**PART 10 THE MONEY MATRIX: MEDIA**

**Bankers Take Control of AT&T and Mass Communications, 1900-1939**

by Sue Peters

This article will describe how J.P. Morgan and its banking allies took control of the American Telephone & Telegraph Company (AT&T), and thus control of the telephone utility. The same telephone utility lines were used to transmit national radio broadcasts (beginning 1920’s) and TV (beginning 1940’s).

**Introduction**

“When a commercial bank makes a loan contract with a borrower, the bank CREATES the deposit in the borrower’s account.” Have you repeated this fact 15,000 times yet? Private banks CREATE what we use as money.

This ‘money power’ can also be called Finance Capitalism or Wall Street. The ‘money power’ controls the entire society, since they decide who gets ‘loans’ – new bankmoney. They give it to their friends, to weapons manufacturers, to multinational corporations. The private creation of bank credit (bankmoney) concentrates wealth in elites and destroys our republican form of government.

In the U.S. Constitution, this power was given to Congress to issue sovereign money, like the old gold and silver coins from the U.S. Treasury and the Greenbacks of Abraham Lincoln. When the Congress authorizes and spends sovereign money as an asset, wealth is more fairly distributed to the citizens. The nation does not go into debt. Here is Edward Kellogg in 1883: “The most fundamental law in any nation is that which institutes money; for money governs the distribution of property, and thus affects in a thousand ways the relations of man to man.”(1)

**Background: The “Money Trust” and the Pujo Committee, 1912**

Towards the end of the 19th century, wealthy elites took over control of the economy, by creating financial-industrial cartels. Bankers and industrialists like J.P. Morgan, John D. Rockefeller, Andrew Carnegie, etc., used the ‘money power’ to do this – the private banking system CREATING bankmoney in the account of a borrower.

In 1912 the House Committee on Banking and Currency was authorized to “investigate the concentration of control of money and credit.” It was called the Pujo Committee(2), after its chairman, Congressman Arsene Pujo of Louisiana. The committee did not find a single money trust that would be unlawful under the Sherman Act, but they did find a dangerous concentration of money and credits in the hands of a few men of great power in the financial world, especially in New York. The most powerful was J.P. Morgan.

**The Mechanisms of Control**

To understand the mechanisms of control, one must understand the difference between investment banks and commercial banks. Investment banks, such as J.P. Morgan & Co., are private partnerships, and do not have the power to CREATE bankmoney when ‘making loans’. Commercial Banks, such as National City Bank of New York (today’s CITIBANK), are private corporations that have a government charter with this power of CREATING bankmoney when ‘making loans.’ The investment banks, by either controlling the commercial banks or working in tandem with them, create the ’Money Trust’.

A major conclusion of the Pujo Committee was:

Large corporations -- such as insurance companies, railroads, producing and trading corporations, and public utility corporations -- are heavily influenced by their dependence on the investment banks to buy their new issues of stocks and bonds, needed by the corporation to expand and grow. This dependency gives the bankers influence over the corporation.(3) In addition, the committee identified a coterie of investment and commercial banks -- around J.P. Morgan & Co. in New York -- creating a monopoly over the buying/selling of securities of the large corporations.(4)

**Banking Syndicates to Buy/Sell Stocks and Bonds**

The investment and commercial banks join together in ‘syndicates’. The investment bank gets a loan from the commercial bank. With this loan money, the investment banker buys the corporation’s stocks or bonds. They are bought cheap. The investment bank sells, at a high price, to other investment banks and commercial banks, in the syndicate. With this sale, the investment bank repays its loan to the commercial bank, and makes a nice tidy profit.

There may be multiple levels in the syndicate, each rung selling to the next lower rung at a higher price (to make their profit). At the bottom will be the selling of the securities to the public – at the highest price.

The most powerful syndicates are found around the J.P. Morgan banking house.

