

The Panic of 1907: J.P. Morgan and the Money Trust

Lesson Author

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Standards and Benchmarks (see page 47)

Lesson Description

The Panic of 1907 was a financial crisis set off by a series of bad banking decisions and a frenzy of withdrawals caused by public distrust of the banking system. J.P. Morgan, along with other wealthy Wall Street bankers, loaned their own funds to save the country from a severe financial crisis. But what happens when a single man, or small group of men, have the power to control the finances of a country? In this lesson, students will learn about the Panic of 1907 and the measures Morgan used to finance and save the major banks and trust companies. Students will also practice close reading to analyze texts from the Pujo hearings, newspapers, and reactionary articles to develop an evidence-based argument about whether or not a money trust—a Morgan-led cartel—existed.

Grade Level

10-12

Concepts

Bank run
Bank panic
Cartel
Central bank
Liquidity
Money trust
Monopoly
Sherman Antitrust Act
Trust

Time Required

100-120 minutes

Compelling Question

What did J.P. Morgan have to do with the founding of the Federal Reserve?

Objectives

Students will

- define bank run, bank panic, monopoly, central bank, cartel, and liquidity;
 - explain the Panic of 1907 and the events leading up to the panic;
 - analyze the Sherman Antitrust Act;
 - explain how monopolies worked in the early 20th-century banking industry;
 - develop an evidence-based argument about whether or not a money trust—a Morgan-led cartel—existed
 - explain how J.P. Morgan and others acted as a central bank in the absence of a lender of last resort; and
 - explain how J.P. Morgan, the Pujo hearings, and the Federal Reserve are related.
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Materials

- Internet access and tablets/computers for seven small groups (see Procedure Step #25)
- Handouts 1 to 3, one copy of each student
- Handout 4, enough copies of each reading assignment for each small group member
- Visuals 1 through 6
- One blue and one red dry-erase marker for each pair of student
- Eight large pieces of self-stick easel paper
- 2 Markers for each small group of three to four students

Procedure

1. Begin the lesson by asking students the following questions:
 - Do you have a bank account? (*Answers will vary.*)
 - Does the bank keep all of the money that you and other account holders deposit on hand at the bank—that is, as cash in its vault? (*Answers will vary.*)
2. Explain that by law banks must keep a fraction of deposits in cash reserves. The banks may then use the rest of the money deposited to make loans or purchase investments. Banks generally hold only enough reserves to fulfill the needs of their customers for cash and to make payments to other bank customers. In other words, they keep enough money on hand to fulfill the need for cash under normal conditions.
3. Display *Visual 1: Bank Run*. Tell students that a **bank run** occurs when many depositors rush to the bank to withdraw their money at the same time. Explain that this is a picture of a bank run from the Panic of 1907. Ask the following:
 - Why would people rush to the bank to withdraw their money? (*Answers will vary. Students may say to get their money before the cash the bank has on hand runs out.*)
4. Explain that today the Federal Deposit Insurance Corporation (FDIC) insures the deposits of customers up to a certain amount. Prior to the creation of the FDIC, if a bank failed, customers could lose their deposits. Explain the following:
 - In earlier times, including in 1907, banks often distributed the funds they had on hand on a first-come, first-served basis. If you did not get there soon enough and the bank failed, you could lose your money.
 - Bank runs can be triggered simply by lack of public confidence. For example, in Hong Kong in the 1980s, a long line formed at a pastry shop in the morning. The line wrapped around to the front of the bank next door. Passers-by thought the line was for the bank and interpreted it as something being wrong with the bank, so people stormed the bank to withdraw their money.
5. Explain that a **bank panic** occurs when a bank run begins at one bank and spreads to others, causing people to lose confidence in banks. Discuss the following:
 - How might a bank run develop into a bank panic? (*People might assume that their own bank has similar financial problems, or that a larger financial crisis is starting, causing the runs to spread to many banks, regardless of the real financial situation.*)
 - During a bank panic, why might people rush to banks that are not in danger of failing and demand their money? (*Answers will vary but may include the following: to have cash on hand just in case reports about their banks are incorrect and the banks do fail or to not be left without money because other people are panicking.*)

- What problems might bank panics cause? (*Answers will vary but should include the following: Banks could run out of cash reserves, which would prevent depositors from being able to withdraw their deposits or make payments for a time. Banks could also be forced to reduce their lending for a time, which could harm the economy.*)

Teacher Note: The Panic of 1907 started with specific banks and banking interests but spread quickly throughout the country because of the overall wealth and high level of banking conducted in New York City. Fritz Augustus Heinze was a businessman who became extremely wealthy through his copper mine in Montana, which he sold for approximately \$12 million to a rival mining company. He moved to New York and invested heavily in banks and other financial institutions. Other events were also affecting the economy at that time. The San Francisco earthquake and fires in 1906 were costly to New York City banks, as well as overseas banks, which made it more difficult for Americans to gain access to both U.S. and foreign financing during the panic. Additionally, the stock market went through a “silent crash” in March 1907, and the country was still recovering from this event in October 1907. As a result, the U.S. banking and financial systems were weaker going into the Panic of 1907 than they had been just a few years prior.

6. Explain that a financial move by three brothers, the Heinze brothers, triggered the Panic of 1907. The brothers attempted to manipulate the price of United Copper stock. Explain the following:
 - The Heinze brothers wanted to “squeeze” investors they believed to be “shorting” the stock of United Copper.
 - An investor who “shorts” a stock can make money when the price of a stock decreases. Shorting occurs when an investor borrows shares of stock from a broker and sells them; the investor then waits for the price of the stock to fall. When the price falls, the investor buys at the now-lower price to repay the broker for the shares borrowed. So, investors who short a stock make profits when the stock’s price falls.
 - If the price of the stock rises, the short sellers would instead have to buy shares at the higher price to repay the borrowed shares. In this case, the short sellers would take a loss on their investment.
 - The Heinze brothers thought that many investors were shorting United Copper stock. They thought that they could buy a majority of the available shares of United Copper, and then force the short sellers to buy shares from them at very high prices to cover their bet.
 - The brothers first had to “corner the market.” To corner the market means for one buyer to accumulate a significant number of shares of stock in a company.
 - These large purchases represent an increase in demand for the stock. When the demand for a stock increases, the price of that stock tends to rise.

- The Heinze brothers bought a large number of shares of United Copper stock, but they miscalculated the degree to which these shares would give them control of the market—there were several other shareholders willing to sell to investors shorting United Copper stock. The brothers also miscalculated how many investors were shorting the stock.
 - When the other shareholders, and other investors, discovered the brothers' attempt to corner the market, the stock price of United Copper collapsed and investors pulled money out of banks associated with August Heinze.
7. Distribute a copy of *Handout 1: Panic of 1907 Flow Chart* to each student. (The underlined words below correspond to the blanks in the handout; however, refer to Handout 1—Answer Key as needed.) Tell students to fill in the spaces of the flowchart as you discuss how the Panic of 1907 began:
- The Heinze brothers attempted to corner the market on United Copper stock.
 - The Heinze brothers miscalculated the number of stocks needed to corner the market, and the brothers' attempt failed. The price of the United Copper stock plummeted.
 - The Wall Street Journal reported the stock's collapse.
 - Bank runs spread to banks and trust companies associated with the Heinze brothers, including Mercantile Bank (owned by a Heinze brother) and the Knickerbocker Trust (the third-largest bank in New York, which was run by one of August Heinze's associates).
 - A **trust** is a group of separate companies brought under the control of a single managing board to reduce or eliminate competition and thereby maximize their joint (or total) profits. Discuss the following:
 - Why do you think bank runs spread to other banks throughout the nation? (*Answers will vary but may include the following: because the public was scared that their money was not safe and assumed that anyone who had done business with the Heinze brothers may have had a part in the scheme and therefore may be in financial trouble.*)
 - On October 22, 1907, a run on Knickerbocker Trust forced it to pay out \$8 million in one day and suspend business.
 - Several weeks later Charles T. Barney, president of Knickerbocker Trust, shot himself.
 - News of the failure of Knickerbocker Trust caused additional trouble: Bank runs spread throughout New York City and the country.
 - The Panic of 1907 was in full swing. The Pittsburgh Stock Market suspended trading for three months. The Trust Company of America and the Lincoln Trust Company required assistance. U.S. Treasury Secretary Cortelyou deposited U.S. Treasury funds into several national banks in an effort to keep them solvent.

