

BARATELLI INSTITUTE

John Pierpont Morgan

1837–1913

An Institute Historical Case Study

The banker who financed the industrial fortunes.
General Electric, U.S. Steel, International Harvester,
the 1895 gold rescue, the 1907 Panic, and the founding of
the American investment-banking template used to this day.

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Section 1 — Hartford origins and the London apprenticeship (1837–1861)

John Pierpont Morgan was born April 17, 1837, in Hartford, Connecticut, into what was already one of the wealthiest banking families in America. His father Junius Spencer Morgan was a partner in the Boston-based Peabody, Morgan & Co., which by the 1850s had become the largest American merchant bank operating in London and the primary conduit for European capital flowing into American railroads and industrial ventures. Where Vanderbilt and Rockefeller started with nothing, Morgan started with everything — a father who was already among the most consequential figures in Atlantic-crossing capital markets, and a family expectation that he would enter the same business.

Morgan's education reflected the family's international commercial orientation. He attended the English High School in Boston, then the Institute Sillig in Vevey, Switzerland, then finally the University of Göttingen in Germany, where he studied mathematics and mastered German (a skill that would matter enormously in the German-capital-heavy railroad-finance market of the 1870s and 1880s). He joined the New York banking firm Duncan, Sherman & Company in 1857 as an accountant, then transferred in 1858 to his father's Peabody & Co. office in London for direct apprenticeship under Junius. Every commercial decision he would make for the rest of his life traces to what he learned during those years watching his father conduct international merchant banking at the top of the industry.

By 1861, at age 24, Morgan had returned to New York and set up as the American agent for his father's London firm. The American Civil War had begun in April 1861. Morgan's role was to place U.S. Treasury bonds with European investors and to handle foreign-exchange transactions for Union government war finance. This was an enormously profitable position and required Morgan to develop the underwriting-syndication skills that would become the operational core of his career. By age 27 he was managing millions of dollars of transatlantic Treasury and railroad financing, still nominally as his father's agent but increasingly on his own account.

The Institute framing. Morgan's origin story is the case study in *inherited-capital operational apprenticeship*. Where every other figure in this Institute historical series (Vanderbilt, Rockefeller, Carnegie, Flagler, Buffett) built the fortune from a standing start, Morgan started inside an existing family-owned enterprise and inherited both the capital access and the trained commercial judgment. Modern practitioners recognize the pattern as the multi-generational-family-enterprise trained-succession template. The Institute's [Family Office Reference Guide](#) covers modern implementations of this template; the \$49 [Family Office Plain English Guide](#) is the on-ramp for readers new to the vehicle.

Section 2 — The New York years and the Civil War trade (1861–1871)

Morgan's Civil War-era commercial activities are the source of the first, and largest, of the personal-reputation criticisms that attach to his career. In 1861 he financed a transaction in which his

firm bought defective Union Army carbines from a federal arsenal for \$3.50 each, refurbished them (or, in the version of the story less flattering to Morgan, arranged their sale under new descriptions without material refurbishment), and re-sold them to a different Union Army command for \$22 each — a markup of roughly 500 percent on defective merchandise supplied to soldiers actively fighting a war. Morgan's precise personal involvement in the transaction is disputed among historians, but the contemporary and modern scholarly consensus is that he financed it and profited from it, whatever his day-to-day operational role. In 1863 he paid \$300 for a substitute to fight in his place under the Union draft law — a legal option available to men of means, but one his contemporary Rockefeller (also of draftable age) declined to exercise.

These episodes do not represent Morgan's overall Civil War contribution, which was substantially larger and generally constructive: he placed hundreds of millions of dollars of U.S. Treasury securities with European investors when the Union government desperately needed foreign capital, and did so at spreads that most contemporary competitors could not match. But an honest reading of Morgan requires acknowledging that his personal commercial conduct during the war was not uniformly ethical, and that a substantial portion of his Civil War-era income derived from transactions the American public later regarded as war profiteering. Every Institute case has an unvarnished chapter. Morgan's is 1861–1865.

In 1871 Morgan formed Drexel, Morgan & Company in New York in partnership with Anthony Drexel of the Philadelphia banking family. Drexel provided the American capital and social relationships; Morgan provided the London connections and the underwriting-syndication skill. The combination was operationally decisive. Within a decade, Drexel, Morgan was the dominant American investment bank and the primary conduit for the European capital that financed the American railroad expansion of the 1870s and 1880s.

