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TOPICS OF THE DAY

What Will Happen to the House of Morgan?

A "CIRCUS," SENATOR GLASS CALLED IT.

A real show, most certainly. There is the setting, the big caucus-room where the Senate Committee is investigating the banking and security business, with all the eager audience, the photographers, the pressmen, the amplifiers.

There is Ferdinand Pecora, fifty-one-year-old Sicilian-born counsel for the committee, persistently interrogating J. Pierpont Morgan and J. Pierpont Morgan's partners—tight-lipped, strong-chinned, swarthy-complexioned, thick black curly hair streaked with gray, alert, keen, polite, persistent. Twelve years as a public prosecutor in New York City brought him only local fame. Now he is a national figure with the crowd at the hearing applauding him at every clash with a witness or Senatorial committeeman. And in the newspapers there are hints of a Federal judgeship or a New York Mayoralty nomination to come.

Peppery Senator Glass, deeply concerned for Senatorial dignity, objects to a line of Pecora questioning. The committee backs up Pecora. A Morgan partner insists that friends of the firm were given bargains in stock investments without any idea of a return. Progressive Senator Couzens remarks ironically: "I never heard of anybody quite so altruistic in my life before." And after a little more talk Mr. Pecora produces a letter from John J. Raskob in connection with the Alleghany Corporation stock expressing the hope that "the future holds opportunities for me to reciprocate." Morgan partner Whitney is asked to explain and insists that Mr. Raskob was merely writing "just a nice polite letter," as Mr. Pecora brings out Mr. Raskob's political prominence as head of the Democratic National Committee of 1928.

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Delver Into Morgan Secrets

Ferdinand Pecora, who is investigating great banking organizations as counsel for a Senate Committee.

AND so it goes, with Mr. Pecora making his points, and white-haired ex-Presidential candidate John W. Davis as chief Morgan counsel quietly whispering advice.

And, of course, there is Mr. Morgan himself with all his old aplomb and all his new-found affability. The mere fact that he was there as the first and most notable of the witnesses—in the words of the Richmond *Times-Dispatch:*

"J. Pierpont Morgan, the twentieth-century embodiment of Crœsus, Lorenzo the Magnificent, Rothschild; the lordly Mr. Morgan, financier and patron of arts; the unreachable Mr. Morgan, with his impregnable castle at Broad and Wall streets and his private army of armed guards; the austere Mr. Morgan, to whose presence only the mighty are admitted, in a committee-room and upon his bare brow the gaze of the 'peepul.' Truly an extraordinary event!"

BUT what will come of it all?

Well, in the first place, every one in Washington thinks that there will be changes in the income-tax laws in view of the popular indignation over the fact that none of the wealthy Morgan partners paid any income taxes in 1931 or 1932.

And then the existence of what has been called a "preferred list"—partner Whitney of the Morgan firm objects to the name—whereby certain favored friends or clients were given a chance to buy securities at bargain prices, is having important political consequences. The presence of the names of William H. Woodin and Norman H. Davis on these lists have brought demands that they resign their posts under the Roosevelt administration—and also sharp rejoinders that such resignations are quite uncalled for.

Of course, the testimony at the Morgan hearings will probably be taken into consideration in the framing of new laws for the reform of banking and the regulation of the securities markets.

AND what of the House of Morgan itself? What will be the effect of all these disclosures on the future activities and prestige of the most famous banking house in America?

And it is right here that some of the most brilliant writers for the press come forward with most interesting predictions and reflections. If we were to range them, as they do in the European Parliaments, with radicals at the left and conservatives at the right, we would find opinion running all the way from Heywood Broun's declaration that "the House of Morgan and all private banking institutions must be destroyed" to H. L. Mencken's firm conviction that when all the excitement is over "J. P. Morgan & Company will still be J. P. Morgan & Company."

Mr. Broun's theory, as he expounds it in his New York *World-Telegram* column, is that Mr. Morgan may be quite right in calling the private banker "a member of a profession which has been practised since the Middle Ages, but the time has come for the abolition of private banking in a democracy." No matter how well Mr. Morgan as an honorable gentleman lived up to the code of the private banker, "the House of Morgan would still not

Rich Man's Linen

—Orr in the Chicago "Tribune."

be one-half of one-hundredth good enough to be allowed to live on."

