The significance of social clubs in the economic network of J. P. Morgan & Co.: partnership agreements, syndicates & interlocking directorates prior to World War II

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Abstract

What role do social clubs play in the facilitation of cooperative relationships between economic actors? By studying the historical networks of investment bankers in the United States pre-World War II, we propose that social ties in the form of shared social club memberships facilitate the strategic creation of interfirm and intrafirm cohesion that guides economic transactions. The focus of our paper is the New York firm of J. P. Morgan & Co., the leading American investment bank before the Second World War. Through statistical and qualitative analyses we demonstrate that social club ties influenced firm ownership, syndicate participation, and interlocking directorate board memberships. Our study advances the literature on social elites by identifying the strategic interplay between social embeddedness and economic action through social organizations, highlighting the unique role of social clubs as historical sites of economic collaboration during the Progressive Era in the United States.

Keywords: social clubs, investment banks, networks, J. P. Morgan.

JEL Codes: N21, N22, N81, N82, Z13.

1. Introduction

What role do social clubs play in the facilitation of cooperative relationships between economic actors? By studying the historical networks of investment bankers in the United States pre-World War II, we propose that social ties in the form of shared social club memberships facilitate the strategic creation of interfirm and intrafirm cohesion that guides economic transactions.

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The focus of our paper is the New York firm of J. P. Morgan & Co., the leading American investment bank before the Second World War. We follow the tradition of Padgett & Ansel (1993) by providing an in-depth case analysis highlighting J. P. Morgan & Co.'s strategic tie formation with a focus on the relationship between their social and economic ties. Our study advances the literature on social elites by identifying the strategic interplay of social embeddedness and economic action through social organizations. Its main contribution is studying how social clubs served as historical sites of economic collaboration in the context of increased government oversight of economic ties during the Progressive period in American history, which was characterized by the growth of American state power.

The emphasis on social club ties stems from two basic observations. The first is that investment banking has traditionally been a very personal business, which means that it is not a business that can be done at arm's length and is one that often requires multiple and repeated interactions. That is why it is also referred to as "relationship banking." The second is that elite private bankers have generally been known to be men of "high social standing".[1] Together these facts reflect how the individual and social actions of private investment bankers were closely monitored as signals of the credibility and reliability of elite investment banks like J. P. Morgan & Co. Though these banks were generally organized as private unlimited liability partnerships, meaning the partners assumed personal liability for the profits and losses of the firm as individuals, the business dealings of the firm were largely secret. In other words, no one outside the firm was privy to its business, and therefore, the behavior of its partners acted as a proxy of the firm's economic stability.

Both facts are readily recognized in the literature, but academic inquiries of the Morgan partners' economic ties and those of American bankers, which have been the subject of numerous studies since the early twentieth century, have not generally been done in relation to an equally formal study of their social networks – meaning one that is neither primarily anecdotal or prosopographical in nature (Carosso 1973, 1976-1977; Roy 1983; Mintz and Schwartz 1985; Mizruchi 1989; Simon 1988; Ramirez 1995; De Long 1991, 1992; Hannah 1997; Roy 1999; Domhoff 2006). Through an analysis of Morgans' business and relationships, our study addresses how social network analysis and quantitative methods, combined with the mining of archival evidence, can assist in examining the validity of the units of analysis in the historical study of financial networks, which we argue that social clubs represent for the late-nineteenth and early to mid-twentieth centuries in the United States.

1. 'Morgan to Announce New Partners Soon', *The World*, December 29, 1926; 'Sons of Three Partners Enter Morgan Firm', *The New York Times*, January 1, 1929.

Our research of the interplay between social and business ties also aims to extend mixed-method research utilizing network analysis and visualizations, regression models, and qualitative research in a historical setting (see Rinaldi et al. 2023 for a review), which have been utilized in other national and chronological settings. These include Chick's (2019) study of the civic elite in Reading, England in the fourteenth and sixteenth centuries, and Buckle's (2022) study of merchant John Pinney in Bristol, England and the island of Nevis in the late-eighteenth and early-nineteenth centuries. Buckle offers an example of historical social network analysis's utility in the study of business networks that builds on the work of Forestier (2010), Haggerty and Haggerty's (2017) study of the Committee of Merchants Trading to Africa from Liverpool, Haggerty's (2006) work on business culture in the British Atlantic trade, and Wright, Ville, and Merrett's (2019) study of daily social activities that form trust relations in the Australian wool trade in the early twentieth century. Our quantitative analyses also extend available qualitative studies of merchant banking families, such as Ferguson's (1998) study of the Rothschilds, and Chapman's (2010) history of the Lehmans.

We organize our paper in four parts. We first provide a primer on network theory and establish the importance of social clubs as ways to connect corporate elites. We next explore how social club memberships can shape and reinforce internal status hierarchies of a firm by investigating Morgan bank partners' club memberships during their partnership tenure. Using a longitudinal analysis of the firm's partnership, we show how each partner's board and social club ties were associated with their percentage capital in the firm. We then demonstrate how social club memberships were also reflective of the Morgans' externally-focused business partnerships with other individuals and firms by studying almost two decades of the firm's syndicates (agreements to share in the financing or underwriting) to reveal the broader foundation of social club ties among elite bankers, their competitors and collaborators, and their clients in leading American corporations. Lastly, we show how the extent to which the firm was embedded, via social clubs, with other corporate elite in this community likely influenced the firm's decisions to step down from various boards in response to government regulations after the Panic of 1907 and the Congressional investigation of the Money Trust in 1912 during the Progressive Era's increased government regulation of interlocking directorates.

By combining the study of one firm's economic ties (in the form of partnership agreements and interlocking directorates) with the firm's social ties (in the form of social club memberships) we demonstrate that the Morgans' economic network was strategically organized in relation to its social network and not the exclusion thereof. Our work contributes to research on corporate elites by demonstrating the important role of social clubs, specifically, private elite men's social clubs, in affirming and promoting a structure of hierarchy already present within the financial community, which has been overlooked at a granular level. We emphasize the general significance of private social club associations for the study of economic cohesion in the context of unsuccessful efforts to regulate private banking in the financial sector – including other banks, both private and commercial, and client firms, such as railroads. Private elite men's social clubs, we argue, provided opportunities for financial leaders to interact and were signals of members' legitimacy that helped shape and govern economic transactions. We demonstrate the value of social clubs in both internal firm dealings and, through the analysis of rare syndicate data, external interactions. We propose that social clubs provided avenues for coordination that allowed the firm to selectively resign from boards and successfully navigate through challenging regulatory periods. We conclude that economic cooperation is done in relation to and not in exclusion or ignorance of historical and social factors, and thus, that analysis of economic cohesion should be done in concert with the study of social ties.

2. Social networks, social clubs and cohesion of the corporate elite

2.1 A primer on network theory and affiliation data

The heart of social network analysis is the study of relationships, sometimes referred to as ties or edges, among actors, often individuals or collectives (see Borgatti and Halgin 2011a for a review). Typically, network research focuses on dyadic relational states (e.g., friendship) or interactions (e.g., advice sharing) directly reported by individuals, but one can also explore affiliations, such as individuals connected through attending the same social events or being members of the same community organization or corporate board (Borgatti and Halgin 2011b). Such shared activities serve as social foci (Feld 1981), and provide opportunities for individuals to interact and influence each other.

An underlying theoretical model of social network analysis, termed the flow model, conceptualizes ties as pipes through which things move. For instance, this perspective suggests that individuals with ties to multiple others through community organizations are exposed to more information that is traveling through the community, and are thus in a position to use this resource for advantage. This perspective is often taken in research on corporate board interlocks, one type of affiliation, which proposes that information can flow from one board to another (e.g., Davis 1991) and is beneficial to directors' career advancement (e.g., Westphal and Stern 2006), and firms' strategic alliance formation (Robinson and Stuart 2007), joint ventures (Gulati and Westphal 1999), and private equity transactions (Stuart and Yim 2010).