The Institute framing. The 1871 Drexel-Morgan partnership is the founding modern American investment-banking case. Every subsequent bulge-bracket investment bank — Goldman Sachs, Morgan Stanley (which itself descends from Morgan's own firm), Credit Suisse First Boston, Lehman Brothers before its 2008 collapse — is operating with a variation of the Drexel, Morgan operating model: European capital access, U.S. domestic distribution, senior partners with personal reputation as the risk-underwriting glue. Working practitioners studying investment-banking structure will find modern acquisition-finance mechanics covered in the Institute's [Financial Modeling Toolkit](#).

Section 3 — Drexel, Morgan and the railroad reorganizations (1871–1895)

The 1870s and 1880s were the golden age of the American railroad expansion — and the decades in which Morgan's firm did the majority of the underwriting work. Between 1871 and 1895 Drexel, Morgan financed or reorganized virtually every major American railroad system that survived the era. The Northern Pacific, the Southern Railway, the Baltimore & Ohio, the Erie, the Reading — all reached Morgan's office at least once during their financial-restructuring cycles. The 1873 Panic and

the 1893 Panic both produced waves of railroad bankruptcies that required capital-market restructuring, and Morgan's firm handled most of the largest ones.

The specific operational technique Morgan developed during these reorganizations was what contemporary bankers called *Morganization*. A distressed railroad would come to Morgan's office. Morgan would refinance the debt, typically by exchanging old high-coupon bonds for new lower-coupon bonds with longer maturities. He would place his own representatives on the board of the reorganized railroad (usually two of the five or seven directors). He would negotiate a voting trust that gave Morgan-controlled shareholders effective control of the enterprise for the next five to seven years, during which time the railroad was expected to consolidate operations, standardize freight rates, and produce reliable dividends. When the voting trust expired, Morgan's shareholders exited at a materially higher valuation than they had bought in at, and the reorganized railroad was, in most cases, permanently more profitable than it had been before.

This is the operational model that would later be applied to industrial consolidation. When Morgan built General Electric in 1892 (merging Edison General Electric with Thomson-Houston Electric), International Harvester in 1902 (merging the McCormick and Deering harvester companies with three smaller competitors), and U.S. Steel in 1901 (the Carnegie transaction discussed in Section 6), he was applying *Morganization* to industrial enterprises. The template was: identify the industry in a distressed or fragmented state, negotiate the consolidation, capitalize the new entity via a syndicate Morgan's firm led, place Morgan representatives on the board, and hold the voting-trust control long enough to complete the operational integration.

The Institute framing. *Morganization* is the founding American case in what modern practitioners call *banker-led industrial consolidation*. Every subsequent PE roll-up transaction, every industry-defining merger orchestrated by an investment bank rather than by an operating founder, and every modern SPAC-driven consolidation trace their strategic logic to what Morgan built between 1871 and 1902. The Institute's [Atlas of Acquirers](#) catalogs modern examples of banker- and PE-led industry consolidations that are direct operational descendants of *Morganization*.

Section 4 — The 1895 Gold Crisis: Morgan bails out the U.S. Treasury

In February 1895 the United States government came within days of running out of gold reserves. The Cleveland administration had been draining Treasury gold through the redemption of silver certificates at gold, a policy that the Sherman Silver Purchase Act of 1890 had made structurally unsustainable. By early February 1895 the Treasury held approximately \$9 million in gold against redemption obligations that were pulling out \$3–\$4 million per week. At the observed rate, the U.S. government would have defaulted on gold-clause obligations within three weeks. This is what a modern reader would recognize as a sovereign-debt crisis.

Grover Cleveland, personally opposed to using the Morgan-led syndicate as a matter of populist politics, held out until February 5, 1895. On that day Morgan arrived at the White House with August Belmont (of the American Rothschild affiliate) and a fully-drafted syndicate agreement. In roughly

two hours of direct negotiation between Morgan and Cleveland, an arrangement was reached under which the Morgan-Belmont syndicate would deliver \$65 million in gold to the U.S. Treasury (approximately 3.5 million troy ounces) in exchange for a \$62 million issue of thirty-year 4-percent U.S. bonds sold at a spread. The syndicate would also commit to repatriating any gold that flowed out of the country during the placement period, using its European branches. The arrangement stabilized the Treasury's gold position within weeks. The immediate crisis ended.