8. Display Visual 2: U.S. Businessman. Discuss the following:
 - What impressions do you get of the man in the picture? (*Answers will vary but may include that the man is wealthy, important, or powerful.*)
 - Does the name John Pierpont Morgan, or J.P. Morgan, sound familiar to you? (*Students most likely will bring up the bank, JPMorgan Chase.*)
9. Explain the following:
 - The picture is of J.P. Morgan, an extremely wealthy and successful businessman well-known throughout Wall Street during this time.
 - J.P. Morgan had funded Thomas Edison's quest to provide electricity to the country. Morgan was head of one of the biggest investment banks in the United States and controlled nearly half of the country's railroads.
 - One of the services provided by an investment bank is to purchase large holdings of newly issued stock shares and resell them to investors.
10. Create a chart on the board with two columns: "Power and Influence" labeled in blue and "Character and Values" labeled in red. Tell the students that they will read publications from this period to find evidence of J.P. Morgan's "Power and Influence" and specific examples of his "Character and Values."
11. Arrange the class in pairs and distribute the three reading assignments from *Handout 2: Power and Influence, Character and Values* among the students so that all are assigned. (Multiple pairs may have the same assignment.) Instruct the pairs to proceed as follows:
 - Highlight the passages in the text that provide evidence of J.P. Morgan's "Power and Influence" and specific examples of his "Character and Values."
 - For each highlighted passage, write a short, descriptive phrases to summarize it. (For example, "generous—gives away money" or "values reputation.")
12. Allow time for students to complete the activity and then give each pair a blue marker and a red marker. Have the pairs choose one member to go to the board and write the descriptive phrases in the correct column. Students should write "Power and Influence" content in blue, and "Character and Values" content in red. The other group member should explain how their descriptor is a good reflection of the content in the reading material.
13. Refer to Handout 2—Answer Key to point out any qualities that may have been missed.
14. Tell the students that Morgan and his colleagues in banking, including his family, were often referred to as "The House of Morgan." Discuss the following:

- What does “The House of Morgan” imply? (*Answers will vary but may include a dynasty-like structure of banking, a controlling influence, or an incredible power.*)
- Point out that when J.P. Morgan died, the New York Stock Exchange closed for two hours. Closure of the market was a practice typically reserved for the death of a U.S. president.

15. Ask the following questions to check for understanding:

- What main event started the bank runs that began the panic of 1907? (*The failed attempt by the Heinze brothers to corner the market on United Copper stock*)
- Why did banks begin to experience bank runs after the fall of United Copper stock? (*The public feared their money was not safe if it was in a bank that had any affiliation with the Heinze brothers or their associates.*)
- What did the closure of Knickerbocker Trust mean to the public? (*Knickerbocker Trust was the third-largest bank in New York City, so its closure made people believe that all banks were potentially in trouble, so banks runs ensued on all banks.*)
- What did these banks need to stop the bank runs? (*Answers will vary and students may not know the answer.*)

16. Explain the following:

- Banks needed to assure the public that they had enough money on hand (or access to enough money from other sources) to fulfill their obligations to depositors who desired to withdraw their money.
- Banks use the deposits of their customers to make loans to other customers. As such, during a bank run, banks sometimes had a difficult time accessing funds to meet the immediate withdrawals of panicked depositors.

17. Discuss the following:

- Based on what you’ve learned about J.P. Morgan, predict how he may have been involved in the solution to the panic. (*Answers will vary.*)

18. Distribute a copy of *Handout 3: Guided Notes* to each student. Display *Visual 3: Vocabulary*. (The underlined words below correspond to the blanks in the handout; however, refer to the Handout 3—Answer Key as needed.) Explain the following and proceed as noted:

- a. J.P. Morgan used his influence and personal wealth to convince other men on Wall Street to join him in creating a “money pool” to help save many financial institutions and shore up investor confidence.

J.P. Morgan gathered men in his library on several occasions and convinced them to lend their money to the money pool, whereby struggling financial institutions could borrow from the pool to stay afloat. Keeping financial institutions from failure would also keep the economy afloat. Morgan, along with John D. Rockefeller, lent some of his personal wealth to this money pool, which encouraged other men to do the same. The creation of the money pool injected **liquidity** into the market.

- b. **Liquidity** is the quality that makes an asset easily convertible into cash with relatively little loss of value in the conversion process.
- c. Discuss the following:
 - What are some examples of liquid assets? (*U.S. Treasury securities, savings accounts at banks, and shares of money market mutual funds*)
- d. Morgan and his colleagues essentially acted as the lender of last resort or a **central bank** to the U.S. financial system.
- e. A central bank is an institution that oversees and regulates the banking system and quantity of money in the economy.
- f. Morgan was part owner of U.S. Steel, the largest steel manufacturer and supplier in the country. The next-largest steel producer was the Tennessee Coal, Iron and Railroad Company (TCI).
- g. One of the financial firms affected by the panic was Moore and Schley. Moore and Schley was a very large brokerage firm that had accepted TCI stock as collateral on many of its loans, and TCI stock was going down in value.
- h. If Moore and Schley failed, it would be another hit to investor confidence.
- i. Morgan developed a plan to rescue Moore and Schley by arranging for U.S. Steel to purchase Moore and Schley's TCI stock. This purchase would give U.S. Steel control of TCI and allow the brokerage firm to remain solvent.

The purchase of the TCI shares would merge the two companies—U.S. Steel and TCI—into one company. Discuss the following:

- Why might merging U.S. Steel with TCI have been legally problematic? (*It would create one company that controlled nearly all of the steel business in the United States. It could lead to a monopoly.*)

Display *Visual 4: The Sherman Antitrust Act of 1890*. Ask one student read the second provision of the act from the visual. (*"Every person who shall monopolize, or attempt to monopolize any part the trade or commerce among several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."*)

- j. The Sherman Antitrust Act of 1890 stated that “Every any person who shall monopolize...any part of the trade or commerce among the several states” would be fined and/or subject to imprisonment.
 - k. A monopoly is the exclusive possession or control of the supply or trade in a commodity or service. Discuss the following:
 - According to the **Sherman Antitrust Act**, what was illegal about Morgan’s acquisition plan? (*It would create a steel monopoly.*)
 - l. Morgan sent Henry Clay Frick and Elbert H. Gary, the other owners of U.S. Steel, to Washington to speak directly with President Theodore Roosevelt at the White House about the acquisition and merger. They were able to convince Roosevelt that the merger would save the firm and shore up investor confidence in the financial system and the wider economy. President Roosevelt agreed that this plan would help end the panic and financial crisis. He promised that he would not enforce the antitrust laws against them if they went through with their plan. The economy was able to recover with surprisingly few bank failures and suspensions, thanks to J.P Morgan and his men.
19. Discuss the following:
- In what way could the acquisition by Morgan be considered opportunistic on his part? (*Answers will vary but may include that Morgan was able to gain more control of the steel market because of the acquisition.*)
 - If you were in President Roosevelt’s shoes, would you have allowed U.S. Steel to merge with TCI? (*Answers will vary. Answers could include a discussion of the short-run implications of stabilizing the national economy balanced with the long-run implications of allowing a monopoly in an important industry.*)

If this lesson is to be completed over two days, stop here.

20. Explain that the actions taken by J.P. Morgan during the Panic of 1907 were investigated as part of a larger investigation of bankers and financiers by the Pujo Committee, led by Louisiana congressman Arsène Pujo.
21. Display *Visual 5: Photograph of Pujo Committee*. Explain that Pujo launched his investigation of Wall Street bankers in 1912 to determine whether they colluded in violation of antitrust laws. The bankers were widely accused of being a “**money trust**.” Discuss the following:
- What do you think the term “money trust” implies? (*Answers will vary.*)

