

John Moody (1868-1958)

MOODY'S THE FIRST HUNDRED YEARS

BY

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WITH

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CHAPTER ONE

MOODY BEFORE MOODY'S

John Moody's Early Years (1868–1899)



JOHN MOODY WAS BORN in Jersey City, New Jersey, on May 2, 1868. The same year, Henry Varnum Poor and his son Henry William published the first annual edition of Poor's Manual, then titled *Manual of the Railroads of the United States*.

As the twentieth century dawned, just over 30 years later, Moody would challenge Poor's virtual monopoly on publication of financial data when he brought out the first manual of statistics on industrial corporations in 1900. In 1909, he would challenge the Poor's franchise more directly when he published the first book to analyze and rate railroad securities. Poor's Publishing Company would adopt a similar system of securities ratings seven years later, as would Standard Statistics Company and Fitch Publishing Company in the 1920s. Eventually, the rating system that Moody pioneered would play a powerful role in the expansion of capital markets that now include some \$35 trillion of rated debt securities and bank deposits globally.

But that came later. For now, the Moody's story has more personal beginnings in John Moody's family heritage and his formative years in Bayonne, New Jersey, and lower Manhattan. Much of that early history comes from Moody's autobiography, *The Long Road Home*, published by The Macmillan Company, New York, in 1933. Among several other sources, this account also draws on biographical material in an article by B.C. Forbes, "The Man Who Puts Investments Through the 'Third Degree,'" which appeared in the October 1, 1924 edition of *Forbes* magazine.

John was the oldest of five children in the Moody family (his mother gave birth to twelve in all; the others did not survive). His father, William Francis Moody (1834-1919), worked as a clerk at Adams Express across the Hudson River in lower Manhattan, where, as Moody later put it, he labored for 31 years "poring over ledgers, building castles in the air and making nominal pecuniary progress." Moody describes his father as a poet and a dreamer, always prone to get-rich-quick flyers on the stock market. Unfortunately, these were often ill-timed, with the result that the Moody family moved several times between poor and middle-income neighborhoods depending on the vagaries of the financial markets.

Moody believed that the industrious side of his character came from his mother. Born Sarah Jane Nichols (1839-1897), she was of Scottish origin and "a wonderfully resourceful manager." "We children were blessed with a perfect mother," Moody recalled, "who labored to instill good morals in us and opened our unfolding minds."

In retrospect, Moody wondered how his family would have gotten along at all were it not for the sturdy presence of his mother. During the great panic of 1873

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(Moody lived through many such panics), his father had lost money in the stock market and his parents were struggling with mounting expenses of a growing family. The Moody's then moved to the Bayonne area of New Jersey, where the cost of living was well below that of Jersey City. To young Moody, however, it was paradise.

Their small town of Pamrapo was surrounded by woods, and the nearby waters of the Newark and New York Bays were ideal for boating, fishing, and swimming. Feeling that school interfered too much in his paradise, he and a friend found a way to play hooky from school for a whole six months, making a cave their home during classroom hours until John was discovered by his mother and taken by his father to "one of those old-time sessions in the woodshed."

As a result, young John was pushed back two grades in school. But this fostered a new spirit of studiousness, one that lasted throughout his life. In fact, he soon gained a reputation as a good scholar. The family planned to send John off to college and there was talk of Princeton, Yale, and Columbia. But that was not to be, for father had again seen his stock investments "beautifully trimmed" and the Moody's were forced to retrench. Before his sixteenth birthday, John was obliged to leave school for good with only an eighth grade education and go work to help support his family.

