders, and twenty-four (24) shall be lawfully eligible persons selected by the trustees in their sole discretion.

The wishes of the policyholders in respect of the directors to be voted for by the trustees shall be expressed in the following manner: In each year, at any time prior to the first day of November, any holder of any policy which shall have been in force for one year or more may send to the trustees, at the Equitable Building, No. 120 Broadway, New York, a written request, designating policyholders of the society to the number of not more than seven-thirteenths of the number of directors to be elected at the next ensuing annual election of directors, for whose election as directors such policyholder desires the trustees to vote at such annual election, or requesting the trustees to exercise their discretion on his behalf in the selection of policyholders to act as such directors.

Third. In case of vacancies in the board of directors, due to resignation, death, or other cause, the trustees may make recommendations to the directors of the society as to the persons to be elected to fill such vacancies to the end that the purpose of this agreement may be promptly and effectually accomplished.

Fourth. No vote shall be cast upon said stock for any purpose except with the unanimous approval of the trustees, but the trustees may empower any one of their number actually to cast their vote.

Fifth. Any trustee may at any time resign by delivering to the other trustees his resignation in writing. In case of the death or resignation of any trustee, the vacancy shall forthwith be filled by an appointment made in writing by the remaining trustees. The term "trustees" whenever used herein shall include the parties of the second part, and their successors so appointed.

Sixth. The party of the first part shall be entitled to the dividends on the stock deposited by him under this agreement.

Seventh. This agreement shall continue in force for five (5) years from the date hereof, subject to be terminated by the party of the first part as hereinafter provided, it being expressly understood and agreed that the party of the first part shall have the right at any time during the term hereinbefore mentioned to revoke this trust by serving upon the parties of the second part herein a notice in writing that he so elects to revoke and terminate the same thirty (30) days after the service of such notice upon the parties of the second part by depositing such notice signed by the party of the first part in the mail addressed to the parties of the second part at the office of the Equitable Life Assurance Society of the United States, No. 120 Broadway, New York City, and this agreement and the trust therein provided for shall at once cease and determine, and all rights of any kind or description thereunder shall cease and be at an end, and the party of the first part shall be entitled to the said stock and to all the rights and powers incidental thereto as if this agreement had not been made.

Eighth. Every other stockholder of the society may transfer his stock to the trustees, to be held subject to the provisions of this agreement, and thereupon may participate in the terms, conditions and privileges thereof.

In witness whereof the parties hereto have set their hands unto five originals hereof the day and year first above written.

(Signed)

J. PIERPONT MORGAN.  
MORGAN J. O'BRIEN,  
LEWIS CASS LEDYARD.  
GEO. W. PERKINS.

STATE OF NEW YORK, *County of New York*, ss:

On this 17th day of January, 1911, before me personally came J. Pierpont Morgan, Morgan J. O'Brien, Lewis Cass Ledyard, and George W. Perkins, to me known and known to me to be the persons described in and who executed the foregoing trust agreement, and they each acknowledged to me that they executed the same.

[SEAL.]

LIVINGSTON PLATT,  
*Notary Public, New York County.*

EXHIBIT No. 137, DECEMBER 19, 1912.

LIST OF SECURITIES HELD BY THE EQUITABLE LIFE ASSURANCE SOCIETY.

[As per New York Insurance Report for 1911, which securities were sold or issued through J. P. Morgan & Co. regardless of the fact whether J. P. Morgan & Co. sold those particular securities to the Equitable Life Assurance Society.]

	Par value.
Argentine Government internal loan 5 per cent bonds.....	\$65, 750
Imperial Chinese Government Hukuang Ry. loan S. F. 5 per cent bonds..	194, 500
Atchison, Topeka & Santa Fe Ry. Co. convertible 4 per cent bonds, 1955..	1, 718, 000
Atchison, Topeka & Santa Fe Ry. Co. debenture K 4 per cent bonds.....	210, 000
Atchison, Topeka & Santa Fe Ry. Co. debenture L 4 per cent bonds.....	312, 000