The Morgan-Belmont syndicate made substantial profits on the transaction — contemporary estimates ranged from \$7 million to \$16 million, though Morgan himself always maintained that the profit was materially smaller after accounting for the risk. The transaction produced two long-lasting consequences. First, it established that no American governmental institution existed to serve as lender of last resort in a gold-based sovereign-debt crisis, and that the private banking system had to fill that role by default. Second, it produced substantial populist backlash. William Jennings Bryan's 1896 “Cross of Gold” speech and the Democratic populist campaign of the same year drew directly on public resentment of the Morgan-Belmont bailout as evidence that the American financial system had been captured by New York and London banking interests. That political-economic critique would produce, seventeen years later, the Federal Reserve Act of 1913.

The Institute framing. The 1895 Gold Crisis is the founding American case for *private-sector lender-of-last-resort intervention in sovereign debt*. Modern practitioners recognize the pattern in the 2008 Lehman-crisis interventions (Paulson-Bernanke-Geithner working with Jamie Dimon at JPMorgan Chase and Warren Buffett at Berkshire), in the 2011 Eurozone crisis interventions coordinated by the ECB with private-bank participation, and in the 2023 First Republic / Silicon Valley Bank intervention (in which JPMorgan again played the acquirer role, arguably by design given regulatory expectation). Every modern financial-crisis playbook that includes private-bank capital as part of the government-bank cooperation structure traces its operational template to what Morgan and Belmont executed in February 1895.

Section 5 — General Electric and International Harvester: the industrial consolidations

In 1892 Morgan orchestrated the merger of Edison General Electric Company (Thomas Edison's electrical-equipment enterprise) and Thomson-Houston Electric Company (a competitor with superior operational management under Charles Coffin) into a new entity called General Electric. Morgan's rationale was that the two companies had roughly matched patent portfolios but were undercapitalized and were destroying value through parallel-track R&D and competitive pricing. His solution: consolidate them, install Coffin (from Thomson-Houston) as CEO rather than Edison (whose commercial judgment Morgan considered erratic), place Morgan representatives on the board, and capitalize the combined entity with fresh Morgan-led equity financing.

General Electric is arguably the most enduring case in the American industrial-consolidation record. The firm was profitable within two years of formation, has never gone through a formal bankruptcy in

133 years of operation, and remains one of the largest American industrial enterprises in 2026 (following the 2024 split into GE Aerospace, GE Vernova, and GE HealthCare, all three of which remain multi-billion-dollar public companies). Morgan's operational insight in 1892 — that the CEO should be a professional manager rather than the founding inventor — produced a governance template that shaped American industrial corporations for the entire twentieth century.

International Harvester followed in 1902 — the merger of McCormick Harvesting Machine Company, Deering Harvester Company, and three smaller manufacturers into the dominant American agricultural-equipment producer. Same template as GE: undercapitalized industry with too many small competitors, Morgan-led syndicate provides the equity, Morgan representatives take board seats, professional management is installed to replace family owner-operators. The pattern is the same in the 1898 formation of Federal Steel (a predecessor to U.S. Steel) and the 1906 formation of the American Telephone & Telegraph reorganization.

The Institute framing. The 1892–1906 industrial consolidations are the founding American case for *professional-management-first industrial corporate governance*. Morgan systematically installed professional CEOs rather than founding operators, established Morgan-nominated boards as the standard corporate-oversight structure, and separated ownership (equity holders) from control (professional management) in a way that Alfred Chandler's *The Visible Hand* (1977) identifies as the founding organizational shift of modern American business. Every modern public-company board structure, every activist-investor proxy campaign, and every professional-CEO succession decision operates within the governance template Morgan established between 1892 and 1906.

Section 6 — U.S. Steel (1901): the largest transaction in American history

The 1901 U.S. Steel formation is discussed in detail in the Carnegie case in this same Reading Room from Carnegie's perspective. This section reads the transaction from Morgan's perspective.