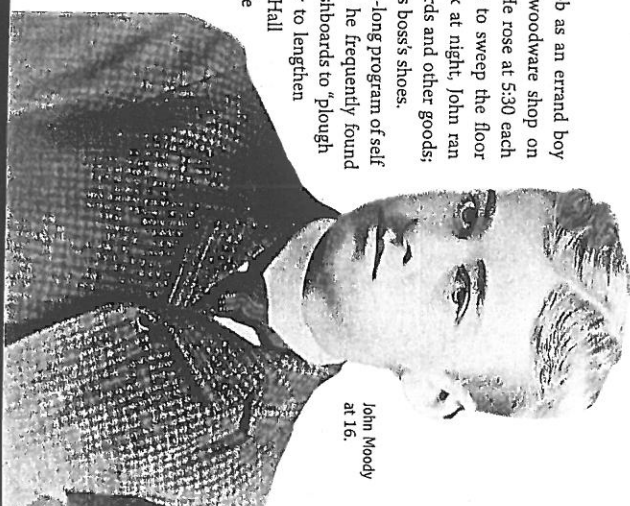
LOSING THE WAY

Within a few months, Moody found a job as an errand boy at three dollars a week in a wholesale woodware shop on Washington Street in lower Manhattan. He rose at 5:30 each morning to be at work before 6:30 so as to sweep the floor before his boss arrived at seven. Until six at night, John ran errands; delivered pails, brooms, washboards and other goods; packed cases; loaded trucks; and shined his boss's shoes.

At the same time, he embarked on a life-long program of self learning. Working at the woodware shop, he frequently found ways to hide behind a pile of brooms or washboards to "plough through a chapter of Dickens or Scott" or to lengthen an errand by sitting on a bench in City Hall Park, his "eyes glued on history's pages." He

took correspondence courses and read a great deal. In his spare time, he wrote and sold amateur stories. Within a week of

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John Moody
at 16.

Washington Street in lower Manhattan. For the years in the 1880s, Moody worked as a delivery boy and cashier at a wholesale woodware shop here. Amid the hustle and bustle of that life, he found time to read and study, and even to publish his own literary magazine.



starting his new job, he sold one for three dollars to *Boy's World* magazine and the publication's editor came personally to the woodware shop to meet the budding young author.

After that, John began to "turn potboilers out by the yard," sensational fiction which he sent off to adventure magazines. He became so involved in writing and publishing that he started his own (more or less monthly) literary magazine, *Hyperion*.

In 1885, Moody was promoted to cashier at the woodware shop, earning seven dollars a week. But this was not enough to cover the costs of printing his magazine. So he launched a freelance lending operation at the shop, advancing wages to his fellow employees at a usurious rate. The business was quite profitable. He was thereby able to subsidize his loss-making magazine and to explore the arts in New York City with his literary friends—until, that is, his scheme was discovered. Moody recalls that his boss was furious:

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MOODY BEFORE MOODY'S

"What do you mean, you little blue-eyed son of a Shylock, turning my store into a brothel of bums?" he shouted. "Every damned man here is full of rum all the time. I wondered what in hell was happening to the place. And you makin' paupers of 'em all, rakin' off ten percent of their pay every week. Who do you think is payin' the rent of this store? Now, you close up your skin game this minute, or consider yourself fired. *You belong in Wall Street, you do!*"

Moody shut down his lending operation and was able to keep his job. But his weekly earnings fell back to seven dollars a week, and for a while he was forced to abandon amateur journalism.

Just before his nineteenth birthday, John continued his studies through a program of his own devising, studying modern languages, as well as Latin and the classics, and plowing through such scholarly works as Edward Gibbon's *History of the Decline and Fall of the Roman Empire* and John Stuart Mill's *The Logic of the Moral Sciences*. "I was a tough little nut, with an iron constitution," recalled Moody, "slight but healthy, working by day in the shop, studying by night and early morning, and on weekends at home."