22. Display *Visual 6: Cartoon*. Explain that this cartoon was published in 1912, while the Pujo Committee was investigating. Discuss the following:
- What do you think the cartoon in Visual 6 represents? (*Answers will vary, but students may say the trusts are hurting the country [represented by Lady Liberty], or that the size of the man could indicate that the trusts are “fat” with money and power and taking over control of the country.*)
23. Explain that, essentially, the Pujo Committee believed and sought to prove that a specific group of Wall Street bankers and financiers—the so-called money trust—exerted powerful control over the nation’s finances. They were able to exercise this control by limiting competition between businesses and determining who would be on the boards of certain corporations, making it difficult for new businesses and groups to compete in the market.
24. Define a **cartel** as a group of businesses or business people who agree to fix prices so they all make more money. Discuss the following:
- How have you heard the term “cartel” used today? (*Answers will vary. Many may associate the word with the OPEC oil cartel or drug cartels that are often in the news.*)
 - How are modern-day cartels similar to or different from a banking cartel? (*Both involve a small group of individuals or businesses who attempt to control a market and minimize or eliminate competition in order to maintain high prices.*)
25. Divide the class into eight groups and assign each group one reading from *Handout 4: Reading Assignments*. Distribute one copy of the assigned reading to each member of each group and one large piece of self-stick easel paper to each group. Provide the following instructions and then allow the students 25 to 30 minutes to complete the task:
- Group 3 will read the text on the handout. The other groups are to open the URL noted on the handout to read the assigned text.
 - Each group is to identify and summarize passages that (i) provide information about the money trust investigation, (ii) describe how the public received the money trust investigations, and (iii) identify the opinion of the author regarding whether the investigations were warranted.
 - Each summarized passage must be identified by source, page number, and paragraph number (relative to its placement on the given page). Group 3 may highlight the text.
26. Once the groups have finished, invite them up one at a time to present their findings to the class. Refer to the Handout 4—Answer Key as needed. (The passages listed in

the Answer Key are not necessarily the only important ones in each excerpt but are simply provided to highlight the main arguments of the excerpts.) After each group is finished sharing, ask the students to share their reactions and their opinions about the bias presented in their excerpt.

27. Hang the completed projects on the wall so students can reference the cited pieces in their final assessment.
28. Explain the conclusion of the Pujo hearings:
 - The Pujo Committee members were unable to take any real action and did not have enough power or evidence to actually prosecute any individuals or reduce the market power of any banks or corporations.
 - The committee presented its findings and suggested policy measures Congress should take to prevent further concentrations of power. Samuel Untermyer, the lawyer for the committee, drew up two recommended bills for Congress.
 - The revelations of the Pujo hearings helped garner support for the founding of a central bank and also laid the groundwork for the Clayton Antitrust Act of 1914.
 - The Federal Reserve Act of 1913 established the Federal Reserve System as the central bank of the United States.
29. Discuss the following:
 - Why did a central bank seem like a good solution to the banking and credit problems the economy had been experiencing? (*The Federal Reserve was designed to be the “lender of last resort” to the banking system and thereby avoid the necessity of relying on individuals, such as Morgan or other private bankers, in times of crisis. This lender-of-last-resort power given to the Federal Reserves provided preventative confidence to the financial system and provided the means to deal with a financial crisis.*)

Closure

30. Ask students the following to check for understanding:
 - What occurs in a bank run? (*Many depositors rush to the bank to withdraw their money at the same time.*)
 - What occurs in a bank panic? (*A bank run begins at one bank and spreads to others, causing people to lose confidence in banks.*)
 - What event triggered the Panic of 1907 and what events followed? (*The Heinze brothers attempted to corner the market on United Copper but failed, triggering runs on banks and trusts affiliated with them. These runs spread to other banks in New York City and throughout the country, causing a bank panic.*)

- What is a central bank? (*An institution that oversees and regulates the banking system and quantity of money in the economy*)
- How did J.P. Morgan and his colleagues act as a central banker? (*They supplied money to failing banks and trust companies during the Panic of 1907.*)
- How did the merger of U.S. Steel and TCI provide financial stability? (*The failure of Moore and Schley, a major brokerage firm burdened with falling prices of TCI stock it held as collateral, would have eroded investor confidence in the financial markets. The merger of U.S. Steel and TCI rescued Moore and Schley from collapse and shored up investor confidence in the financial system and the wider economy.*)
- Why did J.P. Morgan and others have to go to President Theodore Roosevelt regarding the merger? (*Such a merger would give U.S. Steel monopoly power and violate anti-trust legislation.*)
- Why did Roosevelt agree to the merger? (*He thought the merger would stabilize the weak economy and fortify consumer confidence. Consumer confidence was more important at the time than concerns regarding anti-trust legislation.*)
- What is a cartel? (*A group of businesses or businesspeople who agree to fix prices so they can all make more money*)
- According to his critics, how did J.P. Morgan (and others) establish a cartel? (*He used his immense power to appoint certain men to the boards of other companies and corporations, eliminating much competition in the market.*)
- How did J.P. Morgan develop a reputation as a hero to the U.S. economy regarding the Panic of 1907? (*He orchestrated many of the loans to banks and trust companies by lending his own money and encouraging others to do the same.*)
- Conversely, how did his “saving” of the economy actually create a monopoly? (*By taking on the debt of a brokerage firm by buying their declining stock in TCI, Morgan gained ownership of that company, which meant that his business, U.S. Steel, would control a large portion of the steel business in the country.*)
- According to the Pujo Committee, how did the “money trust” exert control over the banking industry? (*A few individuals sat on the boards of several banks and trust companies. This arrangement allowed a small group of people to have control over most of the banking decisions and reduce competition.*)
- Did the country have any protection from monopolies? (*Yes, the Sherman Antitrust Act.*)
- Is there safety in having one man, or a small group of men in a private capacity, act as a central banker and the lender of last resort for the country? Why or why not? (*Answers will vary. Discussion might include whether it is wise to rely on a few private citizens to provide financial stability to a large economy. It might be better to create an institution with certain responsibilities and limitations.*) Remind students that the Federal Reserve System was created in 1913 to fill the role of lender of last resort.

- What do you think is a better way of dealing with a future financial crisis or panic? *(Answers will vary. Remind students that one of the important roles of the Federal Reserve System is to provide liquidity to financial institutions during times of crisis.)*
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Assessment

31. Tell the students to refer to the posters in the room and the class discussion regarding the reading assignments to develop a constructed response essay. Explain the assignment as follows:

In a one-page essay, summarize the Panic of 1907 and make an argument for or against the validity of the Pujo Committee hearings and include the following:

- economic terminology, such as bank run, bank panic, monopoly, lender of last resort, cartel, and liquidity;
- at least three properly cited pieces of textual evidence from the provided sources; and
- address a counterargument.

In addition, consider the following questions in your response:

- What was J.P. Morgan's role in the Panic of 1907?
- Was J.P. Morgan the leader of a financial cartel or simply a wealthy businessman who helped calm the panic?
- Was the Pujo Committee justified in investigating J.P. Morgan's tactics?

Allow time for students to do a gallery walk of the posters in the room and take notes as needed.

Visual 1: Bank Run

SOURCE: Library of Congress; <http://hdl.loc.gov/loc.pnp/cph.3a01426>.

Bank run

Occurs when many depositors rush to the bank to withdraw their money at the same time

Bank panic

Occurs when a bank run begins at one bank and spreads to others, causing people to lose confidence in banks

Visual 2: U.S. Businessman



SOURCE: Library of Congress; <http://hdl.loc.gov/loc.pnp/cph.3a02120>.

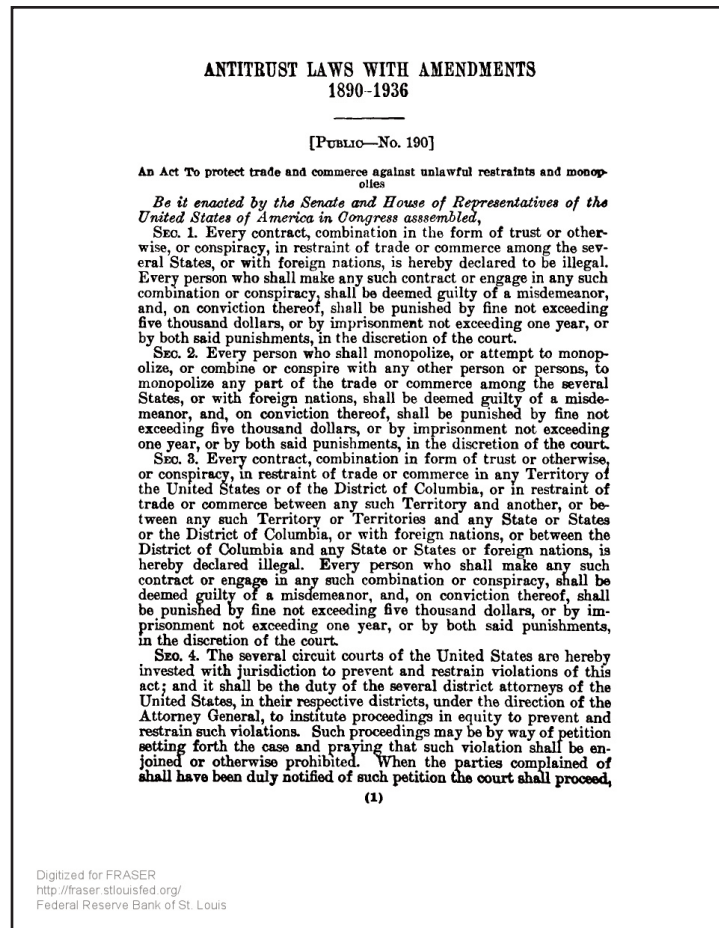
Visual 3: Vocabulary**Liquidity**

The quality that makes an asset easily convertible into cash with relatively little loss of value in the conversion process