Is "the Morgan kind of private, or feudal system banking" consistent with the new era of protection for the public against unregulated banking, asks the Milwaukee *Journal*. And it replies that:

"The code of ethics which Mr. Morgan described as governing at least the best of the private bankers has not been working to bring the fruits of industry to those who performed the useful services, but rather to divert those rewards to the able jugglers of beautifully engraved pieces of paper."

WILLIAM ALLEN WHITE, writing in his Emporia *Gazette*, comes to the conclusion that "if the turmoil in the courts and in the Congressional committees stops, changes, or modifies the great thimblerigging game of Wall Street, the depression of the last four years will have been worth all it cost."

The House of Morgan committed "no crude crime against the law" in sending out those "we-are-thinking-of-you" letters, but in the opinion of the New York *World-Telegram*—

"There was the far deeper, more dangerous offense of what Lord Bryce well calls 'the submarine warfare which wealth can wage'—and which wealth thinks it can rightfully wage because of its social predominance and prestige. Power, great wealth, and high respectability confer privileges which plain folks should not question—there is the unspoken Morgan thesis, in all its simplicity and menace.

"The country, the tone of its business, finance, and government, the whole capitalistic structure will be better, safer, and more stable when this long-standing notion of wealth's high prerogatives and immunities has gone finally into the discard."

The private bankers can no longer continue to operate as a law unto themselves, insists a number of editors. And the New York *Daily Mirror* calls attention to the fact that when the Glass-Steagall banking bill is passed, private bankers like the Morgan firm will have to decide whether to do a banking or a brokerage business—

"If the Morgan firm decides to be a bank, it will have to submit to all of the strict Federal supervision and regulation provided for the control of all banks. If it decides to stick to the business of dealing in securities, it will be faced by a new securities law with all its provisions for publicity, details of financing, examination of commissions, purposes, buying prices and offering prices, and the record and standing of companies or countries issuing the securities.

"It is going to be a hard choice. No doubt clever and highly paid lawyers are already busily hunting for loopholes in the new legislation. Perhaps they will find some. They can be plugged. Loopholes or not, the forty years' reign of this one band of money barons is approaching the end."

WHATEVER may or may not be done in the way of banking changes, it seems to several papers that already, after the testimony at Washington, the Morgan firm has lost its luster. At least, says the conservative New York *Times*, something more delicate and disinterested and more high-minded than the kind of favor-passing that Wall Street is so used to "has commonly been associated with the name of Morgan." As it continues regretfully:

"Here was a firm of bankers, perhaps the most famous and powerful in the whole world, which was certainly under no necessity of practising the small arts of petty traders. Yet it failed under a test of its pride and prestige. By a mistake which had with the years swollen into a grievous fault, it sacrificed something intangible, imponderable, that has to do with the very highest repute. The members of such a partnership forgot that they must not only be beyond reproach in their financial dealings—as they doubtless are—but must always appear to be so. They have given even their warmest friends cause for feeling that somehow the whole community, along with numbers of men whom all had delighted to honor, has been involved in a sort of public misfortune."

And now we come to Walter Lippmann, who calls attention in the New York *Herald Tribune* to the tremendous financial power, prestige, and influence exercised by the Morgans, a great power "almost entirely unregulated by law or by public opinion," the only check upon it being "the conscience of the firm and its banking traditions." Now, Mr. Lippmann goes on—

"The possession of such great power by private individuals who are not publicly accountable is in principle irreconcilable with any sound conception of a democratic State. The only terms on which such a vast private power could in practise be tolerable would be that it was exercised in the spirit of the most scrupulous trusteeship and with a far-sighted conception of public policy. The testimony has shown that at least in the

A Private Banker

—Thomas in the Detroit "News."

period under investigation, that is to say, in the years of the great boom, the House of Morgan had not only not exercised a wise restraint upon the speculative craze, but participated in it and profited largely by it."

And the conclusion is reached by Mr. Lippmann that in the future Washington must regulate Wall Street's capital market so as to prevent "the huge profits, the pyramiding of stocks and bonds, the privileges of insiders and favorites," and to "reduce the sheer power of so much privately directed money."

And now we are coming around to the right, to editors who are quite unimprest by "the hue and cry against Morgan." The Boston *Herald* comes to the very definite conclusion that there is nothing in any of this testimony to show "that the practises of Mr. Morgan and his partners have been anything but honorable." After all, thinks the Memphis *Commercial Appeal*, "it is hardly fair to associate billions with dishonesty or to conclude that simply because large businesses have operations whose very hugeness amazes the public, they should be pilloried and made anathema by every demagog in the land." And, observes Phil S. Hanna in his Chicago *Journal of Commerce* column, "when politics talks about 'supervising' a bank which has shown the wisdom the Morgans have shown, it is to laugh."