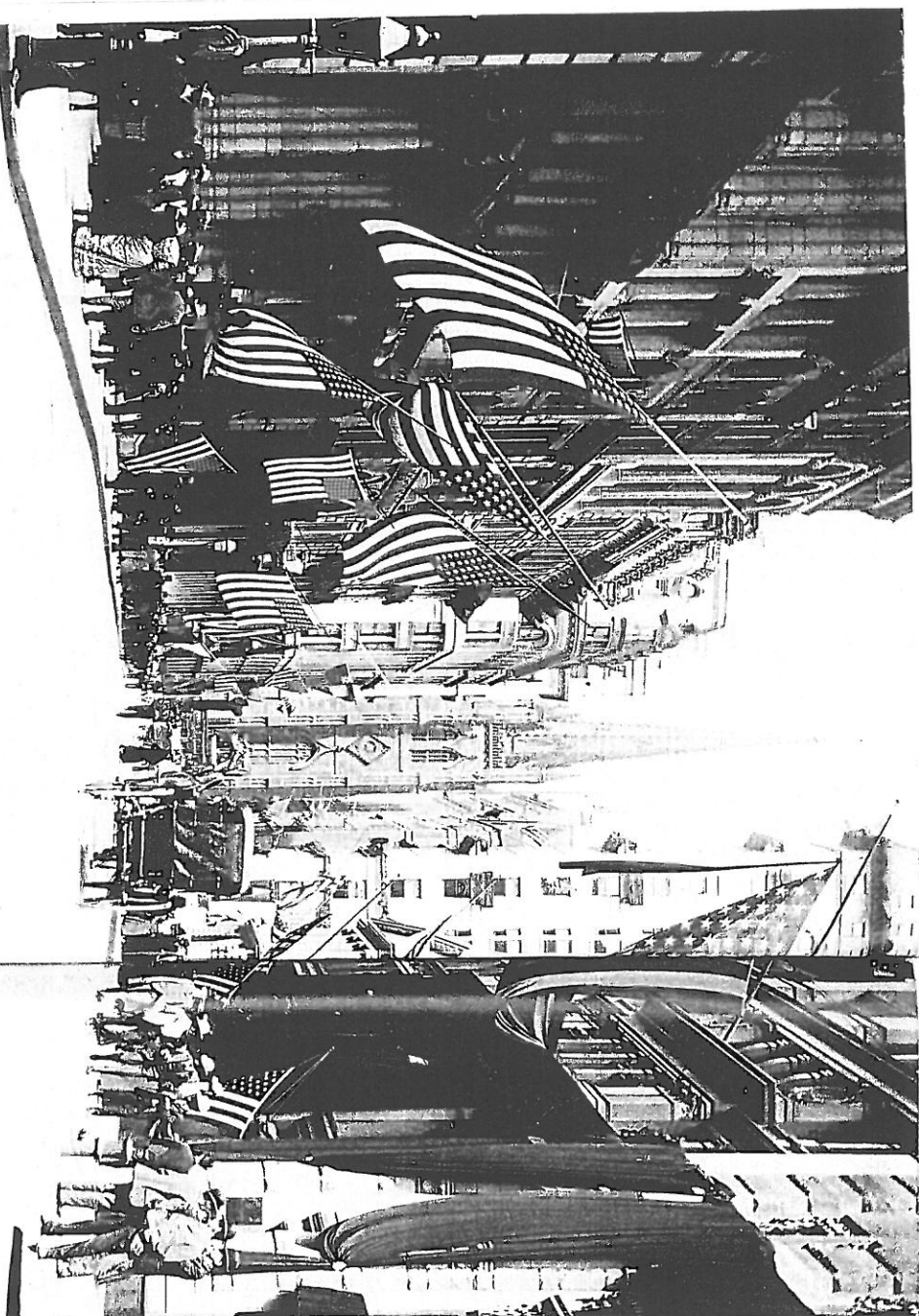
In his twenty-second year, thinking his woodware job would lead nowhere, Moody quit and dove into a "wild scheme on a shoestring to start a local weekly newspaper." He called it *The Bayonnette* and filled his publication with all original material, including editorials, gossip on his neighbors, and "savage attacks on the rival papers and my enemies in general." The paper "sold like hotcakes" and for five weeks Moody "reveled in public applause and walked on air."