Central bank

An institution that oversees and regulates the banking system and quantity of money in the economy

Visual 4: The Sherman Antitrust Act of 1890

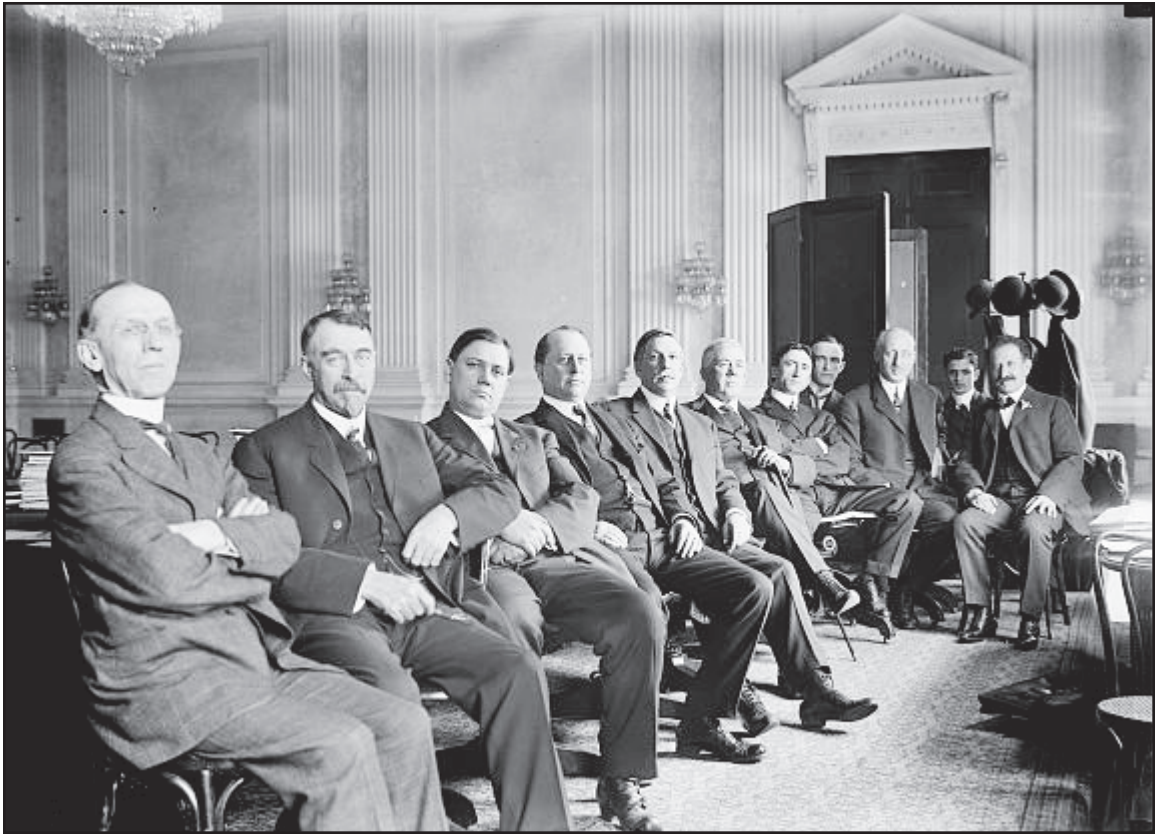


SOURCE: FRASER, Federal Reserve Archive; <https://fraser.stlouisfed.org/title/1136/item/1513>.

Section 2: "Every person who shall monopolize, or attempt to monopolize any part of the trade or commerce among several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Monopoly

The exclusive possession or control of the supply or trade in a commodity or service

Visual 5: Photograph of Pujo Committee

House of Representatives subcommittee of the House Committee on Banking and Currency to investigate "money trusts." Also known as the Pujo Committee. Arsène Pujo, chairman, fifth from left.

SOURCE: Library of Congress; <http://hdl.loc.gov/loc.pnp/hec.01786>.

Visual 6: Cartoon

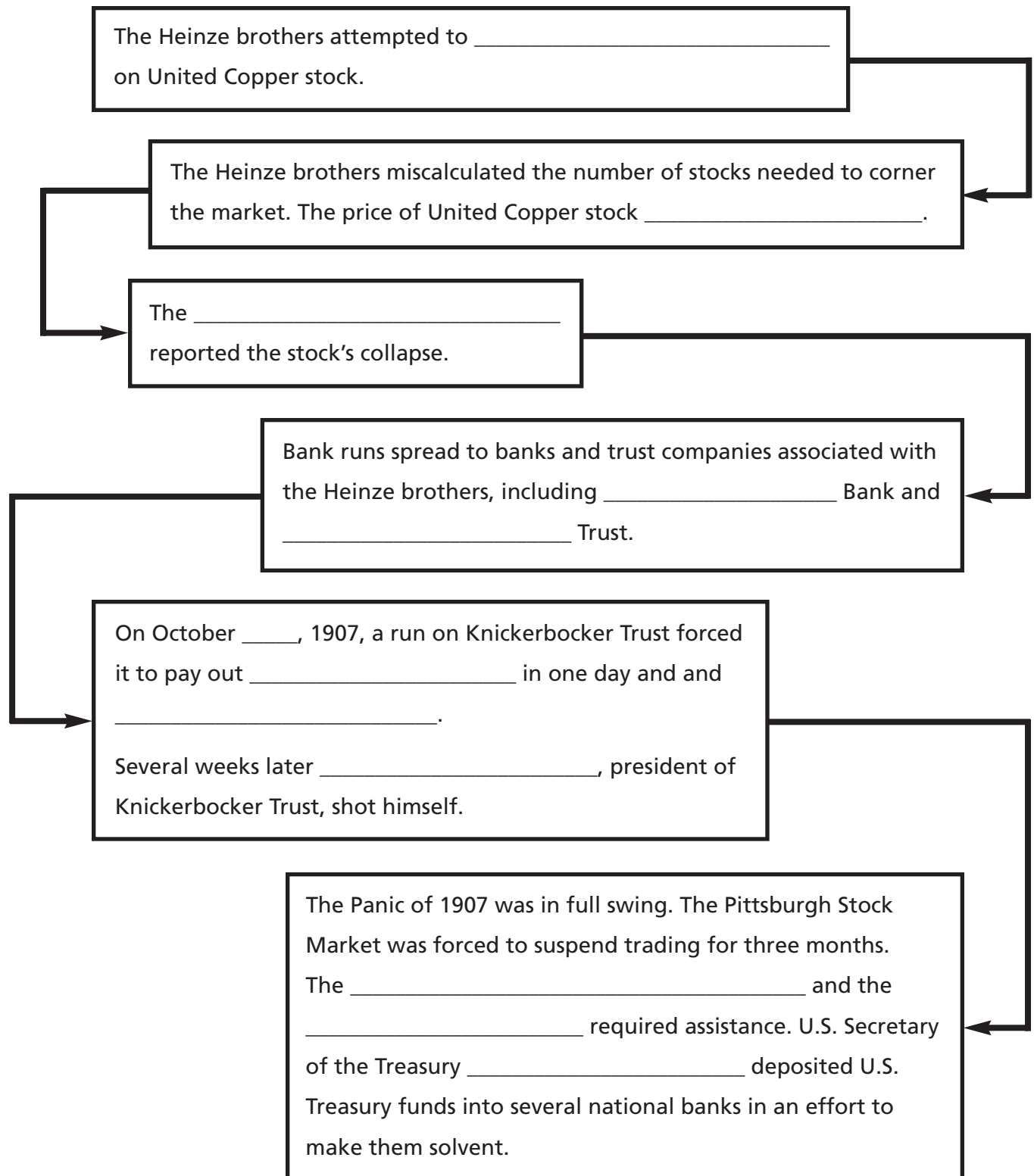


SOURCE: *The Copper Era and Morenci Leader*, November 1, 1912, p. 12. Library of Congress;
<http://chroniclingamerica.loc.gov/lccn/sn94050892/1912-11-01/ed-1/seq-12/>.