By 1900 Morgan had concluded that the American steel industry was in structural disequilibrium. Carnegie Steel was the low-cost producer but was not for sale under normal circumstances. Federal Steel (a Morgan-organized 1898 consolidation) held roughly 15 percent of the market. Several other second-tier producers — National Tube, American Bridge, American Steel & Wire — existed as consolidation candidates. Morgan's theoretical position was that a full industry consolidation could produce a firm holding approximately two-thirds of American steel production, at operating economics materially better than any subscale competitor could match. The problem was that Carnegie had to be brought in, and Carnegie was known not to sell.

The solution was Charles M. Schwab. Schwab was, in early 1901, the president of Carnegie Steel and Carnegie's most trusted senior executive. He was also, though not publicly, in confidential communication with Morgan about the possibility of the transaction. In December 1900 Schwab gave a speech in New York (at the University Club) laying out an optimistic vision of what a fully-integrated American steel industry could produce operationally. Morgan attended. Immediately after the speech Morgan approached Schwab and asked whether Carnegie could be persuaded to sell.

Schwab replied that he did not know but would ask.

The famous exchange followed on a golf course in early 1901: Schwab conveyed Morgan's inquiry to Carnegie. Carnegie wrote his asking price on a piece of paper — \$480 million — and handed it to Schwab. Schwab handed it to Morgan. Morgan looked at it once and said “I accept.” The transaction closed in March 1901 with the formation of the United States Steel Corporation. Total capitalization: \$1.4 billion. It was the first American corporation capitalized above \$1 billion and the largest single commercial transaction in American history to that date, by a margin of roughly ten times.

The Morgan syndicate netted approximately \$57.5 million in underwriting fees on the transaction (roughly \$2.0 billion in 2026 CPI-adjusted terms). Morgan personally netted the largest single fee in his career, and the transaction cemented his reputation as the most consequential financial figure in American commercial history to that date. The U.S. Steel formation is, by any modern measure, the transaction that established the modern American investment-banking business model.

The Institute framing. The 1901 U.S. Steel formation is the founding American case for *banker-orchestrated industrial mega-consolidation*. Modern practitioners recognize the pattern in every landmark modern industrial transaction: the 1998 Exxon-Mobil merger, the 1999 Sprint-MCI WorldCom transaction, the 2015 Kraft-Heinz combination, the 2023 Microsoft-Activision transaction. In every case the mechanic is Morgan's: a banker identifies the industry as ripe for consolidation, orchestrates the negotiation between principal parties who could not have found each other without intermediation, and captures a substantial share of the transaction economics. Working practitioners studying M&A mechanics find modern applications covered in the Institute's [Financial Modeling Toolkit](#).

Section 7 — The 1907 Panic: Morgan as pre-Fed lender of last resort

The Panic of 1907 began on October 16, 1907, with the collapse of the Knickerbocker Trust Company — the third-largest trust company in New York and the operational hub of a stock-market speculative scheme to corner United Copper Company shares. When the corner collapsed the losses cascaded through the trust-company network in New York, and depositors began lining up at every major trust company to withdraw their funds. By October 22 the run had extended to the Trust Company of America and the Lincoln Trust; by October 24 the entire New York call-money market had seized, with stock-brokerage call loans effectively unavailable. The New York Stock Exchange was hours from closing indefinitely.

There was no Federal Reserve. There was no FDIC. There was no institution with legal or practical authority to inject liquidity into a collapsing New York banking system. Morgan, then age 70 and semi-retired, returned to New York from a Virginia religious conference. He convened, over the following week, the senior New York bankers into a series of meetings at his personal library at 33 East 36th Street. The meetings ran late into the night, night after night. Morgan personally locked the bankers into his library on the night of November 2, 1907, and did not permit them to leave until they had signed a \$25 million pool commitment to save the last two trust companies still on the verge of

collapse.

The intervention worked. Between October 22 and November 5, 1907, Morgan-organized syndicates injected approximately \$35 million of private capital into New York banks and trust companies; Morgan-led interventions kept the New York Stock Exchange open through the crisis; and Morgan personally negotiated with President Theodore Roosevelt (Morgan's political nemesis on antitrust grounds) to obtain federal government approval for U.S. Steel to acquire the Tennessee Coal, Iron and Railroad Company — a transaction Roosevelt might otherwise have blocked under the Sherman Act but permitted in the crisis context because the acquisition target's failure would have collapsed a substantial New York brokerage house.