Then his abusive attack on one of the rival weeklies led to a threat of suit for criminal libel, with heavy damages. A young friend and law student offered to take his case, and John was keen on fighting for his rights of free speech. But his family persuaded him otherwise, with the result that he discontinued the weekly and for the time being his publishing career. He was left with a \$400 printer's bill, not the first or last time that he would find himself deep in debt to printers.

AMONG THE WOLVES

It was then that the woodware shop owner's comment proved prophetic and Moody's Wall Street career began. As it happened, his mother had a cousin, George Foster Peabody, who was a senior partner in the investment banking firm of Spencer Trask & Company and a well-known banker on the Street. John's younger brother William, who he termed "more aggressive than I," had already got a job at

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Spencer Trask and was doing well. John's mother persuaded him to do the same.

"Thus it was," Moody wrote, "that I entered Wall Street on the first of May 1890, the day before my twenty-second birthday." He would remain working there for the next sixty years. He started out as "an errand boy, bellhop and stamp lick" at \$20 a week. Over the next decade, he was promoted from these lower level jobs to assistant bookkeeper, to bookkeeper, to assistant cashier, to head of sales, and finally head of research (the "statistical department").

In the Wall Street of those years, it was still "the day of the lone-hand player"—with Russell Sage, Jay Gould, and Collis P. Huntington as individual controllers of railroads and J. P. Morgan (the elder) forging to the front line with the strong backing of British capital. The physical appearance of the Street was nothing like the financial district of today. It was before the advent of the skyscraper, and Trinity Church towered over every surrounding structure.

Given his curiosity and story-telling bent, he also saw in Wall Street a place that "is ever full of romance" and "mysteries which take a lifetime to unravel." "I suppose even the oldest and wisest of us can never come to know in complete detail the secret churning of Wall Street wheels," he recalled. "But I did learn a lot before I had been there many years; for I was an observing, reflective kid."

One of the mysteries that he unraveled early on led him to a healthy sense of skepticism about the character of those who inhabit the world of finance:

Moody went to work on Wall Street in May of 1890 as an "errand boy, bellhop, and stamp lick" at Spencer Trask & Company, a leading investment banking firm. Over the next ten years, he worked his way up to a position as head of the firm's statistical research department.

The photo, taken in September 1901, looks west on Wall Street to Trinity Church. Flags are displayed in mourning, after the assassination of President McKinley.

"I had not been in the Street so very long before I suspected that the proportion of obtuse, stupid, incompetent blunderers is just as large there as anywhere else, if not larger."

It is often asserted that Wall Street puts a premium on native ability and cleverness, and that the shrewdest men of the nation naturally gravitate there. But I had not been in the Street so very long before I suspected that the proportion of obtuse, stupid, incompetent blunderers is just as large there as anywhere else, if not larger. Although the Street does attract a proportion of capable and aggressive fortune seekers, it also draws like a magnet a myriad of lambs and morons from all parts of the country.

The truth of this observation, says Moody, had been ground into him by bitter experience during the financial crash of 1893. Speculation was then the order of the day, and like many others Moody had invested substantial sums, partly on margin and just before the crash, when "disaster followed disaster." Salaries were cut in half, employees "little and big" were dispensed with, and as happened in 1931-1932, Moody recalled, "it seemed that Wall Street was about to go out of business for good." Moody retained his job; but he lost all his savings and was again in debt—at a time when his father had retired the year before.

A LESSON FROM "JUPITER" MORGAN

Moody learned many lessons in finance during his early years on Wall Street, but he stumbled upon his first important lesson from the man whom he would later write of as chief among the "Masters of Capital"—J. P. Morgan. Moody told the story of his 1890 encounter with Morgan to B.C. Forbes, who recounted it in his article on Moody published in *Forbes* in 1924.