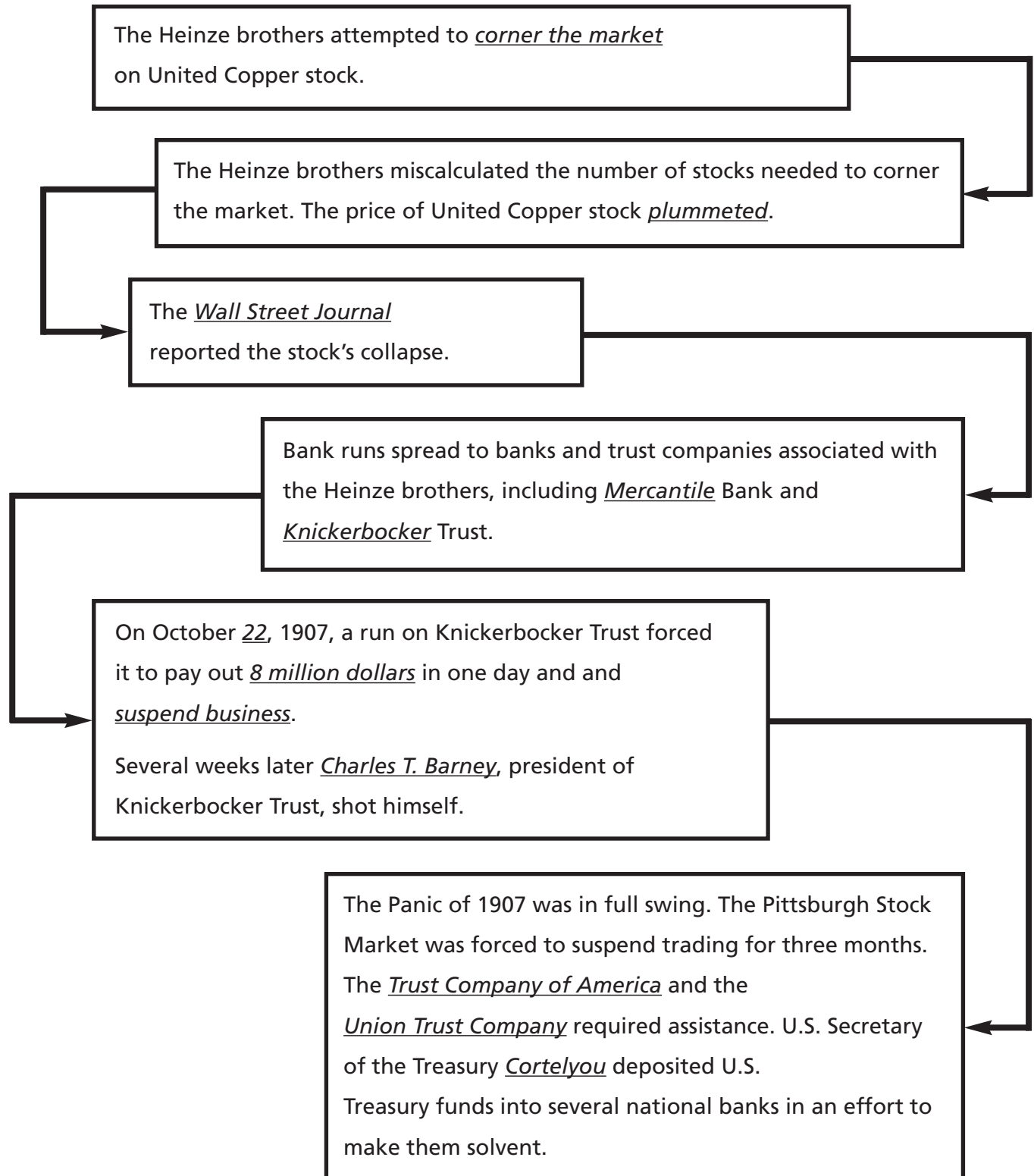
Cartel

A group of businesses or businesspeople who agree to fix prices so they all make more money

Handout 1: Panic of 1907 Flow Chart



Handout 1: Panic of 1907 Flow Chart—Answer Key



Handout 2: Power and Influence, Character and Values (page 1 of 3)

Reading 1. J.P. Morgan Testimony from the Pujo Hearings

NOTE: The Pujo Hearings were conducted between May 16, 1912, and February 26, 1913.

1084 MONEY TRUST.

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.

Digitized for FRASER
<http://fraser.stlouisfed.org/>
 Federal Reserve Bank of St. Louis

SOURCE: Pujo, Arsène Paulin and U.S. Congress House Committee on Banking and Currency. "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. December 19, 1912, pp. 1011-1101. FRASER, Federal Reserve Archive; https://fraser.stlouisfed.org/title/80/item/23671?start_page=76, accessed April 17, 2015.

Handout 2: Power and Influence, Character and Values (page 2 of 3)**Reading 2. Excerpt from *The Commoner* (Lincoln, NE). November 29, 1907.**

NOTE: This excerpt is itself an excerpt of a letter written by Rev. Silliman Blagden, of Boston, originally printed in a periodical called *The World*.

"Mr. J. P. Morgan would make us a most desirable and grand president because he is one of the greatest and most successful financiers, not only in our country but also in the world, as many well-informed business men will bear witness. He is remarkably level-headed, long-headed, wise, discreet, and conservative. He has no fads or foibles, but is a man who strictly attends to business. He is a quiet, self-respecting and unobtrusive man, very different from those self-assertive, discouraging and disgusting men who with brazen face push themselves forward and, mirabile dictu, self-nominate themselves for public office, thus at once showing that they are unfit for such high public office, because always and invariably 'the office should seek the man and not man the office.' Mr. J. P. Morgan is a gentleman, a man of the world and a man of affairs, and he has the knowledge, business acumen, and ability to guide our ship of state and government into the safe and deep waters of financial prosperity once more; he is not a man to 'go off at a tangent' and suddenly do unwise and foolish things. He is of the old school and old-fashioned in all ancient customs and good ways and manners which we wish to retain and hold fast to—as we fain would to the first and everlasting 'faith once delivered to the saints.' He is a man of private and public benefactions. He recently gave \$100,000 to the church at the Episcopal convention just held at Richmond, Va., and I believe he gave a very large sum lately to help on the completion of the Episcopal Cathedral in New York City, and everybody is thrilled with admiration over his magnificent contribution of \$25,000,000 in the recent Wall Street stock market slump to help our country. Few men have the wealth to do these noble deeds, and few men if they had such wealth would possess the faith and grace to make such charitable gifts and praiseworthy expenditure of their hard-earned money. The more one studies Mr. J.P. Morgan's life and character the more one becomes aware of the fact that in very many ways he strongly resembles the Father of Our Country, George Washington. Should Mr. Morgan become our next president and should our country need it, I believe he would give the very last cent of his many millions to save the United States from disaster. This gives a fair idea of his splendid patriotism."

SOURCE: Bryan, William Jennings, ed. "Current Topics." *The Commoner* (Lincoln, NE), November 29, 1907, p. 8. Library of Congress; <https://chroniclingamerica.loc.gov/lccn/46032385/1907-11-29/ed-1/seq-8/>.

Handout 2: Power and Influence, Character and Values (page 3 of 3)

Reading 3. Excerpts from "Morgan! Who Saved the Day!" *The Seattle Star* (Seattle, WA). November 9, 1907.

NOTE: This article is written in a sarcastic tone.

Hail, Morgan! Homage to Morgan! On your knees before Morgan, the pacifier, the tranquilizer, the savior, the benefactor, who came forth with his millions and said to cowering Wall street: "Quiet; I am here!"

Columns of adulation and parasitic flattery have been written about this colossal figure of the world of finance. He is the greatest man in the country. He has even been suggested for the presidency, with Cortelyou as a running mate.

He saved the money situation in Wall street.

Wonderful Morgan! Big-hearted Morgan! Morgan, god-like in the power of his gold!

Well! Why shouldn't he save Wall street?

What is Morgan? A buyer and seller. A gigantic combiner. A manipulator with money. Do you know how many railroads he has bought cheap, regilded and reorganized and sold high?...

And we say again, **Why shouldn't Morgan save Wall street, since he himself, in his method, is the incarnation of the financial rottenness of Wall street?**

Of the man himself there is much good to be written, and we write it gladly. He has given liberally of his wealth to museums, to universities, to religion, to trade schools, to asylums, to municipal relief, and to public improvements. He is probably sincere in his religion and kind-hearted in his benefactions.