The 1907 Panic is the last major American financial crisis conducted without central-bank participation. Its resolution demonstrated definitively that the American financial system was too large and too interconnected to depend on private-sector coordination in a crisis. The National Monetary Commission established after the panic (1908–1912) produced the Aldrich Plan, which became, with modifications, the Federal Reserve Act of December 23, 1913 — passed by Congress eight and a half months after Morgan's death.

The Institute framing. The 1907 Panic is the case study in what modern practitioners recognize as *coordinated private-sector lender-of-last-resort intervention*. Every subsequent modern financial-crisis intervention that combines central-bank capital with private-bank coordination — the 1998 Long-Term Capital Management rescue coordinated by the New York Fed with fourteen private banks, the 2008 Lehman Weekend with Paulson, Bernanke, and Geithner working with a hastily-assembled private-bank consortium, the 2023 First Republic acquisition by JPMorgan Chase — operates within the template Morgan established between October 22 and November 5, 1907. The permanent difference: after 1913, the Federal Reserve provides the anchor liquidity; the private banks provide the operational coordination. In 1907, Morgan had to be both.

Section 8 — The Pujo Committee and the Money Trust critique (1912)

The political-economic backlash against Morgan's financial power crystallized in the Pujo Committee hearings of 1912. Louisiana Congressman Arsene Pujo chaired a House Banking and Currency subcommittee that investigated what critics called the “Money Trust” — the concentration of American capital-market decisions in the hands of a small group of New York investment banks, of which Morgan's was the largest. The hearings produced the most detailed public documentation of the interlocking-directorate structure of American finance ever compiled to that point: 341 directorships held by Morgan and his partners in 112 corporations with combined resources of \$22 billion (roughly 3.5 percent of contemporaneous U.S. GDP).

Morgan appeared before the committee in December 1912, at age 75 and in visibly declining health. His testimony has become the standard reference on nineteenth-century investment-banking ethics. Committee counsel Samuel Untermyer asked whether commercial credit was granted primarily on the basis of collateral. Morgan replied “No, sir; the first thing is character.” Untermyer pressed: “Before

money or property?” Morgan replied: “Before money or anything else. Money cannot buy it—because a man I do not trust could not get money from me on all the bonds in Christendom.” The exchange remains the most-quoted moment in the history of American commercial banking and encapsulates the personal-reputation-underwriting model that Morgan practiced throughout his career.

The Pujo Committee produced two direct legislative consequences. The Federal Reserve Act (December 1913) created the institutional lender-of-last-resort function that Morgan had personally performed in 1895 and 1907. The Clayton Antitrust Act (October 1914) restricted interlocking directorates in a manner directly targeted at the corporate-governance structure Morgan had built. Between them, the two statutes reshaped American banking and corporate governance in ways that made the 1892–1907 Morgan operating model impossible to reproduce.

The Institute framing. The Pujo Committee is the founding American case for what modern practitioners recognize as *concentration-of-financial-power regulatory response*. Modern parallels are extensive: the 2010 Dodd-Frank Wall Street Reform Act following the 2008 financial crisis, the 1999 Gramm-Leach-Bliley repeal of Glass-Steagall that was itself a repeal of a New Deal-era response to earlier concentration concerns, and the ongoing 2020s Federal Trade Commission and Department of Justice interest in the platform-technology sector concentration. Every regulatory pendulum-swing between concentration-permitting and concentration-restricting policy since 1912 traces its intellectual heritage to the Pujo hearings.

Section 9 — Personal wealth, the Morgan Library, and cultural philanthropy

Morgan died in Rome on March 31, 1913, at age 75. His personal net worth at death was approximately \$80 million (roughly \$2.5 billion in 2026 CPI-adjusted terms). John D. Rockefeller, on hearing the figure, famously remarked to a friend: “And to think, he wasn't even a rich man.” The comment is instructive. Morgan was one of the most powerful financial figures of his era, but his personal wealth was materially smaller than the industrial fortunes he had helped create. Rockefeller was worth roughly ten times more; Carnegie roughly six times more.

The reason is structural. Morgan was fundamentally a service provider — a syndicator, a broker of transactions, a lender. He captured underwriting fees rather than the underlying operating equity of the enterprises he helped create. When U.S. Steel was formed in 1901 at \$1.4 billion, Morgan's firm captured roughly \$57 million in underwriting fees. Carnegie captured \$226 million as the seller. Morgan captured the fee; Carnegie captured the fortune. The lesson has been taught in every modern investment-banking training program since: bankers earn fees; principals build fortunes.