Although Morgan had not then become the nominal head of Drexel, Morgan & Company, Wall Street had already baptized him "Jupiter Morgan" because of his unparalleled power and the titanic things he was achieving. While little John Moody stood at one of the windows in the Drexel-Morgan banking room waiting for the check for securities he had delivered, he noticed a veritable giant wandering from desk to desk and that every clerk seemed to shiver up with fear when the big man approached. The clerk not having returned, the giant, who had very piercing eyes, looked through the window where the messenger stood and asked, "What are you waiting for, sonny?"

The little fellow was instantly seized by the same fear and trembling. "A-a-a-check, for, for some bonds."

"What bonds?" snapped Mr. Morgan.

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The giant's eyes seemed to bore holes right through him. He could neither think nor speak. Just then the clerk returned with the check. Seizing it, Morgan turned to the messenger and asked, "Now, boy, tell me the amount of the check you are to receive."

"I-I don't know, I-I forget."

"Don't know? Forget?" roared Mr. Morgan. "What kind of a boy are you, what are you good for? Let me tell you something, young man. You will never be any good in business or anywhere else unless you learn to remember—to remember exact figures—and facts." Saying which, he handed Moody the check and walked away.

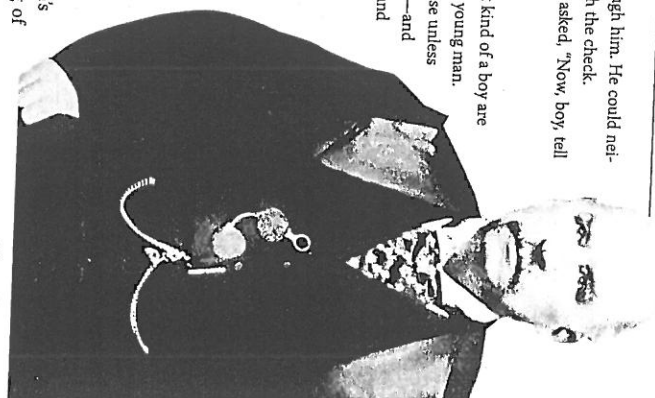
Morgan's lesson on the importance of getting facts and figures straight made a strong impression. Although young John knew nothing of bookkeeping and admitted that he was "the worst dub of the whole class of mathematics," he soon became adept at chalking up stock quotations as they came across the ticker at Spencer Trask; and he developed the ability to add up all the columns of figures in the firm's daily currency balance in less than half an hour (a task that first took him ten hours to complete).

This led to his eventual promotion to head of the firm's statistical department and to the successful publishing of Moody's Manuals.

LEARNING FROM PEABODY . . . AND NIETZSCHE

Among all his early mentors in nineteenth century Wall Street, Moody learned the most from his cousin George Peabody, a man of integrity and forceful personality. Peabody was surprisingly liberal. He introduced Moody to progressive thinking, Democratic politics, and the rather radical economics of Henry George. (George was known for his proposal that government funds be derived mainly from a "single tax" on real estate appreciation.)

It was probably through Peabody's influence that Moody in 1896, at age 28, made his debut as a public speaker. In twenty or more cart-tail harangues during the first Bryan-McKinley campaign, he recalled, "I did my little bit, as a Gold Democrat, to keep Bryan out of the White House."



When a bashful young John Moody first encountered J. P. Morgan while working as errand boy on Wall Street, he was mortified. But Morgan's words taught him a lesson he would remember for the rest of his life.

Peabody retired from investment banking in 1906 (age 54) to devote the remainder of his life to altruistic activities and public service, including advocacy of George's single tax, education of African-Americans, and founding of the now famous Peabody Awards for investigative journalism. But before leaving life on Wall Street, he taught Moody an important lesson about the value of boldness and decision in business life.