	Par value.
Atchison Transcontinental Short Line 4 per cent bonds.....	\$400,000
Atlantic Coast Line R. R. Co. Louisville & Nashville collateral 4 per cent bonds.....	1,500,000
Chesapeake & Ohio Ry. Co. general mortgage 4½ per cent bonds.....	2,500,000
Chesapeake & Ohio Ry. Co. consolidated mortgage 5 per cent bonds.....	500,000
Chicago, Burlington & Quincy R. R. Co. general mortgage 4 per cent bonds.....	850,000
Chicago, Burlington & Quincy R. R. Co., Northern Pacific, and Great Northern joint 4 per cent bonds.....	3,000,000
Chicago & Western Indiana R. R. Co. consolidated mortgage 4 per cent bonds (coupon).....	2,000,000
Chicago & Western Indiana R. R. Co. consolidated mortgage 4 per cent bonds (registered).....	1,000,000
Cincinnati, Hamilton & Dayton Ry. Co. general mortgage 5 per cent bonds.....	100,000
Elgin, Joliet & Eastern Ry. Co. first mortgage 5 per cent bonds.....	947,000
Erie R. R. Co., Long Dock Co. consolidated 6 per cent bonds.....	300,000
Erie R. R. Co., Pennsylvania collateral 4 per cent bonds.....	1,300,000
Interborough Rapid Transit Co. 45-year 5 per cent bonds, "A".....	500,000
Lehigh Valley R. R. Co. Terminal mortgage first 5 per cent bonds.....	1,000,000
Louisville & Nashville, Southern Ry. Co., Monon collateral joint 4 per cent bonds.....	500,000
New York Central & Hudson River R. R. Co., Cleveland, Cincinnati, Chicago & St. Louis Ry. general mortgage 4 per cent.....	1,000,000
New York Central & Hudson River R. R. Co., Cleveland, Cincinnati, Chicago & St. Louis Ry., general mortgage, St. Louis division, 4 per cent.....	1,000,000
New York Central & Hudson River R. R. Co. debenture mortgage 4 per cent bonds.....	3,000,000
New York Central lines equipment trust 1912-20 5 per cent bonds.....	557,000
New York Central lines equipment 1917 5 per cent bonds.....	10,000
New York Central lines equipment 4½ per cent bonds 1915, 18, 19, 25..	200,000
New York Central & Hudson River R. R. Co., Lake Shore, collateral 3½ per cent bonds (coupon).....	1,150,000
New York Central & Hudson River R. R. Co., Lake Shore collateral 3½ per cent bonds (registered).....	4,100,000
New York Central & Hudson River R. R. Co., Lake Shore & Michigan Southern Ry. Co. debenture 4 per cent bonds.....	5,000,000
New York Central & Hudson River R. R. Co., Michigan Central collateral 3½ per cent (coupon).....	1,575,000
New York Central & Hudson River R. R. Co., Michigan Central collateral 3½ per cent (registered).....	425,000
New York Central & Hudson River R. R. Co., West Shore R. R. Co. first guaranteed 4 per cent bonds.....	835,000
Northern Pacific Ry. Co. prior lien 4 per cent bonds (coupon).....	750,000
Northern Pacific Ry. Co. prior lien 4 per cent bonds (registered).....	1,500,000
Pennsylvania R. R. Co. convertible 3½ per cent 1915 bonds.....	2,620,500
Reading Co., Jersey Central collateral 4 per cent bonds.....	1,950,000
Northern Ry. Co., East Tennessee, Virginia & Georgia R. R. reorganization 5 per cent bonds.....	690,000
Northern Ry. Co. first consolidated mortgage 5 per cent bonds.....	1,000,000
Terminal R. R. Association of St. Louis refunding 4 per cent bonds.....	1,000,000
International Mercantile Marine Co. collateral trust 4½ per cent bonds...	250,000
International Navigation Co. of New York first 5 per cent bonds.....	586,000

## EXHIBIT No. 138, DECEMBER 19, 1912.

## LIST OF SECURITIES HELD BY THE MUTUAL LIFE INSURANCE CO.

[As per New York Insurance Report for 1911, which securities were sold or issued through J. P. Morgan & Co., regardless of the fact whether J. P. Morgan & Co. sold those particular securities to the Mutual Life Insurance Co.]