SOURCE: *Seattle Star* (Seattle, WA). "Morgan! Who Saved the Day!" November 9, 1907, p. 4. Library of Congress; <http://chroniclingamerica.loc.gov/lccn/sn87093407/1907-11-09/ed-1/seq-4/>.

**Handout 2: Power and Influence, Character and Values—Answer Key
(page 1 of 2)**

Answers may vary, but students may point out the following:

Reading 1. From the Pujo Hearings

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. (*Character and values*)

Mr. Untermeyer: Is not commercial credit based primarily upon money or property?

Mr. Morgan: No sir; the first thing is character.

Mr. Untermeyer: Before money or property?

Mr. Morgan: Before money or anything else. Money cannot buy it. (*Character and values*)

Mr. Morgan: Because a man I do not trust could not get money from me on all the bonds in Christendom. (*Students should see this quote specifically, but reading the lines before it during discussion will add context. Character and values*)

Reading 2. From *The Commoner*

"[H]e is one of the greatest and most successful financiers, not only in our country, but also in the world, as many well-informed business men will bear witness." (*Power and influence*)

"He is a quiet, self-respecting and unobtrusive man, very different from those self-assertive, discouraging and disgusting men who with brazen face push themselves forward." (*Character and values*)

"Few men have the wealth to do these noble deeds, and few men if they had such wealth would possess the faith and grace to make such charitable gifts and praiseworthy expenditure of their hard-earned money." (*Character and values and/or Power and influence*)

"[S]trongly resembles the Father of Our Country, George Washington." (*Character and values and/or Power and influence*)

**Handout 2: Power and Influence, Character and Values—Answer Key
(page 2 of 2)****Reading 3. From *The Seattle Star***

Teacher note: Be sure that students understand that this article is written in a sarcastic tone. Use this sarcasm to lead them into analysis of how Morgan was perceived negatively, as opposed to the previous glowing evaluations. While the entire selection can really be analyzed in relation to his power and his character, make sure students recognize these particular examples.

“Morgan, god-like in the power of his gold! Well! Why shouldn’t he save Wall street?” (*Power and influence*)

“And we say again, Why shouldn’t Morgan save Wall Street, since he himself, in his method, is the incarnation of the financial rottenness of Wall Street?” (*Character and values [negative]*)

“He has given liberally of his wealth...He is probably sincere in his religion and kind-hearted in his benefactions.” (*Character and values [positive]*)

Handout 3: Guided Notes (page 1 of 2)

- a. J.P. Morgan used his influence and personal wealth to convince other men on Wall Street to join him in creating a _____ to help save many _____ and shore up _____.
- b. Liquidity is the _____.
- c. What are some examples of liquid assets? _____.
- d. Morgan and his colleagues essentially acted as the _____ or a _____ to the U.S. financial system.
- e. A central bank is _____.
- f. Morgan was part owner of _____. The next-largest steel producer was _____.
- g. Moore and Schley was a very large brokerage firm that had accepted TCI stock as collateral on many of its loans, and TCI stock was _____.
- h. If Moore and Schley failed, it would be another hit to _____.

Handout 3: Guided Notes (page 2 of 2)

- i. Morgan developed a plan to rescue Moore and Schley by arranging for _____ to purchase Moore and Schley's _____ stock. This purchase would give U.S. Steel control of TCI and allow the brokerage firm to remain _____.
- j. The Sherman Antitrust _____ stated that "Every person who shall _____...any part of the trade or commerce among the several states" would be fined and/or subject to imprisonment.
- k. A monopoly is _____.
- l. Morgan sent Henry Clay _____ and Elbert H. _____ to Washington to speak directly with President Roosevelt about the acquisition and merger. They were able to convince Roosevelt that this merger would save the _____ and shore up _____ in the financial system and in the _____. President Roosevelt promised he would not enforce the _____ against them if they went through with their plan.

Handout 3: Guided Notes—Answer Key

- a. J.P. Morgan used his influence and personal wealth to convince other men on Wall Street to join him in creating a money pool to help save many financial institutions and shore up investor confidence.
- b. Liquidity is the quality that makes an asset easily convertible into cash with relatively little loss of value in the conversion process.
- c. What are some examples of liquid assets? U.S. Treasury securities, savings accounts at banks, and shares of money market mutual funds
- d. Morgan and his colleagues essentially acted as the lender of last resort or a central bank to the U.S. financial system.
- e. A central bank is an institution that oversees and regulates the banking system and quantity of money in the economy.
- f. Morgan was part owner of U.S. Steel. The next-largest steel producer was Tennessee Coal, Iron, & Railroad (TCI).
- g. Moore and Schley was a very large brokerage firm that had accepted TCI stock as collateral on many of its loans, and TCI stock was going down in value.
- h. If Moore and Schley failed, it would be another hit to investor confidence.
- i. Morgan developed a plan to rescue Moore and Schley by arranging for U.S. Steel to purchase Moore and Schley's TCI stock. This purchase would give U.S. Steel control of TCI and allow the brokerage firm to remain solvent.
- j. The Sherman Antitrust Act of 1890 stated that "Every person who shall monopolize... any part of the trade or commerce among the several states" would be fined and/or subject to imprisonment.
- k. A monopoly is the exclusive possession or control of the supply or trade in a commodity or service.
- l. Morgan sent Henry Clay Frick and Elbert H. Gary to Washington to speak directly with President Roosevelt about the acquisition and merger. They were able to convince Roosevelt that this merger would save the firm and shore up investor confidence in the financial system and in the wider economy. President Roosevelt promised he would not enforce the antitrust laws against them if they went through with their plan.

Handout 4: Reading Assignments (page 1 of 9)

Reading 1: Pujo Committee Report, pp. 129-130.

URL: https://fraser.stlouisfed.org/title/1329?start_page=129

The Pujo Committee was formed in 1912 by Arsène Pujo, a member of the United States House of Representatives and the National Monetary Commission. The committee performed an investigation into the allegations that the financial industry was being controlled by only a select few powerful individuals. The committee helped to open the eyes of the public to this issue of control of the banking system, which led to reform—including the Federal Reserve Act and the Clayton Antitrust Act.

Directions: Access the noted document via the URL. Read the specified pages and identify passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each selected passage and record its location (for example, page 25, paragraph 6, sentence 3).

SOURCE: Pujo, Arsène Paulin and U.S. Congress House Committee on Banking and Currency. "Report of the Committee Appointed Pursuant to the House Resolution 429 and 504 to Investigate the Concentration and Control of Money and Credit." February 28, 1913, pp. 129-130. FRASER, Federal Reserve Archive.

Handout 4: Reading Assignments (page 2 of 9)

Reading 2: Pujo Committee Report, pp. 159-160. Begin reading at the first paragraph after the line, which begins *"We are not unmindful."*

URL: https://fraser.stlouisfed.org/title/1329?start_page=159

The Pujo Committee was formed in 1912 by Arsène Pujo, a member of the United States House of Representatives and the National Monetary Commission. The committee performed an investigation into the allegations that the financial industry was being controlled by only a select few powerful individuals. The committee helped to open the eyes of the public to this issue of control of the banking system, which led to reform—including the Federal Reserve Act and the Clayton Antitrust Act.

Directions: Access the noted document via the URL. Read the specified pages and identify passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each selected passage and record its location (for example, page 25, paragraph 6, sentence 3).

SOURCE: Pujo, Arsène Paulin and U.S. Congress House Committee on Banking and Currency. "Report of the Committee Appointed Pursuant to the House Resolution 429 and 504 to Investigate the Concentration and Control of Money and Credit." February 28, 1913, pp. 159-160. FRASER, Federal Reserve Archive.

Handout 4: Reading Assignments (page 3 of 9)

Reading 3: Excerpts from Vincent P. Carosso. "The Wall Street Money Trust from Pujo through Medina." *Business History Review*. Winter 1973, 47(04), pp. 421-437.

This article traces the history of the "money trust" controversy through the first half of the 20th century to determine whether the attacks on the "money power" were justified.

Directions: Read the excerpts below and highlight passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each highlighted passage and note its location (for example, paragraph 1, sentence 2) for later use.