Where Morgan's legacy is arguably most enduring is in cultural philanthropy. Beginning in the 1890s Morgan built one of the great private collections of illuminated manuscripts, rare books, autograph letters, and Old Master drawings in the world. The collection was housed in the Morgan Library at 33 East 36th Street in Manhattan — a McKim, Mead & White building completed in 1906. Morgan died leaving his personal collection to his son J.P. Morgan Jr., with the informal understanding that it

would eventually be given to the public. In 1924 J.P. Morgan Jr. formally transferred the library and its contents to a trust for public benefit. The Morgan Library and Museum has operated as one of the great cultural institutions of New York for the century since. Its holdings include three Gutenberg Bibles, illuminated manuscripts from the twelfth through sixteenth centuries, and a collection of autograph letters and literary manuscripts second only in scope to the British Library.

Morgan also served for decades as president of the Metropolitan Museum of Art (elected 1904, held the position until his death), and his cultural-institutional influence in New York extended to the American Museum of Natural History, the Wadsworth Atheneum in Hartford, and the Harvard Medical School. His cumulative cultural philanthropy, though less quantifiable than Rockefeller's or Carnegie's institutional foundations, produced comparable long-run infrastructural impact within a narrower domain.

The Institute framing. Morgan's cultural philanthropy is the case study in what modern practitioners call *domain-specific institutional philanthropy*. Where Rockefeller and Carnegie built general-purpose foundations that could deploy capital across any mission area, Morgan built specific cultural institutions in specific domains (art, manuscripts, museums). Modern parallels include David Rubenstein's targeted philanthropy in American historical preservation, Bill Gates's specific focus on global health and vaccine development, and Michael Bloomberg's focus on climate and public-health policy. Domain focus produces different institutional results than general-purpose grantmaking. Both approaches survive today. Working practitioners advising donors on institutional philanthropy structure will find both covered in the Institute's [Family Office Reference Guide](#).

Section 10 — Death (1913) and the transition to J.P. Morgan Jr.

Morgan's death in Rome on March 31, 1913, produced an immediate transition of the firm's leadership to his son John Pierpont Morgan Jr. (known as Jack Morgan). Jack was, by 1913, forty-five years old and had been operationally involved in the firm for two decades. He was less commercially brilliant than his father and less operationally decisive, but he was substantially better at institutional stewardship. Under Jack's leadership between 1913 and 1943, the Morgan firm evolved from a personal-reputation-based partnership into what would become a permanent institution.

The single most consequential transaction of Jack Morgan's tenure was the World War I export finance operation. Between 1914 and 1917 (before U.S. entry into the war), J.P. Morgan & Co. served as the exclusive purchasing agent for the British and French governments in the United States. The firm placed roughly \$3 billion of Allied government orders with American manufacturers between August 1914 and April 1917 — approximately 40 percent of all American exports during that period. The commissions alone made Jack Morgan's firm the most profitable American commercial enterprise of the war years. But the strategic effect was larger: the transatlantic financial-services relationship the elder Morgan had built between 1861 and 1913 became, under his son, the operational backbone of the modern Anglo-American financial system.

Jack Morgan's second major test was the 1929 crash and the Great Depression. J.P. Morgan & Co. survived intact; Jack Morgan personally organized a \$240 million private-sector intervention on Black Thursday (October 24, 1929) modeled on his father's 1907 playbook. The 1929 intervention did not succeed. The market crashed anyway on the following Monday and Tuesday. The failure of the private-sector intervention model in 1929 was, in retrospect, the confirmation that the Federal Reserve had to become a fully operational lender of last resort — a role it had not yet institutionalized. Every modern central-bank intervention model dates in structural terms to the failure of the 1929 private-sector rescue and the subsequent 1930s reforms.

The Institute framing. The Morgan family transition from J.P. to Jack is the case study in what modern practitioners recognize as *trained succession into a family-owned commercial enterprise*. Jack Morgan was not his father's commercial equal. He was, in institutional terms, a materially more valuable successor because he was better at stewardship, delegation, and long-horizon institution-building than the founder had been. The Institute's [Family Office Reference Guide](#) and companion [Financial Modeling Toolkit](#) both discuss the modern equivalent of the Morgan trained-succession template.