	Par value.
Atchison, Topeka & Santa Fe Ry. Co. debenture 4 per cent 1913 bonds...	\$146,000
Atchison, Topeka & Santa Fe Ry. Co. debenture 4 per cent 1914 bonds...	136,000
Atchison Transcontinental Short Line, 4 per cent bonds.....	1,500,000
Atlantic & Yadkin Ry. Co. first-mortgage guaranteed 4 per cent bonds...	350,000

	Par value.
Atlantic Coast Line R. R. Co. Louisville & Nashville collateral 4 per cent bonds.....	\$3,000,000
Canada Southern Ry. Co. first extension 6 per cent bonds.....	528,000
Chesapeake & Ohio Ry. Co. general mortgage 4 per cent.....	2,500,000
Chicago, Indiana & Southern R. R. Co. 4 per cent 1956.....	5,000,000
Cleveland, Cincinnati, Chicago & St. Louis Ry. Co. general mortgage 4 per cent bonds.....	200,000
Cleveland, Cincinnati, Chicago & St. Louis Ry. Co., White Water Valley division, 4 per cent.....	200,000
Detroit Terminal & Tunnel, Detroit River Tunnel Co., first-mortgage 4½ per cent bonds.....	1,500,000
Erie R. R. Co., Pennsylvania collateral 4 per cent bonds.....	4,210,000
Jamestown, Franklin & Clearfield R. R. first 4 per cent bonds.....	1,000,000
Louisville & Nashville R. R. Co., unif. 4 per cent bonds.....	7,460,000
Louisville & Nashville R. R. Co., A. K. & C. division, 4 per cent bonds..	4,000,000
Louisville Southern Ry. Co., Monon collateral 4 per cent bonds.....	2,200,000
New York Central & Hudson River R. R. Co., debenture, 4 per cent 1934 bonds.....	1,000,000
New York Central & Hudson River R. R. Co., 3½ per cent bonds (registered).....	3,783,000
New York Central & Hudson River R. R. Co., 3½ per cent bonds (coupon).	1,937,000
New York Lines Equipment Trust, 5 per cent bonds, 1912-1922, inclusive.....	5,374,000
New York Lines Equipment Trust, 4½ per cent bonds 1917, 23, 25.....	1,679,000
Northern Pacific, Great Northern, Chicago, Burlington & Quincy, collateral joint 4 per cent bonds.....	6,000,000
Pennsylvania R. R. Co., convertible 3½ per cent bonds, 1915.....	6,053,000
Reading Co., Jersey Central collateral 4 per cent bonds.....	1,500,000
Southern Ry. Co., development and general mortgage 4 per cent bonds..	2,000,000
Southern Ry. Co., first consolidated mortgage 5 per cent bonds.....	4,975,000
Southern Ry. Co., Memphis division, first 5 per cent bonds.....	1,450,000
Southern Ry. Co., Mobile & Ohio collateral 4 per cent bonds.....	295,000
Southern Ry. Co., serial equipment 4½ per cent bonds 1912-20, inclusive..	986,000
International Mercantile Marine Co., collateral trust, 4½ per cent bonds..	1,500,000
Jefferson & Clearfield Coal & Iron Co., first mortgage 5 per cent bonds....	487,000
Lehigh & Wilkesbarre Coal Co., 5 per cent bonds.....	105,000
Lehigh & Wilkesbarre Consolidated 4 per cent bonds, 1920.....	980,000
Lehigh & Wilkesbarre Consolidated 4 per cent bonds, 1925.....	520,000
Lehigh & Wilkesbarre Consolidated 4 per cent bonds, 1930.....	1,000,000

## EXHIBIT No. 139, DECEMBER 19, 1912.

## LIST OF SECURITIES HELD BY THE NEW YORK LIFE INSURANCE CO.

[As per New York Insurance Report for 1911, which securities were sold or issued through J. P. Morgan & Co., regardless of the fact whether J. P. Morgan & Co. sold those particular securities to the New York Life Insurance Co.]