An alternative more cognitive perspective of network ties is that relationships act as prisms (Podoly 2001) that signal an actor's underlying quality and identity when such ties are visible to others (Halgin et al. 2020). For instance, organizations with ties to high-status others are viewed as less risky investments (Chen, Hambrick, and Pollock 2008), and thus can charge price premiums (Benjamin and Podolny 1999). This is also true when considering affiliations. Both individuals who sit on the boards with high-status executives and organizations who share board members with high-status organizations reap benefits (e.g., Acharya and Pollock 2013) because they are perceived differently by others.

In summary, network research suggests that individuals and firms connected through affiliations can achieve advantages from both pipe-like and prismatic mechanisms of ties. A large portion of research on affiliations in the corporate world has focused on boards of directors, but these mechanisms can also apply when considering social clubs.

2.2 Social clubs as affiliations

Social clubs have a history in the United States that dates back to the early nineteenth century, but they are best known for the role they play in modern, urban societies (Clemens 2011, Domhoff 1974, Khan 2012, Kross 1999). Before industrialization, one's place of work and home generally occupied the same physical space. As work became increasingly separate from the domestic home and as leisure became an important counterpart to wage labor, social clubs became significant as associations distinct from the family, the village, the church, the firm, or the state (Schuby 1975, Bourdieu 1978, Useem 1978, Kadushin 1995, Pak 2013a). By the end of the nineteenth century, clubs were so numerous and specialized that directories like *Club Men of New York* began to appear. In 1893, when the first issue was published, the number of men's club members in New York City exceeded 20,000.[2] According to the publishers, the numbers themselves attested to the benefits of club membership. They wrote, "The best men in town are glad to belong to reputable clubs, not only for the advantages they thus secure, but for the recognition which membership implies". They concluded, because the most exclusive clubs seemed to "contain the name of nearly every man in town, who is identified the commercial, intellectual and social progress of the city… that the clubs are themselves centers of progress and give

2. According to Clifton Hood (2011), by 1890, the *New York Times* reported that there were 350 private men's clubs in New York, twenty-five to thirty of which were "socially prestigious". The select clubs "had an aggregate membership of about 25,000", though the total number considering overlap between members "was probably no more than 15,000". Special thanks to Hood for access to this paper. See also Hood (2016).

rise to and sustain many enterprises, which add to the greatness of New York City…”.[3]

Club Men of New York was not the only source to claim that the individual benefits of social clubs had important consequences for national and municipal prosperity. Numerous historical narratives and anecdotes maintain social club ties have played an important historical role in the flow of economic capital in American business history. Consider the role of the meeting of bankers and politicians at the Jekyll Island Club in 1910, which led to the founding of the Federal Reserve as acknowledged by the Federal Reserve in its own history, and more recently, revelations that Bernie Madoff bilked fellow members of the Palm Beach Country Club in the 2000s, victims of his massive Ponzi scheme.[4] Combined with the fact that anecdotal evidence and scholarly studies both confirm that economic leaders tend to be of high social status and also populate private social clubs, the idea is that businessmen strategically use social club ties has achieved the level of common sense (Mills 1956, Baltzell 1964, Dye 1976, Ingham 1978, Domhoff 2006). In actuality, it has not been systematically tested.

Social clubs share some commonalities with corporate boards, which have received a great deal of research attention (see Mizruchi 1996 for a review). Like boards, social clubs provide arenas for individuals to interact, and thus should provide “flow” benefits such as access to information and other resources. In addition, a firm and its members’ affiliations through social clubs may also serve as signals that can provide the firm and members with prismatic benefits such as reputation and status. On the other hand, social clubs, on the surface, are centered on social interactions, as opposed to business dealings, and are private in nature. Thus, the information flowing through club interlocks and the signals that such connections send might be unique from board interlocks. Overall, less is known about the formation, management, and consequences of informal interorganizational ties. Westphal and Zhu (2017) stand out for their exploration of how firms hire friends of a rival CEO to form “board friendship ties”, and justify that informal ties, in our case social club affiliations, are worthy of exploration. Also, the exclusive aspects of many social clubs could create and reinforce status hierarchies among the elite and serve as governance mechanisms that protect against misconduct in financial dealings conducted outside of club walls.

3. *Club Men of New York* (New York: The Republic Press, 1893): 3-5, 9.
4. Griffin (2010); Romero (2015); Allen (2008); Lewis (2008).

3. The case of of J. P. Morgan & Co.

Founded by J. Pierpont Morgan in 1895, J. P. Morgan & Co. was the New York branch of the House of Morgan, an international private partnership that began as an American merchant bank in London (1864). Starting in the late nineteenth century, private banks played a very important role in the development of the American economy because they were situated at a nexus between organizations that had large sums of capital to invest and the companies and industries that needed those funds to grow. Because private bankers were private, they also had certain advantages over banks that received their charter from the state (these were referred to as commercial banks) and though they had certain limitations (e.g., they could not accept deposits under a certain amount or advertise), they had a greater degree of freedom of action than commercial bankers.

The Morgans performed general commercial banking functions, but they were especially well positioned in the field of investment banking because they were international bankers. The relationships between the Morgan partners in the four branches in New York, London, Paris, and Philadelphia were critical to the reliability of information needed for their work as agents for European investment to the United States at a time when the United States was a debtor nation and in need of vast amounts of capital (Carosso 1970; Corey 1930; Allen 1949; Forbes 1981; Carosso 1981, 1987; Burk 1989; Chernow 1990; Strouse 2000; Horn 2002; Pak 2013a, 2013b).

The Morgans were also referred to as merchant or gentlemen bankers because the roots of their business began in international trade. Merchant bankers provided a multitude of financial services from supplying credits for international trade to foreign exchange to loans to governments to underwriting. They also had to navigate multiple currencies, laws, customs, and languages within a very uncertain environment given the complexity and distance of international trade. Within this context of risk, the consequences for failure were exacerbated by the fact that most merchant banks in the late nineteenth and early twentieth century were structured as private unlimited liability partnerships. Finding partners, who could be entrusted with the name and reputation of a firm, was thus critical to the survival and prosperity of a bank (Cassis 1994, 2006; Jones 1998, 2000; Morrison and Wilhelm Jr. 2007; Burk 1988; Pak 2017).

In the late nineteenth century, the House of Morgan tended to choose its partners from kinship networks, which ensured that the firm's capital was kept within the firm and enabled them to better monitor the actions of their partners (Carosso 1976-77, Supple 1967, Chapman 1984, Yoo and Lee 1987, Padgett and Ansell 1993, Cochran 2000, Morrison and Wilhelm 2007). Over the course of the twentieth century, however, the House of Morgan became less kin-defined, a change that followed the larger trend of the corporatization of American business (Sklar 1988, Chandler 1993, Pak 2013a). How then did merchant banks create cohesion within the firm? We start by testing the idea that social status, in the form of social club memberships in elite private clubs in New York, served as a way to create intra-firm cohesion, which was valued by the firm.

3.1 Social clubs and firm ownership

Modeled after the British social clubs, the purpose of the club system was to "ascribe status to its members" (Mayo 1998, p. 11-12; Porzelt 1982, p. 1). Social clubs in the nineteenth century were founded by the city's merchants and bankers to "encourage concerted social action as much as to sustain business networks" as well as to "[enhance] their solidarity and their distinctiveness" (Beckert 2001, p. 56, 58). To explore the importance of social clubs from a network perspective, we collected data as listed in the *Social Register*, a primary source registry of social elites that was first published in 1887 where members nominated other members, which made it like a club itself. The *Register* and private social clubs have long been used as a measure of elite cohesion (Mills 1956, Baltzell 1964, Dye 1976, Domhoff 2006). The *Register* was used by its members in a practical way to determine if someone was in town, and thus, available to be visited at their home, which was a central practice of elite social life in the nineteenth century. But it was also used as a way to define the boundaries of their community and to make sure that their social status was not undermined by associating with unknown others, who could reduce one's social capital by association. Before Pierpont Morgan's daughter, Louisa, got married, for example, her fiancé Herbert L. Satterlee sent a copy of the *Register* to his mother so that she could mark all the invitees to the wedding. It had not occurred to him, as his mother mentioned to him later, that there would be people to invite not listed in the *Register* (Pak 2013a).