George Foster Peabody was, for a decade, Moody's mentor on Wall Street and the man who taught him the importance of boldness and decision in business life. A prominent figure at the investment banking firm of Spencer Trask, and a family relation, Peabody helped young John get a job at the firm in 1890. Peabody is best known today as the founder of the Peabody Awards for Journalism.

Even after several years on the Street, Moody says that he was still "a small, unassuming chap, timid and diffident, greatly lacking in courage and self-confidence." But one day during the troubled panic years a certain transaction had been bungled by one of the clerks at Spencer Trask. Moody knew all about it and Peabody knew that he knew. Asked why he hadn't attended to the matter, Moody replied that he possessed no authority to do so. Peabody turned to him and said: "Young man, you will never get anywhere in business if you wait for authority to come to you."

A few months later a similar situation occurred when Peabody was on a trip west, but this time Moody attended to it. On his return, Peabody demanded to know who gave him the authority to carry through the transaction. Moody replied: "Why, as you say yourself, all real men assume authority; only dunces wait to have it conferred." After a moment, Peabody exclaimed: "Capital! You are waking up!"

Meanwhile, Moody was continuing his self-study program outside the confines of Wall Street finance. In the late 1890s, he joined the Sunrise Club in New York, the members of which included all sorts of forward thinkers. He recalled that he adored Walt Whitman and his *Leaves of Grass*. His Bible then was Herbert Spencer; his books of devotion "Ibsen, Nietzsche, and the like." His reading had turned to "deep sea thinkers"—Bacon, Locke, Descartes, Hegel, Schopenhauer, and Kant in philosophy. These were "the days of half-baked erudition," Moody recalled. "In a little while I was as much of a 'nut' as any."

But things were beginning to stir in Wall Street, and in Moody's head. During the latter half of the 1890s, the US economy was bouncing back from depression and banking houses were rehabilitating, reorganizing, or merging bankrupt or

broken-down railroads, industrials, and public utilities. Alert to trends, Moody struggled to build up an efficient statistical department, compiling statistics on the new companies and their securities for use at Spencer Trask. And in 1896, he played a minor role at the firm in helping Adolph Ochs to take control of the *New York Times*, and to head the revitalization that Moody's bosses, Messrs Trask and Peabody, aimed to bring about for this important Democratic newspaper.

At about the same time, Moody began turning to more practical-minded, utilitarian reading in economics, business literature, and modern finance. He also assumed the role of head of his family. As Bayonne was becoming an industrial center, he moved his family to a better house in Cranford, New Jersey, "a pretty little

OCHS AND MOODY SAVE THE TIMES

The following is an excerpt from an article published in The New York Times, February 2, 1958 on the occasion of the nineteenth anniversary of Spencer Trask & Company, the firm where John Moody worked during 1890s.

In the summer of 1896 there was a meeting in the offices of Spencer Trask & Co., then at 27 Pine Street, of two men who later became known internationally in publishing. One was Adolph S. Ochs, who was to become publisher of *The New York Times*. The other was John Moody, who was to become publisher of Moody's Investors Service.

Spencer Trask and his chief associate, George Foster Peabody, were members of a banking group that later bought *The New York Times*, then in receivership. John Moody was then a young financial researcher for the firm.



Adolph S. Ochs
Publisher of *The New York Times*, 1897

When a visitor from Chattanooga—it was Adolph Ochs—came in to see Mr. Trask without an appointment, young Moody urged him to return at another time. Mr. Moody later recalled that Mr. Ochs insisted on waiting. After cooling his heels for some time, Mr. Ochs finally got in to see Mr. Trask. They were together for hours, and Mr. Moody in turn, had to cool his heels outside until they came out.

That meeting of Spencer Trask and Adolph Ochs clinched the future of this newspaper, which had been losing money for years. Mr. Trask wanted to hire Mr. Ochs at \$50,000 a year, but the Chattanooga visitor insisted upon control. Spencer Trask ended up by subscribing to 100 common shares, one of the few blocks of shares outside the Ochs family.