	Par value.
Argentine Government internal loan 5 per cent bonds.....	\$684,019
Imperial Chinese Government Hukuang Ry. loan sinking fund 5 per cent bonds.....	266,000
Atchison, Topeka & Santa Fe Ry. Co. Transcontinental Short Line 4 per cent bonds.....	1,254,000
Atlantic Coast Line R. R. Co. first consolidated 4 per cent bonds.....	2,491,000
Atlantic Coast Line R. R. Co., Louisville & Nashville collateral 4 per cent bonds.....	5,000,000
Canada Southern Ry. Co. first mortgage extension 6 per cent bonds.....	67,000
Central New England R. R. Co. first mortgage 4 per cent bonds.....	2,600,000
Chesapeake & Ohio R. R. Co. first consolidated mortgage 5 per cent bonds.	2,000,000
Chesapeake & Ohio R. R. Co. general mortgage 4½ per cent bonds.....	3,222,000
Chicago, Burlington & Quincy R. R. Co. Illinois division 4 per cent bonds.	2,550,000
Cincinnati, Hamilton & Dayton Ry. Co. general mortgage 5 per cent bonds.	1,137,000
Cleveland, Cincinnati, Chicago & St. Louis Ry. Co. general mortgage 4 per cent bonds.....	3,000,000
Elgin, Joliet & Eastern Ry. Co. first mortgage 5 per cent bonds.....	185,000

	Par value.
Erie R. R. Co., Pennsylvania collateral 4 per cent bonds.....	\$3,500,000
Erie R. R. Co., general lien 4 per cent bonds.....	259,000
Hocking Valley Ry. Co. first consolidated 4½ per cent bonds.....	2,500,000
Kansas City Terminal R. R. Co. first mortgage 4 per cent bonds.....	50,000
Lake Shore & Michigan Southern R. R. debenture 4 per cent bonds, 1928..	5,000,000
Louisville & Nashville R. R. Co., A., K. & C. division, 4 per cent bonds..	1,945,000
Louisville Southern Ry. Co., Monon collateral joint 4 per cent bonds....	2,535,000
Louisville unified 4 per cent bonds.....	6,274,000
New York Central line equipment trust 4½ per cent bonds, 1923-1925...	802,000
Northern Pacific, Great Northern, Chicago, Burlington & Quincy collat- eral joint 4 per cent bonds.....	12,500,000
Pennsylvania equipment trust 3½ per cent 1912.....	400,000
Pennsylvania R. R. convertible 3½ per cent 1915.....	3,225,000
Reading Co. Jersey Central collateral 4 per cent.....	2,000,000
Southern Ry. Co. first consolidated mortgage 5 per cent bonds.....	6,960,000
Southern Ry. Co., St. Louis division, first mortgage 4 per cent bonds....	2,500,000
Terminal Railroad Association of St. Louis, consolidated mortgage 5 per cent bonds.....	285,000
Toledo & Ohio Central R. R. Co. first mortgage 5 per cent bonds.....	250,000
Sunday Creek Co. collateral trust 5 per cent bonds.....	131,000

---

EXHIBIT NO. 140, DECEMBER 19, 1912.

LIST OF SECURITIES HELD BY THE METROPOLITAN LIFE INSURANCE CO.

[As per New York Insurance Report for 1911, which securities were sold or issued through J. P. Morgan & Co. regardless of the fact whether J. P. Morgan & Co. sold those particular securities to the Metropolitan Life Insurance Co.]

	Par value.
Atchison, Topeka & Santa Fe Ry. Co. Transcontinental Short Ln. 4 per cent bonds.....	\$500,000
Chesapeake & Ohio Ry. Co. first consolidated mortgage 5 per cent bonds..	75,000
Chesapeake & Ohio Ry. Co. general mortgage 4½ per cent bonds.....	1,654,000
Cincinnati, Hamilton & Dayton Ry. Co. equipment trust series "A" 5 per cent bonds.....	500,000
Cincinnati, Hamilton & Dayton Ry. Co. general mortgage 5 per cent bonds..	20,000
Hocking Valley Ry. Co. first consolidated mortgage 4½ per cent bonds..	285,000
Interborough Rapid Transit Co. 45-year 5 per cent bonds, "A".....	2,020,000
Lake Shore & Michigan Southern Ry. Co. debenture 4 per cent bonds, 1928..	300,000
Lake Shore & Michigan Southern Ry. Co. debenture 4 per cent bonds, 1931..	100,000
Southern Ry. Co., Monon collateral first 5 per cent bonds.....	500,000
New York Central lines equipment trust of 1910 4½ per cent bonds.....	500,000
New York, Westchester & Boston Ry. Co. first mortgage 4½ per cent.....	800,000
Southern Ry. Co., East Tennessee reorganization 5 per cent bonds.....	27,000
Southern Ry. Co. first consolidated mortgage 5 per cent bonds.....	1,000,000
Chicago Great Western R. R. Co. common stock.....	284,300

[Correspondence relating to fiscal agency agreements between J. P. Morgan & Co. and the New York, New Haven & Hartford Railroad Co., etc., and between J. P. Morgan & Co. and the New York Central & Hudson River Railroad Co., etc.]

