APPENDIX B

War Profits

What the war and Woodrow Wilson did for Wall Street is shown briefly by a few random figures.

At the end of 1913 the assets of the Du Pont company were $74,817,826; at the end of 1918 they were $308,846,297. Gross revenues in 1914 were $25,179,948. In 1915 they were $131,142,015, in 1916 they were $318,845,685, in 1917 they were $269,842,465, and in 1918 they were $329,121,608. Du Pont war dividends equaled 458 per cent on the par value of the original stock.

The Standard Oil Company of New Jersey until 1918 carefully concealed its profit, but in that year it reported net income of $45,125,569, or as much as all the constituent Standard Oil Companies annually earned before the dissolution decree of 1911. Net profits of the Standard Oil Company of New York were $7,735,919 in 1914; in 1915 they jumped to $36,638,495, in 1917 to $30,000,673, and in 1918 to $28,642,388. Net profits of the Standard Oil Company of California in 1914 were $10,058,388; in 1916 they had risen to $17,605,304, in 1917 to $18,649,630, and in 1919 to $31,062,768. In 1914 the Standard Oil Company of Indiana had net profits of $6,590,924; in 1916 the profit was $30,043,614, in 1917 it was $43,808,930, and in 1918 it was $43,263,877. The other Standard Oil units experienced similar gains; each of the largest splinters of the old Standard Oil Trust were turning in greater earnings than the parent company before 1911. Profits of the thirty-two constituent units of the old Standard Oil Company in 1918 were about $450,000,000.

But the cream of this jest appeared after the war, when the biggest Standard Oil profits were still to come; for the automobile was now coming into general use and Standard Oil was in a strategic position to take advantage of the new vehicle. Before the war the
Rockefeller profits came mainly from sales of kerosene; during the war they came from the sale of crude petroleum; after the war the biggest profits of all were to come from the sale of gasoline drawn from regions that had been, of course, once a part of the public domain.

The industrial enterprises of J. P. Morgan and Company followed the upward wartime course of its many banks. Profits of United States Steel, which in 1914 were $23,496,768, in 1916 stood at $271,531,730, in 1917 at $224,219,565, and in 1918 at $137,532,377. Assets in 1914 were $1,765,257,492; in 1918 they were $2,571,617,175. There had been a deficit for the common stock in 1914, but in 1915 the common stock earned 9.96 per cent, in 1916 it earned 48.46 per cent, in 1917 it earned 39.15 per cent, and in 1918 it earned 22.09 per cent. From 1915 to 1919 inclusive the United States Steel Corporation paid dividends of $355,000,560.

The activities of J. P. Morgan and Company—and its profits—were not confined to United States Steel, however. The American Telephone and Telegraph Company completed the job of acquiring almost all the telephone companies of the nation; during the war it was saved serious embarrassment when the government gave permission to raise telephone rates. The International Telephone and Telegraph Company, the Radio Corporation of America, and the American and Foreign Power Company were launched, and preparations were made for further coups in the roaring twenties. The wartime gains of J. P. Morgan and Company and its associated families were, indeed, so vast as to defy proper description.

The copper industry, its executives buying copper for the government, were not behind the procession. Anaconda Copper, successor to Amalgamated Copper (its three leading directors still were Nicholas F. Brady, son of Anthony, William Rockefeller, and Henry H. Rogers) saw its assets rise from $141,400,798 in 1914 to $254,194,633 in 1919. In 1914 its net income amounted to $9,198,420, or 7.86 per cent on the common stock. In 1915 net income was $16,695,807 or 14.27 per cent; in 1916 it was $40,828,476, or 43.61 per cent; in 1917 it was $25,203,751, or 21.74 per cent, and in 1918 it was $20,802,870 or 18 per cent.

The assets of the Phelps Dodge Corporation, successor to Phelps,
Dodge and Company, in 1914 stood at $59,236,053 and in 1918 at $241,432,427, representing an increase rivaling that of the Du Pont Company. In 1914 net income was $6,664,839, or 14.8 per cent on the common stock. In the next four years, respectively, the company earned 21.6, 48.8, 37.6, and 22.8 per cent on the common stock.