Section 11 — The 1933 Glass-Steagall split: JPMorgan and Morgan Stanley

The Banking Act of 1933, known as Glass-Steagall for its principal sponsors Senator Carter Glass and Representative Henry Steagall, required American banks to choose between commercial banking (deposit-taking, business lending) and investment banking (underwriting, securities trading). Institutions engaged in both had to divide themselves within one year. J.P. Morgan & Co. was, in 1933, the largest American institution engaged in both commercial and investment banking. The Glass-Steagall requirement forced the firm to split.

The Morgan partners chose to keep the commercial-banking side as J.P. Morgan & Co. — the deposit-taking institution — because commercial banking was, in the 1930s environment, the safer and more predictable of the two businesses. The investment-banking function was spun out in 1935 as Morgan Stanley & Co., organized by senior Morgan partner Harold Stanley and Morgan's grandson Henry S. Morgan (Jack Morgan's son). The two firms were operationally distinct from the moment of the split. Morgan Stanley took the underwriting and securities-trading business and roughly 5 percent of the aggregate capital of the pre-split enterprise. J.P. Morgan & Co. kept the deposit base and roughly 95 percent of the aggregate capital.

The subsequent history is well known. Morgan Stanley became one of the two or three most consequential investment banks in the world over the following ninety years; it remains one of the four bulge-bracket American firms in 2026 following the 2008 crisis (Goldman Sachs, Morgan Stanley, JPMorgan, and Bank of America Merrill Lynch). J.P. Morgan & Co., through a series of mergers — with Guaranty Trust Company in 1959, with Chase Manhattan Bank in 2000, and with Bank One in 2004 — became JPMorgan Chase, one of the largest American commercial banks. In

2008 JPMorgan Chase acquired the failing Bear Stearns and Washington Mutual, materially expanding its investment-banking and mortgage exposure. In 2023 it acquired the failing First Republic Bank. In each case, JPMorgan under Jamie Dimon has served as the industry's crisis absorber — the direct institutional descendant of the role J.P. Morgan Sr. played in 1895 and 1907.

Glass-Steagall was repealed in 1999 by the Gramm-Leach-Bliley Act. American commercial banks could once again engage in investment-banking activities. Whether the 2008 crisis was a consequence of that repeal remains debated in economic history; the balance of scholarly opinion is that it was a contributing factor. The current 2026 regulatory environment permits combined-service banking but constrains it through Volcker-rule proprietary-trading restrictions and Basel III capital-adequacy requirements that make the pre-Glass-Steagall Morgan operating model still substantially harder to execute than it was in 1901.

The Institute framing. The 1933 Glass-Steagall split is the founding American case for *regulatory-driven corporate restructuring under legislative mandate*. Modern practitioners recognize the pattern in the 1984 AT&T divestiture (Judge Harold Greene's consent decree forced the Bell System split), the 2000 Microsoft antitrust settlement that was originally structured as a mandatory operating-system-versus-applications divestiture (later negotiated to a behavioral remedy), and the ongoing 2020s regulatory conversation around the potential structural separation of dominant platform companies. Every legally-mandated corporate split traces its intellectual heritage to Glass-Steagall as the working precedent.

Section 12 — Framework lessons for working practitioners

The Morgan case offers six lessons that translate directly into modern practitioner frameworks. Each is plain-English and each maps onto a strategy or structure working practitioners deploy in 2026.

Lesson one — the personal-reputation-underwriting model. Morgan's famous Pujo testimony — “the first thing is character” — captures the operational model of nineteenth-century investment banking, which was that the banker's personal reputation was the actual guarantee behind every transaction. Modern practice has substituted institutional reputation, credit ratings, and regulatory disclosure for personal-reputation-underwriting. But working practitioners in high-touch dealmaking (private equity, family-office advisory, high-net-worth wealth management) still operate substantially on the personal-reputation model. The Institute's [Family Office Reference Guide](#) discusses the modern equivalent under the “trusted advisor” framework.

Lesson two — Morganization as banker-led industrial consolidation. The 1871–1907 pattern of using investment-bank capital to reorganize distressed or fragmented industries is the founding template for modern private-equity industry roll-ups. Working practitioners studying PE mechanics find modern applications covered in the Institute's [Financial Modeling Toolkit](#) and in the [Atlas of Acquirers](#).