---

EXHIBIT NO. 141, DECEMBER 19, 1912.

NOVEMBER 17, 1910.

Mr. CHARLES S. MELLEN,  
President New York, New Haven & Hartford Railroad Co., etc.,  
New Haven, Conn.

DEAR SIR: Referring to recent conferences respecting a fiscal agency agreement between ourselves and your companies, we would be pleased to act as fiscal agents on the following understanding:

From time to time as either of your companies may desire to sell its securities we will give it the benefit of our counsel and advice, with a view of obtaining the best possible results to the company, and in its behalf we will offer such securities for sale

at prices mutually satisfactory. In case there should be radical disagreement regarding the value of the company's securities to be offered, then this agreement is to be suspended as to such securities.

Pending the sale of any such securities or the realization of the proceeds thereof, we will loan to the company from time to time, upon the securities then offered, such sum as it may desire, not exceeding in the aggregate 90 per cent of the offer price agreed upon, payable at any time within one year as the company may in each instance elect, the company's notes for such loans to bear interest at a fair rate to be determined in each instance according to the circumstances, such rate not to exceed in any instance 6 per cent per annum.

In view of such unlimited commitment to loan up to 90 per cent, we would want it understood that we shall be the sole agents of the company in the sale of its securities while the arrangement shall remain in force. This obligation will be binding upon us at all times regardless of monetary conditions then prevailing.

As compensation for all services rendered we will accept a commission of  $1\frac{1}{2}$  per cent of the par value of securities sold, payable from the proceeds of the sale.

This arrangement is not, however, to cover the handling of any financial arrangements between the company and its stockholders, such as the offering of additional stock or convertible debentures to stockholders, nor the temporary borrowings of the company upon its promissory notes, or, in other words, covering the issue of temporary obligations for floating debt, the company being in position to better handle this directly with the banks in the community it serves than through any financial agency.

We suggest that the arrangement continue until the lapse of 90 days after either shall have given written notice to the other of a desire to terminate it.

The written acceptance of these suggestions will be regarded as the conclusion of an agreement between us and the New York, New Haven & Hartford Railroad Co., the Maine Central Railroad Co., and the Boston & Maine Railroad Co., respectively, to the effect above stated.

Very truly, yours,

J. P. MORGAN & Co.

---

MAINE CENTRAL RAILROAD Co., PRESIDENT'S OFFICE,  
Portland, Me., January 11, 1911.

Messrs. J. P. MORGAN & Co., 23 Wall Street, New York City.

GENTLEMEN: At a meeting of the Maine Central directors held this day, the president was authorized to accept in behalf of that company the proposition contained in your favor of November 17, 1910, respecting your becoming our fiscal agents.

The company does hereby accept the proposition contained in said letter, and the same may be considered as in effect from this date.

Yours, truly,

C. S. MELLEEN, *President.*

---

BOSTON & MAINE RAILROAD, PRESIDENT'S OFFICE,  
Boston, December 28, 1910.

Messrs. J. P. MORGAN & Co., 23 Wall Street, New York City.

GENTLEMEN: Further referring to your letter of November 17, 1910, and my reply of December 19, 1910, regarding a fiscal agency for the New York, New Haven & Hartford, Maine Central, and Boston & Maine Railroads, I beg to state:

That at a special meeting of the directors of the Boston & Maine Railroad, held this day, I was authorized to accept, and do hereby accept, your proposal, conveyed in your letter above referred to, on behalf of the Boston & Maine Railroad.

There will be no directors' meeting of the Maine Central Railroad prior to January 11, 1911, when the matter will be submitted to and acted upon by the directors of that company.