We studied the Morgan bank's partners' social club ties between 1895 and 1940, the entire period in which the bank was a private partnership.[5] The *Reg-*

5. Between 1895 and 1940, the House of Morgan had 67 partners. Some 41 were partners in the American branches of J. P. Morgan & Co. and Drexel & Co., or 61% of the total. The Morgan partners' social club membership was analyzed by using direct population data from their self-described affiliations, which include, for the most part, private men's clubs, political and social organizations, boards of companies, and universities and colleges. While not strictly a membership tie (as in the partners were members of the same organization at the same time), cases of self-identified educational affiliations (including honorary recognitions) were also included as organization affiliations. The partners' ties were analyzed for every five-year period of the firm's history, 1895–1940. Direct population data was found in the *Social Register, New York* published by the Social Register Association for the years 1897, 1905, 1910, 1915, 1920, 1925, 1930, 1935, and 1940 and for comparable years for the *Social Register, Philadelphia*.

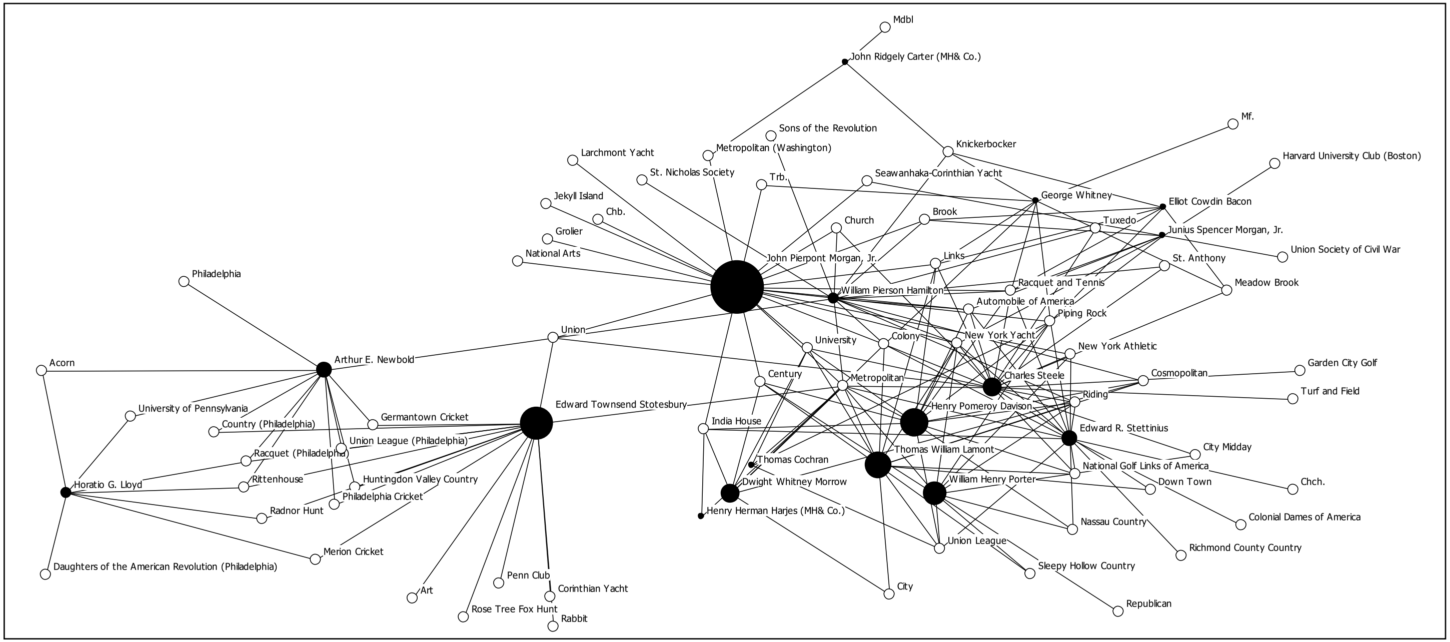
ister data affirm that the Morgan partners were strongly affiliated with other social elite regardless of the original background of the partners, or their parents' social and economic standing. For most of the early twentieth century, all the American Morgan partners were listed in the *Register*. The only exceptions were three partners, who joined the firm in 1939, the year before it became a limited liability corporation.

Figure 1 displays the social club memberships of Morgan partners between 1916 and 1920 as a network, as an example. The nodes correspond to firm partners (shaded circles) and social clubs (white circles). A tie connecting a partner and club indicates that the partner was a member of the social club during this time period. The size of each partner's node indicates the partner's level of firm ownership in 1920. The graph indicates, as expected, that in 1920, J. P. Morgan Jr. (also known as Jack), then the senior partner, held the greatest percentage of capital and also was a member of the greatest number of clubs (Pierpont Morgan died in 1913.) The graph also shows the Philadelphia and the New York partners occupied two largely separate social club spheres with the most senior Philadelphia partner, Edward Stotesbury, serving as the central overlap with the New York partners. These differences reflect the relative status of the different branches of the House of Morgan with the Philadelphia house being less prestigious than New York. As a whole, however, the partners shared the fact that they were all socially elite, just in their respective cities. Also evident in the graph is that certain social clubs were more popular than others among Morgan partners. For instance, the Metropolitan Club was frequented by nearly all firm partners and thus appears near the center of the plot,[6] whereas the Philadelphia Club in Philadelphia, for example, was only associated with Philadelphia partner Arthur Newbold and thus appears on the periphery of the plot. Both characteristics indicate Newbold's less central status in the firm, which is confirmed in qualitative evidence and his percentage capital in the firm, which in 1916 was on the lower end of the partners. Newbold left the firm in 1920, one of the few partners to leave the firm before his death.

The importance of the Metropolitan Club, which was founded in 1891, to the Morgan bank is most likely related to the fact that Pierpont Morgan was one of the founding members. The story is that he and his friends created the club because they were angry about friends of theirs not being admitted to the Union Club, which was the oldest men's club in New York City. One of those friends was John King, the president of the Erie Railroad. According

6. The exceptions were Philadelphia partners Arthur Newbold and Horatio G. Lloyd, and three younger New York partners, Elliot Bacon, Junius Spencer Morgan Jr., George Whitney, who were all relatives of partners or former partners and all joined in 1920; 'Morgan Firm Takes Three Partners', *The New York Times,* January 1, 1920.

FIGURE 1 ▪ *Social club memberships of Morgan Partners between 1916-1920*



Note: Individual partners are represented by shaded circles, social clubs are represented by white circles. A tie connecting a partner and club indicates that the partner was a member of the social club during this time period. Shaded circles are sized based on the partner's percentage of firm ownership in 1920.

Source: The authors' own work based on the analysis of social club data collected from The Social Register, New York and The Social Register, Philadelphia and partnership data collected from Articles of copartnership, 1894-1914, ARC 1195, Box 1, and Articles of copartnership: J.P. Morgan & Co., 1916-1939, Morgan Firms Papers, ARV 131798, Box 1, Pierpont Morgan Library and Museum (PML).

to King's obituary, both he and Morgan went to the same church (St. George's) and served in leadership positions.[7] Morgan proposed King for membership in 1886. After King was rejected in 1889, Morgan and others broke with the Union Club (though they remained members) and formed the Metropolitan[8] (Pak 2013a).

The Morgans' social club memberships indicate that they were elite but not completely inaccessible to others. They would not have benefited from being so elite as to be isolated, and therefore, to form desired relationships with other elites they took memberships in numerous clubs and even joined with others to establish new clubs. One aspect of our core argument is the social status of partners benefited from club memberships because it affected *internal* firm cohesion and the economic structure of the partner hierarchy. Social club memberships, we propose, provided opportunities for interaction (i.e., flows of information) and served as signals of quality and reputation (i.e., prisms) outside the firm that were valued internally. If that were the case, we should find that possessing common club membership had economic value for each partner, over time. To investigate this we used a longitudinal time series analysis with fixed effects to investigate changes in percentage capital among Morgan partners in five-year periods between 1895 and 1940.[9] This model accounts for stable individual characteristics that may influence ownership (e.g., education, city of residence, prior government employment, whether the partner was related to another partner) and allowed us to isolate the effect of social club memberships on firm ownership for each individual.[10] Table 1 presents descriptive statistics of variables used in our analysis. As expected, pairwise correlations indicate that firm ownership was positively associated with tenure as a partner ($r=0.17$), and number of social clubs frequented ($r=0.22$). Results of longitudinal ordinary least squares (OLS) regression models with fixed effects, presented in Table 2, Model 1, indicate that on average, an individual's participation in social clubs with other firm partners was associated with significant increases in capital ownership for that individual ($b=0.05$, $p<0.01$). Accounting for the total number of clubs, we found that partners were rewarded not just for joining social clubs randomly but after joining the inner circle of clubs popular with firm partners.