Another Morgan Partner

—Fitzpatrick in the St. Louis "Post-Dispatch"

Let us bring the discussion to a close by quoting H. L. Mencken's picturesquely worded argument that nothing at all is going to happen to the Morgan firm and the Morgan business. For at least two generations, he remarks in the Baltimore *Evening Sun*, "the firm of J. P. Morgan & Company has been one of the massive and inescapable facts of American life. There is in it something of the vast weight and imperturbability of the Rocky Mountains, and it can no more be shaken by the barking of hick Senators than the moon can be dissuaded from its courses by the baying of a hound." It may or may not be a healthy thing for any banking house to be so powerful, but after all, there it is, and "we live in a world of realities." Mr. Mencken doesn't think anybody will land in the calaboose or that any considerable politician will lose his job. He says:

"The House of Morgan emerges from the smoke and stench with its withers unwrung.

"The proofs of its unshaken and apparently unshakable solvency are now spread upon the national archives, and it seems certain to go on in the future as it has gone on in the past—a vasty and imposing shape, glittering and yet somehow dim, bullet-proof and lightning-proof, and stupendously respectable. It rises far above any other organism of its own species, whether at home or abroad; there is in it something of the mysterious puissance and magnificence, the dark austerity and awfulness, of the Grand Orient, even of Holy Church.

"All that is changed is that it has revealed, somewhat surprizingly, a touch of human weakness; it, too, it appears, got a splash of red ink in the eye. But being proved human is certainly no calamity in a romantic country.

"My guess is that it will be still selling bonds real and imaginary, helping to make wars and Presidents, lending money on good and bad security, and trying to take care of its friends long, long after Senator Fletcher is a mummy in the museum at Jacksonville, and Signor Pecora has begun his foreordained life sentence on the Federal bench."

Legal Burial for the Gold Clause

A BIG BARRAGE OF BRICKBATS AND BOUQUETS greeted the Administration's new gold bill, which abrogates the gold-payment clause in about $100,000,000,000 worth of government and private obligations.

The bill is retroactive (which, according to its critics, puts its constitutionality in doubt) and, as has been pointed out, merely legalizes a situation existent for some time. It is weeks since the payment in gold of principal and interest of gold-clause bonds was banned under the terms of the President's anti-hoarding proclamation.

"This marks a final definite and determinate step that will bring a revival of business and a restoration of prosperity and happiness to the American people," was the enthusiastic declaration of Representative Henry B. Steagall.

But Senator David A. Reed felt differently. "It is immoral and dishonest," he said, "for the Government to do such a thing, and it will hurt the nation's credit for a century to come." And Senator Glass expresses himself similarly.

Senator Duncan U. Fletcher of Florida, chairman of the Senate Banking and Currency Committee, listed five purposes of the bill as follows, we read in the Cleveland *Plain Dealer:*

"To regularize completely the present *de facto* situation as to public and private debts.

"To remove any question as to the Government's good faith when it issues, in normal course, the next large offering of Treasury obligations June 15. Ordinarily these, like other Treasury obligations, would contain the gold clause. Under the present circumstances the gold clause will be eliminated.

"To facilitate administration of orders against gold hoarders.

"To eliminate existing business uncertainty.

"To place gold clause and legal tender obligations on the same footing in respect of payment."

THE New York *Times*, shocked by this action of the Administration, goes back to one of President Roosevelt's campaign speeches for comment. *The Times* recalls that Mr. Hoover claimed that the nation had had a narrow escape from going off the gold standard. Mr. Roosevelt denounced this as a "libel," and said further, as this same editorial recalls:

"'It is worthy of note that no adequate answer has been made to the magnificent philippic of Senator Glass the other night, in which he showed how unsound this position was. And I might add, Senator Glass made a devastating challenge that no responsible Government would have sold to the country securities payable in gold if it knew that the promise—yes, the covenant—embodied in these securities was as dubious as the President of the United States claims it was.'"

"There is really nothing to be done when words thus conflict with deeds," adds *The Times*, "except to let the words speak for themselves." Other newspapers are less disturbed, however. The Denver *Post*, for example, says calmly:

"So far as the average person is concerned, the question of whether bond issues should be paid in gold or currency is so abstract it is immaterial. What difference does it make how bonds which are supposed to be paid in gold are paid as long as they are paid in lawful money?"