

## MONEY TRUST INVESTIGATION

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES, WASHINGTON, D.C., THURSDAY,  
DECEMBER 19, 1912.

The subcommittee met at 10:30 o'clock a.m.

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

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

TESTIMONY OF MR. J. PIERPONT MORGAN-Continued.

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

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

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

Mr. UNTERMYER. Can you approximate it?

Mr. MORGAN. I should think one hundred millions.

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

Mr. MORGAN. Yes.

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

Mr. MORGAN. Yes.

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

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

Mr. UNTERMYER. So I supposed.

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

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

Mr. MORGAN. I will.

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

Mr. MORGAN. We do, sir.

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

Mr. MORGAN. With some of them.

(Pages Missing)

Mr. MORAGN. A basis of banking is credit, but not a basis of money.

Mr. UNTERMYER. The basis of banking is credit?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you know, do you not, that in no part of the world is the supply of gold anything like sufficient to meet the outstanding obligations in the form of notes representing credit?

Mr. MORGAN. That is so.

Mr. UNTERMYER. That is so, is it not?

Mr. MORGAN. Of course.

Mr. UNTERMYER. Therefore, when money is issued by a government it is issued largely on the basis of credit, is it not? It has got dollar for dollar of gold to support it, has it?

Mr. MORGAN. Well, no; not always.

Mr. UNTERMYER. Is there any country in the world of which the outstanding obligations passing as money are supported dollar for dollar by gold?

Mr. MORGAN. It comes nearer to it in England than anywhere else.

Mr. UNTERMYER. Does it not come nearer to it here than in England?

Mr. MORGAN. I do not know. I can not tell you.

Mr. UNTERMYER. You can not tell the proportions?

Mr. MORGAN. I can not tell you the proportions.

Mr. UNTERMYER. At any rate, it is largely credit there, as it is everywhere, is it not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. A man or group of men who have the control of credit have control of money, have they not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Is not that so?

Mr. MORGAN. No, sir; not always.

Mr. UNTERMYER. That is generally so, is it not?

Mr. MORGAN. No.

Mr. UNTERMYER. If you had the control of all the credit and the funds...

Mr. MORGAN. Now, the funds—no; leave credit alone.

Mr. UNTERMYER. If you had control of all that represents the assets in the banks of New York, would you have the control of money- of all the money?

Mr. MORGAN. No; you would not.

Mr. UNTERMYER. You would not.

Mr. MORGAN. No.

Mr. UNTERMYER. You would not?

Mr. MORGAN. No sir; not in my opinion. I may be wrong; but that is my opinion of it.

Mr. UNTERMYER. Money is a commodity, is it not?

Mr. MORGAN. A very important one.

Mr. UNTERMYER. It is a commodity?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You regard it as regulated by supply and demand, like any other commodity, do you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you know you can control any other commodity, do you not?

Mr. MORGAN. No; I do not think so.

Mr. UNTERMYER. Do you not? I thought you said this morning that you could control a commodity, but you could not control money?

Mr. MORGAN. I say, you can get a combination that can control business, and all that.

Mr. UNTERMYER. A given commodity?

Mr. MORGAN. Not a question of a commodity. You can control business; but you can not control money.

Mr. UNTERMYER. You can control a given commodity, like steel or wool or some other article of commerce, can you not? I say, can you control it?

Mr. MORGAN. Yes; but if you try to control it- take the question of food and all that sort of thing. You could not control that.

Mr. UNTERMYER. I am not speaking of food.

Mr. MORGAN. That is a commodity.

Mr. UNTERMYER. I say there are commodities that you can control?

Mr. MORGAN. Yes, I suppose there are.

Mr. UNTERMYER. And it is conceivable that every commodity could be controlled, is it not?

Mr. MORGAN. Except money.

Mr. UNTERMYER. I say, every commodity except money.

Mr. MORGAN. Yes.

Mr. UNTERMYER. And money is a commodity?

Mr. MORGAN. I do not like to think of it as a commodity.

Mr. UNTERMYER. If a man controlled the credit of a country, he would have control of all of its affairs?

Mr. MORGAN. He might have that, but he would not have the money. If he had the credit and I had the money, his customer would be badly off.

Mr. UNTERMYER. Yes; I understand that. But is it not conceivable that one man would have the credit and the other the money, is it, because the credit is based upon money?

Mr. MORGAN. But money cannot be controlled.

Mr. UNTERMYER. Is not the credit based upon money?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. It has no relation?

Mr. MORGAN. No, sir.

Mr. UNTERMYER. None whatever?

Mr. MORGAN. No, sir, none whatever.

Mr. UNTERMYER. So that the banks of New York City would have the same credit, and if you owned them you would have the same control of credit as if you had the money, would you not?

Mr. MORGAN. I know lots of men, business men too, who can borrow any amount, whose credit is unquestioned.

Mr. UNTERMYER. Is that not because it is believed that they have the money back of them?

Mr. MORGAN. No, sir; it is because people believe in the man.