Yours, truly,

C. S. MELLEEN,  
*President.*

---

THE NEW YORK NEW HAVEN & HARTFORD RAILROAD Co.,  
PRESIDENT'S OFFICE,  
New Haven, Conn., December 19, 1910.

Messrs. J. P. MORGAN & Co., 23 Wall Street, New York City.

GENTLEMEN: Your favor of the 17th instant was duly received.

The proposal you make is acceptable to and is hereby accepted by the New York, New Haven & Hartford Railroad Co.

It will be necessary that the matter be separately submitted to the boards of directors of the Boston and Maine and Maine Central Railroads before formal acceptance on behalf of those companies can be given.

I will see that it is submitted at the next meeting of the boards of directors of both these companies, and will immediately advise you action of the same thereafter.

Yours, truly,

C. S. MELLETT, *President.*

EXHIBIT No. 142, DECEMBER 19, 1912.

THE NEW YORK CENTRAL AND HUDSON RIVER RAILROAD CO.,  
GRAND CENTRAL DEPOT,  
New York, December 16, 1908.

Messrs. J. P. MORGAN AND CO.,  
*Wall and Broad Streets, New York City.*

GENTLEMEN: I hand you herewith a certified copy of a resolution adopted by the directors of this company, at meeting held in New York to-day, appointing your firm the sole agent of this company to act for it whenever requiring the services of bankers in disposing of securities, etc. The resolution directs me to advise your firm of such appointment, and to receive your acceptance thereof. Please advise me at your convenience of the acceptance of this appointment.

Very truly,

D. W. PARDEE, *Secretary.*

At a meeting of the board of directors of the New York Central & Hudson River Railroad Co., held at Grand Central Depot in the city of New York, on Wednesday, the 16th day of December, 1908, pursuant to due notice given each director, and at which meeting a quorum was present, inter alia the following was adopted:

*Resolved*, That J. P. Morgan & Co. be, and they hereby are, appointed sole agents of this company to act for it whenever it requires the services of bankers to dispose of its securities. Such securities offered by them to the public shall be at such price, and their commission on the sale thereof shall be such as may be agreed upon by them and the finance committee of this company. Said J. P. Morgan & Co. shall, on request, advance to this company upon the securities thus offered to the public as collateral up to 75 per cent of said offered price, such loans to be repayable within one year. This agency may be terminated at any time on 30 days' notice by either party. The secretary is directed to advise Messrs. J. P. Morgan & Co. of this appointment and to receive their acceptance thereof.

I, Dwight W. Pardee, secretary of the New York Central & Hudson River Railroad Co., hereby certify the foregoing to be a correct extract from the minutes of the proceedings of the board of directors of said company at meeting held as above stated.

Witness my hand and the corporate seal of said company at New York, this 16th day of December, 1908.

[SEAL.]

D. W. PARDEE, *Secretary.*

DECEMBER 17, 1908.

D. W. PARDEE, Esq.,  
*Secretary New York Central & Hudson River Railroad Co.,  
Grand Central Depot, City.*

DEAR SIR: We have received your letter of December 16, inclosing a certified copy of resolution adopted by the directors of your company, at a meeting held in New York on that date, appointing us sole agents for your company, to act for it whenever it requires the services of bankers in disposing of its securities, etc.

We note the terms of the appointment, and the arrangement for advances to be made if necessary, and have great pleasure in accepting the appointment on the terms stated.

Yours, very truly,

THE MICHIGAN CENTRAL RAILROAD CO.,  
GRAND CENTRAL DEPOT,  
New York, December 16, 1908.

Messrs. J. P. MORGAN & CO.,  
*Wall and Broad Streets, New York City.*

GENTLEMEN: I hand you herewith a certified copy of a resolution adopted by the directors of this company at meeting held in New York to-day, appointing your firm the sole agents of this company, to act for it whenever requiring the services of bankers

in disposing of securities, etc. The resolution directs me to advise your firm of such appointment, and to receive your acceptance thereof. Please advise me at your convenience of the acceptance of this appointment.