7. 'John King Dead', *The New York Times*, March 21, 1897.
8. 'Not Generally Believed', *The New York Times*, November 22, 1889.
9. Individuals were only included in the analysis for periods when they were partners at the firm, i.e., they were dropped from the statistical sample following their deaths or departures, resulting in an n of 108.
10. Note: prior government employment could refer to political appointment or service as elected official.

TABLE 1 ▪ *Descriptive statistics and pairwise correlations of study variables*

		Mean	SD	1	2	3	4
1	Number of clubs	3.32	6.02				
2	Number of club overlaps with partners	15.75	27.78	0.85***			
3	Partner tenure	7.09	52.31	0.02	0.01		
4	Percentage capital	0.63	3.28	0.22**	0.10	0.17*	
5	Change in percentage capital	–0.01	1.36	–0.06	–0.03	–0.04	–0.25***

Notes: * p<0.05, ** p<0.01, *** p<0.001, n=108.

Source: The authors' own work based on the analysis of social club data collected from *The Social Register, New York* and *The Social Register, Philadelphia* and partnership data collected from Articles of copartnership, 1894-1914, ARC 1195, Box 1, and Articles of copartnership: J. P. Morgan & Co., 1916-1939, Morgan Firms Papers, ARV 131798, Box 1, PML.

TABLE 2 ▪ *Ordinarly least squares regression models with fixed effects predicting change in percentage capital among J. P. Morgan partners*

	Model 1	Model 2
Number of clubs	–0.25** (0.08)	–0.28** (0.08)
Number of club overlaps with partners	0.05** (0.02)	0.08*** (0.02)
Lagged percentage capital	–0.64*** (0.08)	–0.71*** (0.09)
Partner tenure	–0.07*** (0.02)	–0.04 (0.03)
Number of club overlaps with partners x Partner tenure		–0.001* (0.001)
Constant	1.95*** (0.52)	1.50** (0.55)
R squared	0.02	0.02
Within R square	0.33	0.36
Between R square	0.02	0.01

Notes: * p<0.05, ** p<0.01, *** p<0.001, n=108.

Entries represent unstandardized parameter estimates; standard errors are in parentheses.

Source: Same as Table 1.

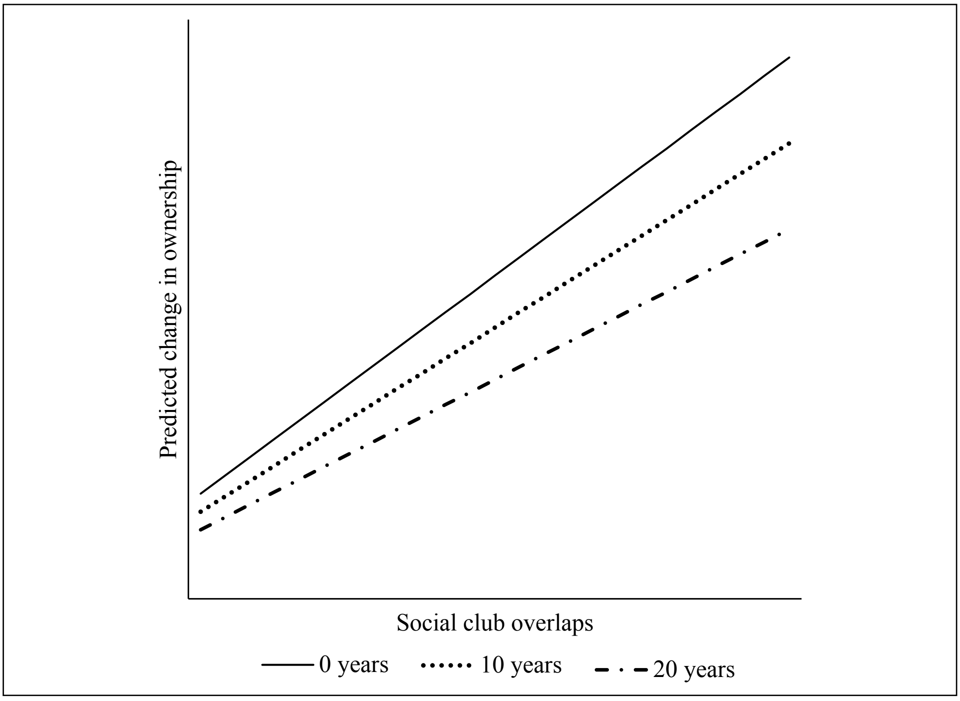
We then explored whether increases in firm ownership led to increased club overlaps with fellow partners, especially for new partners. Qualitative evidence suggests that there was a hierarchy of clubs, and it seems reasonable to assume that recognition by the firm (in the form of ownership) would lead to increased opportunities to socialize with elite individuals outside of the firm. However, we did not find statistical evidence that firm ownership affected subsequent social club memberships,[11] but anecdotal evidence indicates the number of clubs of the partners increased with greater seniority in the firm. One example is the case of partner Thomas W. Lamont. Before Lamont joined the Morgan firm, he knew Henry P. Davison, who was his neighbor in Englewood, New Jersey. Davison, who became a Morgan partner in 1909 and later moved to Manhattan, was at that time a vice-president at the First National Bank of New York, a commercial bank led by Pierpont Morgan's good friend and collaborator, George F. Baker. Up until this time, Lamont did not have the social capital necessary to be a member of these elite clubs and he is not listed in the *Social Register, New York.* In 1903, Davison invited Lamont to become secretary and treasurer of Bankers Trust, a new trust company that he organized. According to Edward Lamont (Lamont's grandson), the dinner meeting where Bankers Trust was organized took place at the Metropolitan Club of New York. One of the people involved in the organization of Bankers Trust was George W. Perkins, a Morgan partner. After Lamont joined Bankers Trust, he became a member of the Metropolitan Club. According to the 1904 club register, he became a member on October 20, 1903.[12] He was finally listed in the *Social Register, New York* in 1906. His clubs were: Mt (Metropolitan), Pl (Players), Ct (City), and H (Harvard graduate) '92.[13] He became a member of the Union League Club in 1907.[14]

As a member of Bankers Trust, and now with memberships in elite men's clubs, Lamont started to spend a lot of time out in the city with other businessmen. When Davison resigned from the First National Bank, he recommended to Baker that Lamont succeed him, and Lamont left Bankers Trust to become a vice president and director of First National Bank at the beginning of 1909. In October 1910, Pierpont Morgan offered Lamont a partnership, which he accepted after talking it over with Baker (Lamont 1994). In 1910, Lamont contributed $500,000 out of the $20 million in the firm's capital and was assigned 5% of the profits and losses. Pierpont Morgan was the largest contributor with $11 million by comparison and had 39.5% of the profits and the losses.[15] By 1925, Lamont was well on his way to becoming one of the partners with the greatest capital contribution to the firm (5.5 times more than Jack Morgan in 1934) and was a member of 15 clubs.[16] These included clubs frequented by more senior partners Jack Morgan and Charles Steele.[17]

11. Results not presented but available upon request.
12. Membership list of *Metropolitan Club of the City of New York*, 1904, 45.
13. *Social Register, NY*, 1906, p. 297.
14. *Union League Club of New York* (New York: Styles & Cash, 1914): 69.
15. Articles of copartrnership, 1894-1914, ARC 1195, Box 1, PML.
16. Articles of copartrnership: J.P. Morgan & Co., 1926-1939; ARV 131798; Box 1, PML.
17. *Social Register, NY,* 1925, 428.