Lesson three — the lender-of-last-resort function. Morgan's 1895 and 1907 interventions established that in the absence of a central-bank lender of last resort, the private banking system must fill the role. Modern practitioners advising institutional clients need to understand both the Federal Reserve's post-1913 institutional role and the private-bank crisis-coordination structures (Basel III supervisory colleges, G-SIB frameworks) that operate alongside it. Every modern financial-crisis intervention is a variation of the 1907 Morgan playbook with central-bank capital added.

Lesson four — the fee-versus-principal distinction. Rockefeller's remark that Morgan “wasn't even a rich man” captures the fundamental structural difference between service-provider wealth and principal-investor wealth. Modern practitioners advising founders through liquidity events, or professionals choosing between advisor careers and principal-investor careers, need to internalize this distinction. Bankers earn fees. Principals build fortunes. The Institute's [Family Office Reference Guide](#) and the \$49 [Family Office Plain English Guide](#) both address the wealth-scale implications of the distinction.

Lesson five — the regulatory response to concentration. The Pujo Committee → Federal Reserve Act → Clayton Antitrust Act sequence, and the later Glass-Steagall split, illustrate that concentrated financial power reliably produces regulatory response. Modern practitioners in fintech, platform-technology, and PE need to understand that regulatory pendulum-swings are structural rather than incidental. Every era of rapid financial-services innovation is followed by a decade or two of regulatory catch-up.

Lesson six — the domain-specific philanthropy alternative. Where Rockefeller and Carnegie built general-purpose foundations, Morgan built specific cultural institutions (Morgan Library, Metropolitan Museum). Modern practitioners advising donors on philanthropy structure will find both approaches represented in current practice. The \$49 [Estate Planning Plain English Guide](#) covers modern donor-advised funds, private foundations, and charitable remainder trusts for readers new to the vehicles.

Morgan is the connective tissue for the other cases in the Institute historical series. He financed Vanderbilt's son's railroad reorganizations, worked in the Standard Oil ecosystem alongside Rockefeller, purchased Carnegie Steel in the transaction that founded U.S. Steel, and organized the 1907 rescue that included every major New York institution of the era. Reading Morgan alongside [the Vanderbilt memo](#), [the Rockefeller memo](#), [the Carnegie memo](#), and [the Flagler memo](#) is reading the American commercial-finance system of 1861–1913 as a coordinated ecosystem rather than as separate biographical stories. Morgan was the operational center.

Sources & Attribution

This memo draws principally on the standard biographical, historical, and primary-source literature on John Pierpont Morgan and the founding of the American investment-banking industry.

Primary biographical source. Jean Strouse, *Morgan: American Financier* (Random House, 1999). The most authoritative modern biography. Strouse's decade of archival research at the Morgan Library and the J.P. Morgan & Co. archives produced the definitive account of Morgan's commercial life and personal circumstances.

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Pujo Committee. U.S. House of Representatives, Committee on Banking and Currency, *Report of the Committee Appointed Pursuant to House Resolutions 429 and 504 to Investigate the Concentration of Control of Money and Credit* (February 28, 1913). Public document. The Morgan testimony of December 18–19, 1912, is the primary source for the “character” exchange discussed in Section 8.

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Wealth adjustments. Inflation adjustments to 2026 dollars use the Bureau of Labor Statistics Consumer Price Index. Share-of-GDP calculations use the MeasuringWorth Foundation series constructed by Louis Johnston and Samuel H. Williamson.

Companion Institute cases. The Baratelli Institute's [Vanderbilt memo](#), [Rockefeller memo](#), [Carnegie memo](#), and [Flagler memo](#) should be read alongside this Morgan memo for the fullest treatment of the 1861–1913 American commercial-finance ecosystem.

The Institute framing. The strategic frameworks applied throughout the memo — personal-reputation underwriting, Morganization as banker-led consolidation, lender-of-last-resort intervention, fee-versus-principal distinction, regulatory response to concentration, and domain-specific philanthropy — are standard modern practitioner concepts. Historical writing about Morgan does not typically apply these frameworks explicitly. The application of the modern practitioner framework layer to the Morgan case is the specific contribution of this memo and reflects the Institute's editorial approach across the historical-case series.

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