Very truly,

W. D. PARDEE, *Secretary.*

At a meeting of the board of directors of the Michigan Central Railroad Co., held at Grand Central Depot in the city of New York, on Wednesday, the 16th day of December, 1908, pursuant to due notice given each director, and at which meeting a quorum was present, inter alia the following was adopted:

*Resolved*, That J. P. Morgan & Co. be, and they hereby are, appointed sole agents of this company to act for it whenever it requires the services of bankers to dispose of its securities. Such securities offered by them to the public shall be at such price and their commission on the sale thereof shall be such as may be agreed upon by them and the finance committee of this company. Said J. P. Morgan & Co. shall, on request, advance to this company upon the securities thus offered to the public, as collateral, up to 75 per cent of said offered price, such loans to be repayable within one year. This agency may be terminated at any time on 30 days' notice by either party. The secretary is directed to advise Messrs. J. P. Morgan & Co. of this appointment and to receive their acceptance thereof.

I, Dwight W. Pardee, secretary of the Michigan Central Railroad Co., hereby certify the foregoing to be a correct extract from the minutes of the proceedings of the board of directors of said company at a meeting held as above stated.

Witness my hand and the corporate seal of said company at New York this 16th day of December, 1908.

[SEAL.]

D. W. PARDEE, *Secretary.*

DECEMBER 17, 1908.

D. W. PARDEE, Esq.,  
*Secretary Michigan Central Railroad Co.,  
Grand Central Depot, City.*

DEAR SIR: We have received your letter of December 16, inclosing a certified copy of resolution adopted by the directors of your company at a meeting held in New York on that date, appointing us sole agents for your company to act for it whenever it requires the services of bankers in disposing of its securities, etc.

We note the terms of the appointment and the arrangement for advances to be made, if necessary, and have great pleasure in accepting the appointment on the terms stated.

Yours, very truly,

THE LAKE SHORE & MICHIGAN SOUTHERN RAILWAY CO.,  
GRAND CENTRAL DEPOT,  
*New York, December 16, 1908.*

Messrs. J. P. MORGAN & Co.,  
*Wall and Broad Streets, New York City.*

GENTLEMEN: I hand you herewith a certified copy of a resolution adopted by the directors of this company at a meeting held in New York to-day, appointing your firm the sole agents of this company to act for it whenever requiring the services of bankers in disposing of securities, etc. The resolution directs me to advise your firm of such appointment, and to receive your acceptance thereof. Please advise me at your convenience of the acceptance of this appointment.

Very truly,

D. W. PARDEE, *Secretary.*

At a meeting of the board of directors of the Lake Shore & Michigan Southern Railway Co., held at Grand Central Depot in the city of New York, on Wednesday, the 16th day of December, 1908, pursuant to due notice given each director, and at which a quorum was present, inter alia the following was adopted:

*Resolved*, That J. P. Morgan & Co. be, and they hereby are, appointed sole agents of this company to act for it whenever it requires the services of bankers to dispose of its securities. Such securities offered by them to the public shall be at such price, and their commission on the sale thereof shall be such as may be agreed upon by them and the finance committee of this company. Said J. P. Morgan & Co. shall, on request, advance to this company, upon the securities thus offered to the public, as collateral, up to 75 per cent of said offered price—such loans to be repayable within one year. This agency may be terminated at any time on 30 days' notice by either party. The

secretary is directed to advise Messrs. J. P. Morgan & Co. of this appointment, and to receive their acceptance thereof.

I, Dwight W. Pardee, secretary of the Lake Shore & Michigan Southern Railway Co., hereby certify the foregoing to be a correct extract from the minutes of the proceedings of the board of directors of said company at meeting held as above stated.

Witness my hand and the corporate seal of said company, at New York, this 16th day of December, 1908.

[SEAL.]

D. W. PARDEE, *Secretary.*

DECEMBER 17, 1908.

D. W. PARDEE, Esq.,  
*Secretary Lake Shore & Michigan Southern Railway Co.,  
Grand Central Depot, City.*

DEAR SIR: We have received your letter of December 16 inclosing a certified copy of resolution adopted by the directors of your company, at a meeting held in New York on that date, appointing us sole agents for your company to act for it whenever it requires the services of bankers in disposing of its securities, etc.

We note the terms of the appointment and the arrangement for advances to be made, if necessary, and have great pleasure in accepting the appointment on the terms stated.