Consistent with our theorizing, this suggests that such clubs may have served as signals of a partner's legitimacy in the corporate world and as an indicator of a partner's potential future influence within the firm. But the findings also show that not all clubs were equal. Membership in key clubs (i.e., those already frequented by firm leaders) likely enforced partner reputation and trust in ways that governed against malpractice among partners. A partner needed to have the appropriate social status, achieved through club ties with fellow members, in order to progress within the firm's hierarchy. In addition, this relationship was most pronounced for new partners, as demonstrated in the significant coefficient for the interaction of tenure as a partner and the number of club overlaps in Model 2. Figure 2 plots the interaction effect and shows the attenuating effects of club overlaps on ownership for individuals with partner tenures of 0, 10, and 20 years respectively. Comparing the steep positive sloped line for brand new partners (i.e., 0 years tenure) with those for partners with 10 and 20 years at the firm suggests that when a partner first joined the firm and was like-

FIGURE 2 ▪ *Interactive effects of partner tenure and social club overlaps on change in ownership*



Sources: Same as Table 1.

ly less known to fellow partners, clubs were especially important signals of reputation. Thus, clubs played an important role in a partner's career trajectory before and after he joined the firm – first as a method of overcoming the barrier to enter the partnership and second by moving up the ranks of the partnership.

3.2 Social clubs and syndicate participation

J. P. Morgan & Co. partners' association with the social elite was a valuable resource that likely affected their image as a bank among the general public and among potential clients. Given that appearance in *The Registrar* was a commonality for the majority of elite bankers and even more so for the most elite bankers, we next explored relationships between social club membership and syndicate participation, a measure of economic cohesion among the larger economic community. Syndicates were representative of the trend towards cooperation within the investment banking community and they came under legislative scrutiny for this reason. They were an important part of the Morgans' business. Between 1894 and 1914 alone, the total amount of syndicates and other joint business with other banks that J. P. Morgan & Co. initiated amounted to more than $4.3 billion. The total amount of syndicates initiated by others was more than $3.5 billion and the amount of the participation given to J. P. Morgan & Co. was close to $300,000,000.[18] This suggests that the Morgans conducted their business largely in cooperation with other banks, including other private banks that were their competitors. Their informal agreement not to impinge upon the relationships of other banks was considered the standard code of conduct for their community, particularly among the most elite bankers. The voluntary constraint of competition was the central feature of "gentlemen banking".

The general process of creating a syndicate began when a client, such as a railroad, needed to raise a large amount of capital for improvements, acquisitions, or refunding of debt and approached the Morgans to underwrite a bond offering. [Between 1894–1934, approximately 50% of all Morgan undertakings involved railroads. Other clients included industrials (19%), state or national governments (13%), or utilities (9%).] The Morgans would then approach other banks with an offer to share in the underwriting. Offers of participation were hierarchical and generally organized into three different groups: the managing group, the purchasing group, and the distributing group. The

18. This figure was probably higher because there were 17 syndicate participations out of a total 321 (the number is higher than the above because some syndicate participations included multiple transactions, for example, when J. P. Morgan & Co. took part in another bank's buying and selling syndicates) where the total amounts that the other party had to organize were unknown.

Morgans usually participated in every group, taking a certain percentage of the syndicate for themselves.[19]

From a network perspective, syndication participation is an extremely useful measure of the economic relationship between the managing bank, J. P. Morgan & Co., and the syndicate participants. Investment banks prized stability and preferred to do business with the same people repeatedly, but the degree to which it was shared varied dramatically. Syndicates, however, have been less emphasized than other ties, such as interlocking directorates, in part because they were largely secret. Given our historical vantage point, we were able to work from a complete listing of all of the Morgan syndicates from the period after 1894 up to and including 1912 from historical data in the Pierpont Morgan Library. With few exceptions, the amount of one's participation in the Morgans' syndicates indicated the strength and significance of that person within the Morgans' economic network.[20] Thinking of social club ties as opportunities for interaction, individuals with a greater number of common club memberships as Morgan partners potentially were more familiar to the Morgan firm and more aware of investment opportunities. Conceptualizing social club ties as signals, visibility across prestigious social clubs likely cemented and legitimized external individuals in the eyes of Morgan partners, thus reducing risks associated with entering new economic partnerships. The question is: did the Morgans tend to work more with participants with whom they had overlaps in social clubs? The answer is a resounding yes.

We started by generating a list of potential syndicate partners available to Morgan partners in 1912. To do so, we relied upon work conducted by the U.S. House of Representatives, which in response to concerns with the concentration of money power, launched the Money Trust investigation (also called the Pujo hearings, 1912-13). Named after Arsene Pujo, a Louisiana Congressman who sat as chairman of the Committee, the Pujo hearings focused on cooperative relationships within the financial community, such as interlocking directorates and syndicates, suspected of creating a monopoly on capital and credit. The Pujo Committee commissioned a statistician to map formal economic ties between 18 financial institutions and 152 corporations, which included the nation's leading private banks, national banks, trust companies, insurance companies, industrials, and railroads (hereafter referred to as "Pujo dataset").[21]

19. Unless otherwise noted, all of the information on Morgan's syndicates comes from an analysis of J. P. Morgan & Co. Syndicate Books, ARC 108-ARC 119, PML.

20. Syndicate participation could sometimes reflect that the participant had a closer relationship with the client, as opposed to the managing bank, which can be determined by the number of average participations given to a participant and the number of unique clients. For more on J. P. Morgan & Co.'s syndicates, see Pak (2013a).

21. To see how the 18 financial institutions and 152 corporations were chosen, see *Money Trust Investigation*, Part 14, p. 980-1003. Figures 1 and 2 are Exhibits No. 243 and 244, Feb. 25,

With the Pujo dataset as a starting point, we collected data on all board seats and social club memberships possessed by the 180 individuals listed. We then identified each individual's connections to J. P. Morgan & Co. through (1) the number of common board ties, and (2) the number of common social club ties the individual shared with the Morgan partners in the period between 1910 and 1915 (Morgan partners during this period were Davison, Hamilton, Lamont, Lloyd, Morgan, Morgan Jr., Newbold, Perkins, Porter, Steele, and Stotesbury). For example, Daniel Guggenheim, the industrialist, had five connections to Morgan partners through his corporate board seats, yet no connection to Morgan partners through his social club memberships.

We next collected data on each individual's investment in J. P. Morgan & Co.'s syndicates up to and including 1912. This number does not include shares, if the value of the shares was not directly stated in the syndicate books. The highest level of syndicate investment was $20,574,000 by George F. Baker, the President of the First National Bank of New York. [First National was also the Morgans' most important syndicate partner in this period.] We also collected some basic information about each individual that may have affected syndicate participation, such as whether the individual had prior government employment and possessed a law degree.

Table 3 presents descriptive statistics and pairwise correlations of our study variables. We find that syndicate participation was positively associated with both board and social club overlaps, as well as possessing a law degree, albeit not statistically significant. Table 4 presents results from regression models, which allow us to better account for the effect of each of these variables in tandem. Consistent with existing research on the importance of economic embeddedness (e.g., Granovetter 1985), we find a positive relationship between individuals' participation in the J. P. Morgan & Co. syndicates and the extent to which they are connected to Morgan partners through corporate boards. Specifically, Model 1 indicates that on average, an increase in board memberships that an individual possessed in common with a Morgan partner is associated with an increase in the amount allotted in the Morgans' syndicates. Going beyond the value of board interlocks, Model 2 provides support for the unique influence of social club ties. Specifically, increases in social club memberships with Morgan partners is associated with increases in the amount allotted in the syndicates, even when accounting for common board memberships and education. We ran additional models (not presented) looking at syndicate participation as a function of an individual's overlaps with just Pierpont Morgan, and the results were consistent. Again, this suggests that social club memberships may have served both as pipes and prisms that helped the firm connect with fellow corporate elite and guide

1913, two diagrams of affiliations between the Morgans and other bankers and their clients.