Mr. UNTERMYER. And it is regardless of whether he has any financial backing at all, is it?

Mr. MORGAN. It is very often.

Mr. UNTERMYER. And he might not be worth anything?

Mr. MORGAN. He might not have anything. I have known a man to come into my office, and I have given him a check for a million dollars when I knew he had not a cent in the world.

Mr. UNTERMYER. There are not many of them?

Mr. MORGAN. Yes; a good many.

Mr. UNTERMYER. That is not business?

Mr. MORGAN. Yes; unfortunately it is. I do not think it is good business, though.

Mr. UNTERMYER. Commercial credits are based upon the possession of money or property?

Mr. MORGAN. What?

Mr. UNTERMYER. Commercial credits?

Mr. MORGAN. Money or property or character.

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

Mr. MORGAN. No, sir; the first thing is character.

Mr. UNTERMYER. Before money or property?

Mr. MORGAN. Before money or anything else. Money cannot buy it.

Mr. UNTERMYER. So that a man with character, without anything at all behind it, can get all the credit he wants, and a man with the property can not get it?

Mr. MORGAN. That is very often the case.

Mr. UNTERMYER. But that is the rule of business?

Mr. MORGAN. That is the rule of business, sir.

Mr. UNTERMYER. If that is the rule of business, Mr. Morgan, why do the banks demand, the first thing they ask, a statement of what the man has got, before they extend him credit?

Mr. MORGAN. That is what they go into; but the first thing they say is, "We want to see your record."

Mr. UNTERMYER. Yes; and if his record is a blank, the next thing is how much has he got?

Mr. MORGAN. People do not care, then.

Mr. UNTERMYER. For instance, if he has got Government bond or railroad bonds, and goes into get credit, he gets it, and on the security of those bonds, does he not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. He does not get it on his face or his character, does he?

Mr. MORGAN. Yes; he gets it on his character.

Mr. UNTERMYER. I see; then he might as well take the bonds home, had he not?

Mr. MORGAN. Because a man I do not trust could not get money from me on all the bonds in Christendom.

Mr. UNTERMYER. That is the rule all over, the world?

Mr. MORGAN. I think that is the fundamental basis of business.

Mr. UNTERMYER. That is the way money is loaned on Wall Street, on collateral?

Mr. MORGAN. I do not know anything about that. I have nothing to do with it; but that is the principle.

Mr. UNTERMYER. You loan money on Wall Street?

Mr. MORGAN. Yes; sometimes.

Mr. UNTERMYER. You loan it on stock-exchange collateral?

Mr. MORGAN. I know who the man is.

Mr. UNTERMYER. Do you mean to say that when you send money to loan on the stock exchange you know to whom you loan it?

Mr. MORGAN. I may not know before it goes, but I know who he is before very long.

Mr. UNTERMYER. I know, but suppose you were lending money on demand loans on stock-exchange collateral?

Mr. MORAGN. Yes.

Mr. UNTERMYER. You do a lot of that, do you not?

Mr. MORGAN. Yes.

Mr. UNTERMYER. You lean it from day to day on the exchange, do you not?

Mr. MORGAN. I used to do it.

Mr. UNTERMYER. And you do it now?

Mr. MORAGN. Yes; I know. That is all right.

Mr. UNTERMYER. You lend it at the loan stand on the exchange?

Mr. MORGAN. Yes.

Mr. UNTERMYER. And you get certain collateral?

Mr. MORGAN. Yes.

Mr. UNTERMYER. Do you know anything about to whom you lend it?



Mr. MORGAN. I do; at least I always did.

Mr. UNTERMYER. Do you mean to say that when people lend, as loans are made on stock-exchange collateral, to the extent of hundreds of millions of dollars, they look to anything except the collateral?

Mr. MORGAN. Yes; they do.

Mr. UNTERMYER. They do?

Mr. MORGAN. Yes. Right on that point, what I did, what I used to do-and I think it is pretty generally done now- is this: If I see there is a loan to Mr. Smith I say, "You call that loan right away." I would not have that loan in the box. I would not have that loan.

Mr. UNTERMYER. That is not the way money is loaned on the stock exchange?

Mr. MORGAN. That is the way I loan it.

Mr. UNTERMYER. No matter what collateral a man has on the stock exchange—

Mr. MORGAN. If he is not satisfactory to me, I call the loan at once, personally.

Mr. UNTERMYER. I am not talking about you, personally.

Mr. MORGAN. I call that loan personally. I am not talking of anybody else's way of doing business, but I tell you what I think is the basis of business.

Mr. UNTERMYER. I am not asking for your way of doing business, but I am asking for the current way of doing business. I want to know if you really want us to understand that the great mass and volume of loans made on stock-exchange collateral from day to day are not made entirely upon the collaterals?

MR. MORGAN. No, sir.

Mr. UNTERMYER. You think they are made upon individual responsibility?

Mr. MORGAN. No; allow me to say just what I would do.

Mr. UNTERMYER. I do not want to know what you do, but I want to know the course of business.

Mr. MORGAN. Others do it also; that I know.