1. Richard Hofstadter¹ described the repeated and exaggerated attacks against the money power and the recurrent alarms of a Wall Street plot as examples of the "paranoid style," which he said was motivated by many of the same emotions that had sparked and sustained various nativist and other minority movement — the belief in a "vast and sinister conspiracy, a gigantic and yet subtle machinery of influence set in motion to undermine and destroy a way of life." Those who subscribed to this variant of the "devil theory" of history used Pujo's statistics on banking concentration, interlocking directorates, and syndicate alliances, which were essentially correct but highly selective, to strengthen their own preconceptions. (p. 424)

¹ Hofstadter, Richard. *The Paranoid Style in American Politics and Other Essays*. New York: 1967, p. 29.

2. No small part of the public's fears and suspicions of Wall Street stemmed from ignorance and misunderstanding of the banking business, particularly investment banking. And for this the bankers themselves were largely responsible. The secretiveness with which they insisted upon conducting their affairs and their stubborn refusal to disclose any information whatsoever about their relationships with one another or with the corporate clients they served left it up to others to report their activities to a public suspicious of and anxious to learn about the great financiers whose exploits made headlines. Some of the newspapers and periodical accounts that appeared at the time were uninformed; others took for granted what needed to be demonstrated; and many more of them exaggerated Wall Street's power and influence. But it was not only the popular writers who criticized the money power; nor was it only reform politicians... Similar views also were expressed by a substantial number of southern and western bankers as well as by other knowledgeable observers. (p. 425)

Handout 4: Reading Assignments (page 4 of 9)

3. The bankers who appeared before the subcommittee denied all these charges. Their efforts to explain what they did were dismissed or ignored, if not ridiculed. Nor was the subcommittee, or the public, any more disposed to accept the banker's statements that competition among them existed, often was spirited; that New York City's share of the nation's banking resources had declined from 23.2 per cent in 1900 to 18.9 per cent in 1912; and that financial representations on corporate directories did not mean banker control. Nor did the subcommittee accept the fact that very often bankers sat on the boards of corporations they financed at the request of company officials who believed such representation would make the securities more attractive to investors. (pp. 427-428)

Handout 4: Reading Assignments (page 5 of 9)

Reading 4: *Commercial & Financial Chronicle*. "The Bankers and the 'Money Trust' Inquiry." September 14, 1912, 95(2464), pp. 651-652. Begin reading on page 651 in the middle of the first column at the paragraph that begins "*Mr. George M. Reynolds, President of the Continental & Commercial Bank of Chicago.*" Read through the first column, third paragraph of page 652, ending at "*will be averted.*"

URL: https://fraser.stlouisfed.org/title/1339/item/495202?start_page=9

William Buck Dana founded the *Commercial & Financial Chronicle* in 1865. It was the first national business weekly newspaper published in the United States. It was designed to be an American take on the popular business newspaper *The Economist*, which was founded in England in 1843. For economic historians, the paper offers one of the few sources of early financial and business history.

Directions: Access the noted document via the URL. Read the specified pages and identify passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each selected passage and record its location (for example, page 25, paragraph 6, sentence 3).

SOURCE: FRASER, Federal Reserve Archive.

Handout 4: Reading Assignments (page 6 of 9)

Reading 5: *Commercial & Financial Chronicle*. "Banking, Legislative, and Financial News." September 7, 1912, 95(2463), p. 590. Begin reading on page 590 in the second column, second paragraph at "*The so-called 'money trust.'*" Read through the second-to-last paragraph of the page, ending at "*to control this individualism.*"

URL: https://fraser.stlouisfed.org/title/1339/item/495200?start_page=23

William Buck Dana founded the *Commercial & Financial Chronicle* in 1865. It was the first national business weekly newspaper published in the United States. It was designed to be an American take on the popular business newspaper *The Economist*, which was founded in England in 1843. For economic historians, the paper offers one of the few sources of early financial and business history.

Directions: Access the noted document via the URL. Read the specified pages and identify passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each selected passage and record its location (for example, page 25, paragraph 6, sentence 3).

SOURCE: FRASER, Federal Reserve Archive.

Handout 4: Reading Assignments (page 7 of 9)

Reading 6: *Commercial & Financial Chronicle*. "The Financial Situation." December 21, 1912, 95(2478), p. 1642. Begin reading on page 1642 in the second column, second paragraph at "*This week the Money Trust investigators.*" Read through the second-to-last paragraph of the page, ending at "*overlook the good.*"

URL: https://fraser.stlouisfed.org/title/1339/item/495225?start_page=2

William Buck Dana founded the *Commercial & Financial Chronicle* in 1865. It was the first national business weekly newspaper published in the United States. It was designed to be an American take on the popular business newspaper *The Economist*, which was founded in England in 1843. For economic historians, the paper offers one of the few sources of early financial and business history.

Directions: Access the noted document via the URL. Read the specified pages and identify passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each selected passage and record its location (for example, page 25, paragraph 6, sentence 3).

SOURCE: FRASER, Federal Reserve Archive.

Handout 4: Reading Assignments (page 8 of 9)

Reading 7: Louis Brandeis. *Other People's Money—and How the Bankers Use It*. Chapter 1, pp. 1-4.

URL: [http://babel.hathitrust.org/cgi/pt?id=uc1.\\$b242389#view=1up;seq=69](http://babel.hathitrust.org/cgi/pt?id=uc1.$b242389#view=1up;seq=69)

In 1912, Woodrow Wilson campaigned for president using many progressive ideas about strengthening the economy: banking reform, tariff reduction, and the elimination of monopolies and trusts—referred to as the New Freedom. After Wilson's election, Louis Brandeis wrote a series of articles for *Harper's Weekly* that outlined why the New Freedom was necessary and how best to implement it. In 1914, the articles were collected in book form and published under the title *Other People's Money—and How the Banks Use It*.

Directions: Access the noted document via the URL. Read the specified pages and identify passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each selected passage and record its location (for example, page 25, paragraph 6, sentence 3).

SOURCE: HathiTrust Digital Library.

Handout 4: Reading Assignments (page 9 of 9)

Reading 8: Ida M. Tarbell. "The Hunt for a Money Trust." *The American Magazine*, May 1913, 75(7), pp. 14-16. Begin reading on page 14 in the second column, second paragraph at "*The merging and interlocking.*" Read through the first line of page 16, ending at "*by cutting them off from money.*"

URL: <https://books.google.com/books?id=N6w7AQAAMAAJ&pg=RA5-PA11#v=onepage&q&f=false>

The American Magazine was a periodical publication founded in June 1906. Muckraking journalists Ray Stannard Baker, Lincoln Steffens, and Ida M. Tarbell helped create the magazine. Articles included human interest stories, social issues, and fiction.

Directions: Access the noted document via the URL. Read the specified pages and identify passages that

- provide information about the money trust investigation;
- describe how the public received the money trust investigation; and
- identify opinions about whether the money trust investigation was warranted.

Summarize each selected passage and record its location (for example, page 25, paragraph 6, sentence 3).

SOURCE: Google Books.

Handout 4: Reading Assignments—Answer Key (page 1 of 8)

Students will likely select other pieces from the text that are equally as important as these selected quotes. The examples are simply quotes that cover important pieces of each article's argument.

Reading 1: Pujo Committee Report, pp. 129-130.

"[T]here is an established and well-defined identity and community of interest between a few leaders of finance, created and held together through stock ownership, interlocking directorates, partnership and joint account transactions, and other forms of domination over banks, trust companies, railroads, and public-service and industrial corporations." *(This piece nicely summarizes what the hearings seemingly uncovered.)*

"It would of course be absurd to suggest that control of the bulk of the widely distributed wealth of a great nation can be corralled by any set of men. If that is what is meant by gentlemen who deny the existence of a money trust, your committee agrees with them."

"It is not, however, necessary that a group of men shall directly control the small savings in the banks nor the scattered resources of the country in order to monopolize the great financial transactions." *(Clarifies what the hearings were essentially attacking. How does this function in the report? [Acts as a slight insurance against the inevitable backlash that will come from the report])*

"[A] small group of men and their partners and associates have now further strengthened their hold upon the resources of these institutions by acquiring large stock holdings therein, by representation on their boards and through valuable patronage."

"If, therefore, by a 'money trust' is meant—An established and well-defined identity and community of interest between a few leaders of finance which has been created and is held together through stock holdings, interlocking directorates, and other forms of domination over banks, trust companies, railroads, public-service and industrial corporations, and which has resulted in a vast a growing concentration of control of money and credit in the hands of a comparatively few men—your committee, as before stated has no hesitation in asserting as the result of its investigation up to this time that the condition thus described exists in this country to-day." *(This piece reiterates much of the introductory paragraph of this portion of the report, but it provides a firm conclusion and a strong definition of what the committee means by "money trust." It is important to point this out to students because of the definition of "money trust" it provides.)*

SOURCE: Pujo Committee Report, pp. 129-130.