TABLE 3 ▪ *Descriptive statistics and pairwise correlations of study variables*

		Mean	SD	1	2	3	4
1	Social club overlaps with Morgan partners	18.53	19.39				
2	Board overlaps with Morgan partners	3.02	4.02	0.36***			
3	Law degree	13=yes		0.19*	0.04		
4	Prior government employment	3=yes		0.05	0.07	–0.04	
5	Investment amount(1)	3.98	6.11	0.43***	0.44***	0.13	0.01

Notes: * p<0.05, ** p<0.01, *** p<0.001, n=169.
(1) Due to the skewed nature of this variable, we used a log transformation in our models.
Source: The authors' own work based on the analysis of data collected from The Social Register, New York; J.P. Morgan & Co. Syndicate Books, ARC 108-ARC 119, PML; The Directory of Directors in the City of New York (New York: The Directory of Directors Company, 1911-1912); Directory of Directors of Philadelphia (Goodman's Sons & Co, 1912); The Manual of Statistics: Stock Exchange Hand-Book, vol. 34 (New York: Manual of Statistics Co., 1912); The Rand-McNally Banker's Directory and List of Attorneys, 72nd Edition (New York: Rand McNally & Company, January 1912); Moody's Manual of Railroads and Corporation Securities, vol. 13 (New York: Moody Manual Company, 1912); and Poor's Manual of Industrials & Public Utilities, vol. 3 (New York: Poor's Railroad Manual Co., 1912); and 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: Interlocking Directorates (Washington, 1913): 2-5; 56-71, 80-90; 128-143; 1568-1571; 2174-2175.

TABLE 4 ▪ *Ordinary least squares regression models predicting level of syndicate investment as a function of social club overlaps with J. P. Morgan partners*

	Model 1	Model 2
Board overlaps with Morgan partners	0.67*** (0.11)	0.50*** (0.11)
Social club overlaps with Morgan partners		0.10*** (0.03)
Law degree	2.52 (1.73)	1.32 (1.80)
Prior government employment	–0.51 (4.41)	–0.98 (3.94)
Constant	1.78*** (0.48)	0.58 (0.45)
R squared	0.21	0.29

Notes: * p<0.05, ** p<0.01, ** *p<0.001, n=169

Entries represent unstandardized parameter estimates; robust standard errors are in parentheses.

Source: Same as Table 3.

economic transactions. Concerns about collusion continued to be a topic of discussion in Congress, thus the significance of private social club interlocks was a prescient resource for the firm.

3.3 Social clubs and board resignations

To further explore issues raised by the Pujo Committee, we tested whether social and economic ties were not just mutually affirming, as they were in the syndicate findings, but if they could compensate for the loss of formal economic ties.

The Money Trust investigation resulted in increased attention directed towards corporate America. The Morgans were sensitive to the negative publicity created by the hearings and they worried about the potential legislative backlash. In 1913, while Pierpont Morgan was still alive, they decided to reduce their stock-holding interests in large national commercial banks like National City Bank, which was one of their most important collaborators. Assuring James Stillman, the chairman of the board of National City, that they would not sell their National City bank stock to anyone without Stillman's approval, Jack Morgan said that he and his partners felt they could respond to public feeling in this way because "relations to our friends" did not depend on formal economic ties like stock ownership.[22] Morgan's partner, Henry Davison, reiterated these points when he told National City's president, Frank Vanderlip, that their "relations were personal and would continue" as usual.[23] As promised, reducing the Morgans' stock ownership in National City did not, in fact, negatively affect their relationship, which only grew stronger over the course of the interwar period. In March 1913, Pierpont Morgan died and leadership of the bank passed to his son, Jack.

A short time later, in January 1914, Jack Morgan announced that he, along with four of his partners, would resign as board members of various companies. Their actions anticipated the October 1914 passage of the Clayton Anti-Trust Act, which made it "unlawful for any person engaged in commerce… to lessen competition or tend to create a monopoly", banning interlocking directorates if they could be found to prevent competition.[24] *The New York Times* (1914) reported, "The financial world was stirred… by the announcement yesterday that J. P. Morgan and four of his associates in the firm of J. P. Morgan & Co. had resigned from thirty Directorships in banks, railroads, and industrial companies". The paper noted the firm's leaving of three large corporations writing, "The Morgan firm is without a representative now upon the boards of three great corporations with whose fiscal affairs it has

22. Letter to James Stillman from JPM Jr., Mar. 12, 1913, JPM Jr. papers, ARC 1196, Letterpress Book #11, page 59, PML. See also letter from Frank A. Vanderlip to James Stillman, Jan. 24, 1913 and Mar. 8, 1913, FAV papers, Box B-1-5, Rare Book and Manuscript Library, Columbia University (RBML).

23. Letter to James Stillman from FAV, Mar. 28, 1913, FAV papers, Box B-1-5, RBML.

24. 'The Clayton Antitrust Act', https://www.investopedia.com/terms/c/clayton-antitrust-act.asp (November 28, 2022).

been connected intimately for years. These are the New York Central System, the New York, New Haven & Hartford Company, and the American Telephone and Telegraph Company".[25] In his public announcement, Jack Morgan was very open about the fact that he did not think the reduction of these formal economic ties would change the ways in which they did business. He stated, "We believe… that without being directors we can still keep in sufficiently close touch with the progress of these properties, and yet relieve ourselves of unnecessary responsibilities".[26] However, Morgan's critics believed that their actions were simply a "subterfuge" where "the bankers give up the appearance of holding control, while retaining the substance".

The 1914 board resignations offer a particularly useful moment for analysis because the total number of directorships for the five Morgan partners whose resignations were announced did not encompass all the boards on which they sat. In addition, some departures did not completely sever board ties with a company as there were cases where multiple Morgan partners were members Of the same board (Simon 1998; Ramirez 1995; Hannah 2007; De Long 1991, 1992). By combining the study of the board resignations and the social clubs of the Morgan partners, we sought to answer the following question: do the social club memberships of the firm's partners indicate a pattern as to the decisions for why partners stepped down from some boards and not others? Do they suggest that the Morgan partners leveraged their social ties in the face of impending government regulation of their economic ties? The answer is yes.

We first identified the directorships of all Morgan partners in 1912, the year of the Pujo hearings, not just the five Morgan partners whose retirements were announced.[27] In 1912, the eleven Morgan partners held directorships on 215 different companies. We next collected the board rosters of these companies[28] and social club memberships of each board member. This allowed us to

25. 'Morgan Firm out of Thirty Boards', *The New York Times*, Jan. 3, 1914.

26. Untitled document, undated but most likely 1914, Thomas W. Lamont Collection, Box 110-1, Baker Library, Harvard Business School (HBS).

27. There were eleven Morgan partners in J. P. Morgan & Co. in 1912. This included several of the Drexel & Co. Philadelphia partners. The boards of the companies of which the Morgan partners were members were identified by *The Directory of Directors in the City of New York* (New York: The Directory of Directors Company, 1911-1912); *Directory of Directors of Philadelphia* (Goodman's Sons & Co, 1912), and *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: Interlocking Directorates* (Washington, 1913): 2-5; 56-71, 80-90; 128-143; 1568-1571; 2174-2175.

28. We were able to collect complete data on 180 of the 215 boards. Some 147 or 68% of the companies had both the boards of directors and officers' information available. Simon only studied the fifty largest companies, which had 498 directors. Members of the boards of directors were identified by *The Manual of Statistics: Stock Exchange Hand-Book, vol. 34* (New York: Manual of Statistics Co., 1912); *The Rand-McNally Banker's Directory and List of Attorneys, 72nd Edition* (New York: Rand McNally & Company, January 1912); *Moody's Manual of Railroads and Corporation Securities*, vol. 13 (New York: Moody Manual Company, 1912), and *Poor's Manual of Industrials & Public Utilities,* vol. 3 (New York: Poor's Railroad Manual Co., 1912).

explore how Morgan partners were connected to a firm directly through their seats on the firm's board and indirectly through their shared social club memberships with fellow members of each firm's board. For each firm that a Morgan partner held a directorship, we calculated and summed the number of social club memberships that each of the five key Morgan partners had in common with each of the other elites who sat on the board. For instance, the majority of the five leaders shared multiple club memberships with numerous board members of Mutual Life Insurance Co. of New York and thus there were multiple channels connecting the two companies outside of board ties. In contrast, Morgan leaders had zero common social club memberships with the board of Alaska Steamship. We treated the aggregation of club overlaps as a proxy for the Morgan firms' social embeddedness with each company. We accounted for other factors that may also have influenced Morgan partners' decisions to depart boards, including recent economic transactions between Morgan and the firm (i.e., number of deals between the firm and of J. P. Morgan & Co. between 1894 and 1913), whether the firm was headquartered outside of New York City, and firm industry (i.e., railroad, utility company, commercial bank).