Yours, very truly,

J. P. MORGAN & Co.

THE CLEVELAND, CINCINNATI, CHICAGO, & ST. LOUIS RAILWAY CO.,  
GRAND CENTRAL DEPOT,  
*New York, December 16, 1908.*

Messrs. J. P. MORGAN & Co.,  
*Wall and Broad Streets, New York City.*

GENTLEMEN: I hand you herewith a certified copy of a resolution adopted by the directors of this company, at meeting held in New York to-day, appointing your firm the sole agents of this company to act for it whenever requiring the services of bankers in disposing of securities, etc. The resolution directs me to advise your firm of such appointment and to receive your acceptance thereof. Please advise me at your convenience of the acceptance of this appointment.

Very truly,

D. W. PARDEE, *Secretary.*

At a meeting of the board of directors of the Cleveland, Cincinnati, Chicago & St. Louis Railway Co., held at Grand Central Depot in the city of New York, on Wednesday, the 16th day of December, 1908, pursuant to due notice given each director, and at which meeting a quorum was present, inter alia the following was adopted:

*Resolved*, That J. P. Morgan & Co. be, and they hereby are, appointed sole agent of this company to act for it whenever it requires the services of bankers to dispose of its securities. Such securities offered by them to the public shall be at such price and their commission on the sale thereof shall be such as may be agreed upon by them and the finance committee of this company. Said J. P. Morgan & Co. shall, on request, advance to this company, upon the securities thus offered to the public, as collateral, up to 75 per cent of said offered price, such loans to be repayable within one year. This agency may be terminated at any time on 30 days' notice by either party. The secretary is directed to advise Messrs. J. P. Morgan & Co. of this appointment and to receive their acceptance thereof.

I, Dwight W. Pardee, secretary of the Cleveland, Cincinnati, Chicago & St. Louis Railway Co., hereby certify the foregoing to be a correct extract from the minutes of the proceedings of the board of directors of said company at meeting held as above stated.

Witness my hand and the corporate seal of said company at New York this 16th day of December, 1908.

[SEAL.]

D. W. PARDEE, *Secretary.*

DECEMBER 17, 1908.

D. W. PARDEE, Esq.,  
*Secretary Cleveland, Cincinnati, Chicago & St. Louis Railway Co.,  
Grand Central Depot, City.*

DEAR SIR: We have received your letter of December 16 inclosing a certified copy of resolution adopted by the directors of your company, at a meeting held in New York on that date, appointing us sole agents for your company to act for it whenever it requires the services of bankers in disposing of its securities, etc.

We note the terms of the appointment and the arrangement for advances to be made if necessary, and have great pleasure in accepting the appointment on the terms stated.

Yours, very truly,

J. P. MORGAN & Co.

FEBRUARY 2, 1911.

W. C. BROWN, Esq.,

*President New York Central & Hudson River Railroad Co.,  
Grand Central Terminal, City.*

DEAR SIR: The vote of the board of directors of your company on the 16th day of December, 1908, whereby we were appointed sole agents of your company to act for it whenever it requires the services of bankers to dispose of its securities, provides that our commission on the sale thereof shall be such as may be agreed upon by us and your finance committee.

We are inclined to think it would be more satisfactory, both to your company and ourselves, that a general rule be established to cover this question. We therefore propose that it be agreed that our commission on such sales shall be  $1\frac{1}{2}$  per cent on the par value of all such securities; provided that in the case of a security having less than six years to run, then the commission shall be at the rate of one-quarter of 1 per cent for each year of the life of the security.

We also beg to confirm what we understand our Mr. Morgan has heretofore stated, that the provision in the said resolution for the advance to your company, upon securities offered to the public as collateral, up to 75 per cent of said offered price, should read "up to 90 per cent of said offered price."

Furthermore, we beg to say that we are quite willing that said resolution be further amended so as to provide that if there shall be a failure on the part of your finance committee and ourselves to agree upon the price at which any particular security shall be offered to the public, then the agreement shall not apply to such security.

The acceptance of this proposition by your board will constitute an amendment or modification of the terms of said resolution.

Yours, very truly,

J. P. MORGAN & Co.

Same letter to Lake Shore & Michigan Southern Railway Co., Michigan Central Railroad Co., and Cleveland, Cincinnati, Chicago & St. Louis Railway Co.

[Additional exhibits will be found in Part 16 of these hearings.]