Assets of the Morgan-Guggenheim Utah Copper Company were $39,557,108 in 1914 and $89,354,917 in 1918. Profits were $8,678,491 in 1914, $17,913,981 in 1915, $39,738,675 in 1916, $32,000,000 in 1917, and $24,750,000 in 1918. The 1917 earnings were 200 per cent and the 1918 earnings 150 per cent on the capital stock.

According to a Congressional report, *Expenditures in the Ordnance Department* (Sixty-sixth Congress, Report No. 1400), "The Calumet and Hecla Company in 1917 made a profit of $9,500,000, or 800 per cent of its capital stock, and in 1918 $3,500,000, or 300 per cent of its capital stock. The Inspiration Consolidated Copper Company in 1917 made a profit of $12,260,000, or 55 per cent of its capital stock, and in 1918 $9,250,000, or 40 per cent of its capital stock. The Kennecott Copper Company in 1917 made a profit of $11,826,000, or 70 per cent of its capital stock and in 1918 $9,250,000, or 60 per cent of its capital stock. . . ."

Professor Scott Nearing analyzed the earnings of other companies and found that the Republic Iron and Steel Company had an average profit of $2,500,000 in the three years before the war compared with $17,899,163 in 1916; the American Sugar Refining had an average profit of $2,000,000 for three years before the war compared with $6,000,000 in 1916; the Central Leather Company had a three-year average annual prewar profit of $3,500,000 compared with $15,500,000 in 1916; the General Chemical Company had an average annual three-year prewar profit of $2,500,000 compared with $12,286,826 in 1916; the International Nickel Company had an average annual three-year prewar profit of $4,000,000 compared with $73,500,000 in 1916.

Assets of the International Harvester Company, which stood at $126,341,792 in 1914, aggregated $283,218,992 in 1918. Profits rose from $4,262,595 in 1914 to $24,395,696 in 1917 and to $26,713,326 in 1918.

The Mellons cannily neglected to place upon the record wartime
earnings of their Gulf Oil Company and Aluminum Company; but that their rate of growth was similar to that of other corporations cannot be doubted.

The United States government, like the majority of its people, found its financial position hopelessly compromised at the end of the war. Unlike the dominant families, it was not richer; it was poorer. In 1914 the national debt was $967,953,000, or $9.88 per person. At the end of the war it stood at $24,061,000,000, or $228 per person. Although the direct cost of the war in round numbers was $36,000,000,000, this was not the full cost; for the costly and profound social derangement that took place in the years after 1929 must be assessed as part of the war cost. Including the expense of rehabilitation in the 1930's, the cost of the war was approximately $75,000,000,000 to the people of the United States. About half the direct war expense was contracted in making loans to the Allied governments so that they could buy materials through J. P. Morgan and Company, which profited by an admitted $30,000,000. Today the total of this indebtedness stands in default, repudiated by the sovereign governments of England, France, and Italy. This money, amounting to $13,736,000,000, it is well to stress, is not in European hands; it belongs to Morgan, Rockefeller, Du Pont, Mellon and similar groups.

In 1914 the total estimated wealth of the nation was $192,000,000,000; under the stimulus of the war and the postwar period this estimate rose to $362,000,000,000 in 1929, a year when 2,000,000 citizens were totally unemployed. In 1900 labor, according to government computations, received seventeen and one-half per cent of the value of the products it produced; but in 1929, notwithstanding fifteen preceding years of extravagant industrial and financial development, it received only sixteen and one-half per cent. Whereas industrial output rose by fifty per cent from 1920 to 1930, the total paid in wages rose only thirty per cent, meaning that the rate paid went down.

And by 1929 the situation had become such that, according to no fewer than six surveys by conservative economic agencies, three-fifths of the nation's material wealth was owned by two per cent of the citizens. And more than half the corporate wealth was owned by hundred companies. No survey of the many undertaken had any different result. In 1900 similar surveys indicated that the per cent
of the people owned slightly more than fifty per cent of the nation's wealth.

In other words, as the nation multiplied in riches its people as a whole became poorer. And this was not the result of chance. It came about according to a design similar to that which is found in T. W. Lamont's 1915 analysis with respect to the economic effects of the war on the wealth of the Wall Street community.

APPENDIX C

TOMAS FORTUNE RYAN secretly contributed $500,000 in a lump sum to the Democratic Party in 1900, according to his own testimony in the New York insurance investigation of 1905. This fact alone throws a curious light upon Bryan's "radicalism". Ryan later broke with Bryan.