**J.P. Morgan and AT&T**

According to the Pujo Report(5), J.P. Morgan has participated in syndicates between 1906 and 1912 that market the securities of the public utility, AT&T and its subsidiaries. The total dollar value was in excess of $300,000,000. AT&T’s total capital stock and funded debt was $621,000,000. These dollar figures point out the great influence the Morgan firm has over this utility.

The following account is from the book, The *Master Switch* by Tim Wu(6): Theodore Vail had been the manager of the Bell Company back in the 1880’s. Vail pushed centralization and top-down control of the company, but the owners did not agree. Vail left and went to South America for business. “Sometime in the early 1900s”, Vail received a phone call from J.P. Morgan to meet on Jekyll Island, South Carolina, where Morgan spent his ‘free time’ in his private clubhouse. Morgan told Vail on this visit or shortly afterward that “he and a group of other financiers aimed to gain control of the Bell company, wishing not only to reestablish its former dominance but to build the greatest wire monopoly the world had ever seen. And he wanted Vail in charge.”(7) Vail agreed.

In February, 1906, a Morgan banking syndicate underwrote $100,000,000 of AT&T bonds and began the reorganizing of the company on a “national scale”(8). “After 1906 the house of Morgan served as principal banker to AT&T.”(9) Vail was made president of American Telephone & Telegraph (AT&T), the current holding company for the entire Bell system, and began immediately to build a monopoly. Vail’s new slogan for the utility was: ONE SYSTEM, ONE POLICY, UNIVERSAL SERVICE. Meaning, monopoly.

1. Kellogg, Edward. *Labor and Capital; A New Monetary System: The only mean of securing the respective rights of labor and property, and of protecting the public from financial revulsions.* Edited by his daughter, Mary Kellogg Putnam. New York, New York: John W. Lovell Company, 14 and 16 Vesey Street, 1883, p.17.
2. All materials of the Money Trust investigation are found at: “Money Trust Investigation: Investigation of Financial and Monetary Conditions in the United States Under House Resolutions Nos. 429 and 504 before a Subcommittee of the Committee on Banking and Currency, House of Representatives (1912−1913). Washington, D.C.: Congress, House, Committee on Banking and Currency, 1913.” <https://fraser.stlouisfed.org/title/80>
3. Pujo Committee report (Money Trust Investigation), <https://fraser.stlouisfed.org/title/report-committee-appointed-pursuant-house-resolutions-429-504-investigate-concentration-control-money-credit-1329>, p. 56.
4. Pujo Committee report (Money Trust Investigation), <https://fraser.stlouisfed.org/title/report-committee-appointed-pursuant-house-resolutions-429-504-investigate-concentration-control-money-credit-1329>, pp. 57-65.
5. Pujo Committee report (Money Trust Investigation) , <https://fraser.stlouisfed.org/title/report-committee-appointed-pursuant-house-resolutions-429-504-investigate-concentration-control-money-credit-1329>, p. 65.
6. Wu, Tim. *The Master Switch: The Rise and Fall of Information Empires*. New York: Alfred A. Knopf, 2010, pp. 50-51. Wu footnotes the following sources for these pages: “13. For the history of Vail’s interaction with JP. Morgan, as well as his return to Bell as president of the newly formed AT&T, see In One Man’s Life: Being Chapters from the Personal & Business Career of Theodore N. Vail (Harper & Brothers, New York, 1921); Coon, *American Tel & Tel*; from Morgan’s perspective, see Jean Strouse, *Morgan: American Financier* (New York: Random House, 1999), p. 563.”
7. Ibid., p. 50.
8. Strouse, Jean. *Morgan: American Financier.* (Random House: 1999), p. 563. Also found in the Pujo Committee report, p. 92: “Table showing joint purchases and underwritings of corporate securities by certain-named banking houses”, Description of security. American Telephone & Telegraph Co.: Conv. 4s, 1936. 100,000,000. Feb. 1906.
9. Strouse, Jean. Ibid., p. 563.