We used the January 3, 1914 article in the *New York Times* to identify the 30 board seats across 27 companies that Jack Morgan, Steele, Porter, Davison, and Lamont relinquished. We next used a logistic regression model to explore characteristics of the companies that partners relinquished their seats. Consistent with our expectations, we find that board departures were not random. Table 5 presents descriptive statistics of study variables including positive and significant pairwise correlations between social embeddedness through clubs and (1) the decision to depart a board ($r=0.35$, $p<0.001$), and (2) the number of economic deals between firms ($r=0.25$, $p<.001$). Table 6 presents results of a logistic regression model predicting board departures and controlling for multiple factors. We find that Morgan partners were more likely to depart boards in which they had multiple connections to other board members through social clubs ($b=0.01$, $p<0.001$).[29] For robustness checks and to lessen the effect of partners' redundant club memberships unduly influencing results, we also looked at each of the five Morgan leader's individual overlaps with members of each of the 215 boards. Models using the maximum individual overlap, and those using just Jack Morgan's club overlap, produced a pattern of results that was identical to those in our paper (not presented).

29. They were also less likely to leave boards of firms located outside of New York City, which arguably provided fewer opportunities for Morgan partners to coordinate with fellow board members in social circles (model 1, $b=-1.16$, $p<0.05$).

TABLE 5 ▪ *Descriptive statistics and correlation of variables*

		Mean	SD	1	2	3	4	5	6
1	Leave company board?	27=yes							
2	Social club connections with board members in 1912	120.88	132.15	0.35***					
3	Number of deals with firm between 1894 and 1913	1.13	4.10	0.25***	0.29***				
4	Firm headquarters outside of NYC	110=yes		–0.16*	–0.18**	0.03			
5	Railroad	87=yes		0.12	–0.05	0.25***	0.10		
6	Commercial bank	11=yes		–0.02	0.13	–0.06	–0.03	–0.19**	
7	Utilities	11=yes		0.10	0.06	–0.01	–0.02	–0.19**	0.04

Notes: * $p<0.05$, ** $p<0.01$, *** $p<0.001$.
Source: Same as Table 3.

TABLE 6 ▪ *Logistic regression models predicting whether J. P. Morgan firm partners relinquished a board seat at the firm in 1914*

	Model 1
Social club connections with board members in 1912	0.01*** (0.001)
Number of deals with firm between 1894 and 1913	0.04 (0.04)
Headquarters of firm outside of New York City	–1.16* (0.54)
Railroad	1.38* (0.63)
Commercial bank	–1.16 (2.09)
Utilities	1.87* (0.87)
Constant	–3.45*** (0.65)
Log likelihood	–62.69

Notes: * $p<0.05$, ** $p<0.01$, *** $p<0.001$, n=215.

Entries represent unstandardized parameter estimates; robust standard errors are in parentheses.

Source: Same as Table 3.

The findings affirm qualitative data with regards to Jack Morgan's statement that the resignations would not fundamentally change their business.[30] It follows then that he believed, as did his partners, that they had other ways in which they and the firm could communicate, create trust, and access information and resources with the boards of companies whose securities they sold in lieu of such formal ties as interlocking directorates. The findings also suggest that the partners believed common identification through an institution outside both the bank and the company board could facilitate cooperation with persons outside the bank with whom they had similar economic interests even if they did not go about joining clubs or dropping off clubs with that specific intention in mind. Given the personal nature of the partnership, the limited number of men and the nature of investment banking, it appears that the partners had a general sense of the different resources and connections each partner had to offer and how he could compensate for the loss of the firm's formal economic ties in an organic way. Thus, the important factor was the presence of social club ties as aggregated among the partners. The findings support the general thesis that economic actors do not parse their activities out so clearly into economic and social spheres. They use all the different connections at their disposal – collectively and individually – and, again, it was not necessary to do so in a consciously intentional way in order to establish its outcomes.

One example of the firm's available resources is the web of social ties that served as a backdrop for Jack Morgan's retirement from the New York Central's board. Qualitative analysis illustrates the Morgan firm's ability to maintain their relationships, communication, and influence outside of board interlocks in ways that relied upon ties created for him by his father and others before Morgan joined the board. The predecessor lines of the New York Central railroad system had been under the control of Commodore Cornelius Vanderbilt and his descendants since 1865. By 1899, Cornelius' grandson, William K. Vanderbilt, took control of the roads, which by then spanned more than 10,000 miles. By 1903, he decided to pass managing control over to Cornelius' former counsel, Chauncey Depew, the chairman of the board, and Pierpont Morgan (Stover 1997). Vanderbilt and Pierpont Morgan were social equals and ran in the same circles in New York society. Like Morgan, Vanderbilt was a member of the most elite clubs in the city and his social networks crossed the Atlantic. In fact, Vanderbilt had also been one of the founding members of the Metropolitan Club. [His sister Li-

30. Untitled document, undated but most likely 1914, Thomas W. Lamont Collection, Box 110-1, Baker Library, Harvard Business School. See also for a related issue on reducing stock-holding interests: Forbes (1981, p. 72).

la's husband, Dr W. Seward Webb, had been blackballed from the Union Club around the same time as Pierpont Morgan's friend, John King.][31]

Vanderbilt's close associate, Depew, was also a member of the most elite clubs in the city, including Metropolitan, Union, and Union League. He had a distinguished family background though not the wealth of men like Morgan and Vanderbilt. The son of a merchant farmer, Depew was a native born son of colonial origins. He was a descendent of Roger Sherman, who was one of the signers of the Declaration of Independence, and a graduate of Yale College. Depew had a long tenure at New York Central, which was briefly interrupted when he served as U.S. Senator for New York State between 1899 and 1911.[32] If we were to look at the other members of the New York Central board, who were not partners in the Morgan firm, we would find several familiar names of men, who were close to the Morgan firm and who socialized in the same elite circles as Vanderbilt, Morgan, and Depew. They included Lewis Cass Ledyard, Pierpont Morgan's personal counsel, George S. Bowdoin, Morgan's former partner and father to partner Temple Bowdoin, James Stillman, and William Rockfeller, the brother of John D. Rockefeller Sr. and father-in-law to Stillman's two daughters. In addition, the board also included men like Morgan's close friend, George F. Baker.

In the face of these kinds of ties, legislative action or prosecutions that focus on conspiratorial conduct appear disconnected from reality, or the informal, social, and personal ways in which elite bankers conducted their business, which offered an alternative to formal, economic ties of the kind that government regulated during the Progressive and interwar periods. During the Pujo investigation, the lead prosecutor, Samuel Untermyer, asked Henry Davison about regular Thursday meetings held at the Metropolitan Club. Emphasizing the word "meeting", Davison denied that *meetings* of that kind took place.[33] The private and exclusive nature of these connections made it possible for him to characterize them as social associations between friends. These interactions not only had the benefit of avoiding direct government oversight, they also served to reinforce trusted cohesive relationships among partners and other elites in the world of business.

31. 'W.K. Vanderbilt Dies in France in His 71st Year'. *The New York Times*, July 23, 1920; 'Mrs. Seward Webb Dead in Vermont', *The New York Times*, July 11, 1936; 'Miss Morgan's Wedding', *The New York Times*, November 16, 1900; 'W.K. Vanderbilt Dies in Home Here', *The New York Times*, January 8, 1944.