Handout 4: Reading Assignments—Answer Key (page 2 of 8)

Reading 2: Pujo Committee Report, pp. 159-160.

"It is also recognized that cooperation between them is frequently valuable...But these considerations do not involve their taking control of the resources of our financial institutions or of the savings of the people in our life insurance companies."

"It means that there can be no hope of revived competition and no new ventures on a scale commensurate with the needs of modern commerce or that could live against existing combinations, without the consent of those who dominate these sources of credit."

"If competition is threatened it is manifestly the duty of the bankers from their point of view of the protection of the stockholders, as distinguished from the standpoint of the public to prevent it if possible."

"Mr. Morgan was unable to name an instance in the past 10 years in which there had been any railroad building in competition with any of the existing systems." (*Is this discovery impactful and valid? [Morgan had been in the business for many years and had conducted many business deals, so he might not have remembered every instance.]*)

SOURCE: Pujo Committee Report, pp. 159-160.

Handout 4: Reading Assignments—Answer Key (page 3 of 8)

Reading 3: Excerpts from Vincent P. Carosso. "The Wall Street Money Trust from Pujo through Medina." *Business History Review*, Winter 1973, 47(04), pp. 421-437.

"[R]epeated and exaggerated attacks against the money power" (*The use of the word "attacks" really sets the tone for the article.*)

"No small part of the public's fears and suspicions of Wall Street stemmed from ignorance and misunderstanding of the banking business, particularly investment banking. And for this the bankers themselves were largely responsible." (*Provides a point conflicting with the overall theme of the article*)

"The bankers who appeared before the subcommittee denied all these charges. Their efforts to explain what they did were dismissed or ignored, if not ridiculed. Nor was the subcommittee, or the public, and more disposed to accept the banker's statements that competition among them existed, often was spirited." (*Presents the trials as being incredibly biased, regardless of the actual evidence and testimony*)

Handout 4: Reading Assignments—Answer Key (page 4 of 8)

Reading 4: *Commercial & Financial Chronicle*. "The Bankers and the 'Money Trust' Inquiry." September 14, 1912, pp. 651-652.

"[B]ankers, general, instead of entering into collusion with each other to control the money power for improper uses, are, in fact, only accepting such responsibilities as come to them natural and by virtue of and under the law."

"[W]e are certainly hopeful that ordinary common sense will, after the interval of reflection permitted by the adjournment of the hearings, repudiate such notions of a 'Money Trust.'"

"Even before the committee had begun its investigations, Senator La Follette's hallucination regarding the hundred selected financiers who cause prosperity and adversity in the United States, and who hold in their hands the fortunes of all our people, had been laughed out of court." (*Use of the word "hallucination" acts as a deterrent for people believing the money trust.*)

"Governor Wilson said a month ago... 'There is nothing illegal about these confederacies, so far as I can perceive, they have come about very naturally.'" (*The man who made this statement later signed the Federal Reserve Act, which essentially eliminated the need for individuals to act as a central bank. What does this statement reveal about how he felt about a money trust? [Suggest that Wilson did not see the practice of a money trust as illegal, but perhaps thought a central bank was a better long-term solution.]*)

Handout 4: Reading Assignments—Answer Key (page 5 of 8)

Reading 5: *Commercial & Financial Chronicle*. "Banking, Legislative, and Financial News." September 7, 1912, p. 590.

"There is nothing illegal about these confederacies."

"What color of authority do our public officials possess to interfere with the disposition of private credit?" (*Is government involvement in private business positive for consumers? [Answers will vary.]*)

"It is an attempt to apply by some remote analogy the Government's relation to transportation companies, and to deduce a claim of visitation over the credits extended by banks, treating them as common providers of credit."

Handout 4: Reading Assignments—Answer Key (page 6 of 8)

Reading 6: *Commercial & Financial Chronicle*. "The Financial Situation." December 21, 1912, p. 1642.

"[I]n the case also of numerous other industrial and financial leaders, we are asked to believe that they are a menace because of the power and influence they wield, and that some scheme must be devised for shearing them of these powers."

"What Mr. Morgan has acquired is not so much wealth as power and influence, but he has never misused this power, or employed it for selfish ends."

"What is worst of all is that iteration and reiteration have created such a frame of mind that the great mass of newspaper readers at least are inclined to believe the bad and overlook the good."

Handout 4: Reading Assignments—Answer Key (page 7 of 8)

Reading 7: Louis Brandeis. *Other People's Money—and How the Bankers Use It*. Chapter 1, pp. 1-4.

Teacher note: In your discussion, point out the level of bias and the points made by the following statements and the chapter as a whole.

"President Wilson, when Governor, declared in 1911: 'The great monopoly in this country is the money monopoly. So long as that exists, our old variety and freedom and individual energy of development are out of the question.'"

(NOTE: This quote originally appeared in a June 15, 1911, press release from Woodrow Wilson.)

"[B]usiness can be conducted on its merits instead of being subject to the tribute and the good will of this handful of self-constituted trustees of the national prosperity."

"The facts with the Pujo Investigating Committee and its able Counsel, Mr. Samuel Untermyer, have laid before the country, show clearly the means by which a few men control the business of America."

Handout 4: Reading Assignments—Answer Key (page 8 of 8)

Reading 8: Ida M. Tarbell. "The Hunt for a Money Trust." *The American Magazine*. May 1913, 75(7), pp. 13-15.

"But while there are 25,000 banks with \$25,000,000,000 resources in the whole United States, this chart shows that 46 of the financial institutions which it considers have resources of over \$4,000,000,000; that is, in recent years a small group has attained control over an entirely disproportionate amount of money."

"When we consider their representation on the boards of interstate corporations, it is obvious there is no part of the country they do not touch."

"[T]he 'Money Trust,' centered in New York, has extended its influence widely through the country."

"There is a considerable ownership of one another's stock."

"Then there is the practice of handling together the security issues of the great corporations with which the chart shows that the banks are allied—a practice so profitable that it not only cements the alliance, but naturally overcomes the instinct of competition. Control is not the word."

"It was Mr. Morgan's testimony, as the accepted head of the system, which excited the greatest curiosity and which gave unquestionably the most perfect picture of the degree of power the present system gives a man of brains and daring."

"It was their way—to keep control by preventing competing growths."

Standards and Benchmarks

Common Core Standards: English Language Arts

Writing

- **Text Types and Purposes**

CCSS.ELA-Literacy.WHST.11-12.1.B: Develop claim(s) and counterclaims fairly and thoroughly, supplying the most relevant data and evidence for each while pointing out the strengths and limitations of both claim(s) and counterclaims in a discipline-appropriate form that anticipates the audience's knowledge level, concerns, values, and possible biases.

Reading: Informational Text

- **Key Ideas and Details**

CCSS.ELA-Literacy.RI.11-12.1: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text, including determining where the text leaves matters uncertain.

- **Integration of Knowledge and ideas**

CCSS.ELA-Literacy.RI.11-12.8: Delineate and evaluate the reasoning in seminal U.S. texts, including the application of constitutional principles and use of legal reasoning (e.g., in U.S. Supreme Court majority opinions and dissents) and the premises, purposes, and arguments in works of public advocacy (e.g., *The Federalist*, presidential addresses).

Common Core Standards: Grades 6-12 Literacy in History/Social Studies, Science, & Technical Subject

History/Social Studies

- **Key Ideas and Details**

CCSS.ELA-Literacy.RH.11-12.1: Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.

CCSS.ELA-Literacy.RH.11-12.2: Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

- **Craft and Structure**

CCSS.ELA-Literacy.RH.11-12.6: Evaluate authors' differing points of view on the same historical event or issue by assessing the authors' claims, reasoning, and evidence.

- **Integration of Knowledge and Ideas**

CCSS.ELA-Literacy.RH.11-12.8: Evaluate an author's premises, claims, and evidence by corroborating or challenging them with other information.

CCSS.ELA-Literacy.RH.11-12.9: Integrate information from diverse sources, both primary and secondary, into a coherent understanding of an idea or event, noting discrepancies among sources.

United States History Content Standards for Grades 5-12

Era 7: The Emergence of Modern America (1890- 1930)

Standard 1: How Progressives and others addressed problems of industrial capitalism, urbanization, and political corruption.