32. 'Chauncey M. Depew Dies of Pneumonia in his 94th Year', *The New York Times*, April 5, 1928.

33. *Money Trust Investigation*, Part 25, 1841-42; Pak (2013a, p. 72).

4. Discussion and conclusions

Through an analysis of J. P. Morgan & Co.'s social and economic networks, our study presents a hidden view of economic transactions in the early twentieth century. Building on existing work highlighting the importance of board interlocks in shaping economic transactions (e.g., Gulati and Westphal 1999, Robinson and Stuart 2007, Stuart and Yim 2010), we demonstrate the importance of informal social ties through social club memberships. Our findings suggest that such clubs are similar to board interlocks in that they provide opportunities for interaction among members, but are unique from board interlocks in that they were removed from government regulations. Through this lens we show how social clubs could be both complements and substitutes for board interlocks. Our findings suggest that the government's efforts to stem the tide of economic consolidations were limited because economic actors had other ways of communicating with "our friends", to use Jack Morgan's words, which the federal government did not, could not, or was unwilling to regulate because they were considered to be private associations of a social and individual nature.[34] There is also the possibility that their "friends" included members of the state, as was shown during the congressional Pecora hearings in the early 1930s, which investigated the causes of the Great Depression and detailed the Morgans' syndicate lists for the first time, which included the Secretary of the Treasury and former U.S. Presidents. These ties can be further investigated (Brezis and Cariolle 2019).

The determination that social club ties were important to investment bankers and economic cohesion is of great historical significance given the fact that the Morgan bank's methods of doing business and its network of economic partners did not fundamentally change until about 1960. The federal government's efforts to regulate economic consolidation, such as the Clayton Anti-Trust Act, did not stem the tide of economic consolidation. If anything, consolidation became more intense, and less than twenty years later, the structural inequalities and instabilities in the American economy were brought to the surface in the Crash of 1929. Moreover, investment banking retained its important position at the nexus of so many other economic networks, such as between industry and the state, during the entire period and even well into the late twentieth century.

At the same time, in contrast to efforts that demonstrate that the Morgans were part of a completely collusive and cohesive network, we have also shown

34. As quoted in John Douglas Forbes, *J.P. Morgan, Jr. 1867-1943* (Charlottesville: University Press of Virginia, 1981): 72. For original, see letter Letter to James Stillman from J. P. Morgan Jr., March 12, 1913, J.P. Morgan, Jr. papers, ARC 1196, Letterpress Book #11, page 59, Pierpont Morgan Library.PML.

that the social and economic networks of the Morgan bank were much more diverse and complex than has been commonly assumed. They had elements of both integration and differentiation even while tending towards homophily. The findings suggest that the Morgans' network was not conspiratorial, meaning the firm was not a central agency controlling the actions of disparate agencies. In other words, attempts to regulate the Morgans' relationships as a conspiracy may have failed because they did not accurately understand how their network worked. The importance of informal social ties shows that the network was not entirely intentional and relations were also run through social organizations, through which they did not have direct control. The Morgans' network was a hierarchical network both within and beyond the walls of a firm, and this structure in particular, as well as their informal social ties through with they created economic cohesion, deserves much closer analysis.

One of our most interesting findings is that the common denominator of the Morgans' network was not that it was homogeneous, socially or economically. The common denominator for both interfirm and intrafirm ties is the structure of hierarchy. Social clubs shaped and reinforced status hierarchies in the financial community. While they could provide a path or entrée into elite firms by signaling acquisition of the requisite social capital needed to enter those firms like the Morgans, they enhanced the distinctions between economic actors within the community through social status and belonging. Our analysis also demonstrates a hierarchy of social clubs, although this is not something that was a focus of our paper. Anecdotal evidence and research compiled from Pierpont Morgan's datebooks, indicate that Morgan spent more time at some clubs than others even though he was a member of dozens of clubs. His favorites included the New York Yacht Club and the Metropolitan Club, of which he was one of the founders (Pak 2013a).

Having established that the opportunity for connection exists, future research should identify the features and histories of particular clubs, which would require more detail on the club ties and more qualitative evidence on the goings on in those ties than possible in this paper. Another element that requires further investigation is the fact that elite men's social clubs were exclusive of women, revealing the gendered nature of this community through the absence of women. The significance of their absence in creating cohesion within the exclusively financial elite banking fraternity has been studied in the literature (Pak 2013a) and other research has studied the role of women in elite banking families, for example, in the creation of marriage ties (Ferguson 1998), but more research would be welcome to study the role of women as the financial community changed in the post-WWII period to include them, albeit in segregated and hierarchical spaces.

In summary, our paper demonstrates the value of social clubs, as unregulated avenues that promoted information flows and reputational signals between members of the economic elite before the Second World War and especially in the Age of Reform. The pipe-like and prismatic benefits of social club affiliations, we argue, help explain the successful business dealings of one firm, of J. P. Morgan & Co., as well as highlight the challenges faced by regulatory bodies in the United States. We hope that others build upon our approach and further investigate how economic cooperation can be done in relation to and not in exclusion of social factors such as exclusive social clubs.

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Author contribution statement

Daniel S. Halgin: framework, methodology, formal analysis, investigation, visualization, writing. Susie J. Pak: framework, methodology, formal analysis, investigation, data collection, writing. We have followed an alphabetic criterion for the authorship order.

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La importància dels clubs socials a la xarxa econòmica de J.P. Morgan & Co.: acords d'associació, sindicats i adreces entrellaçades abans de la Segona Guerra Mundial

RESUM

Quin paper tenen els clubs socials en la promoció de les relacions de cooperació entre els agents econòmics? Mitjançant l'estudi de les xarxes històriques de banquers d'inversió als Estats Units abans de la Segona Guerra Mundial, proposem que els llaços en forma de pertinença compartida a un club social faciliten la creació estratègica de cohesió entre empreses i dins d'una mateixa empresa, la qual guia les transaccions econòmiques. El nostre treball se centra en l'empresa de Nova York J.P. Morgan & Co., el principal banc d'inversió nord-americà abans de la Segona Guerra Mundial. A través d'anàlisis estadístiques i qualitatives, demostrem que les relacions establertes en els clubs socials van influir en la propietat de l'empresa, la participació en sindicats i la composició dels consells d'administració. El nostre estudi avança en la literatura sobre les elits socials i en la identificació de la interacció estratègica entre l'arrelament social i l'acció econòmica a través d'organitzacions socials, destacant el paper únic dels clubs socials com a llocs històrics de col·laboració econòmica durant l'era progressista als Estats Units.

PARAULES CLAU: clubs socials, bancs d'inversió, xarxes, J. P. Morgan

CODIS JEL: N21, N22, N81, N82, Z13

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La importancia de los clubes sociales en la red económica de J.P. Morgan & Co: acuerdos de asociación, sindicatos y direcciones entrelazadas antes de la Segunda Guerra Mundial

RESUMEN

¿Qué papel desempeñan los clubes sociales en la promoción de las relaciones de cooperación entre los agentes económicos? Mediante el estudio de las redes históricas de banqueros de inversión en Estados Unidos antes de la Segunda Guerra Mundial, proponemos que los lazos sociales en forma de pertenencia compartida a un club social facilitan la creación estratégica de cohesión entre empresas y dentro de una misma empresa, la cual guía las transacciones económicas. Nuestro trabajo se centra en la empresa neoyorquina J.P. Morgan & Co, el principal banco de inversión estadounidense antes de la Segunda Guerra Mundial. A través de análisis estadísticos y cualitativos, demostramos que los lazos de los clubes sociales influyeron en la propiedad de la empresa, la participación en sindicatos y la composición de los consejos de administración. Nuestro estudio avanza en la bibliografía sobre las élites sociales al identificar la interacción estratégica entre el arraigo social y la acción económica a través de organizaciones sociales, destacando el papel único de los clubes sociales como lugares históricos de colaboración económica durante la era progresista en Estados Unidos.

Palabras clave: clubes sociales, bancos de inversión, redes, J. P. Morgan.

Códigos JEL: N21, N22, N81, N82, Z13