III

The Politics of Pecuniary Aggrandizement:

1896-1912

Government has been the indispensable handmaiden of private wealth since the origin of society. And far from having embellished history with a significant exception, the government of the United States, without the camouflage of custom or tradition, ritual or dogma, Church or Aristocracy, has actually done more to prove the truth of this generalization than have all the governments of Europe.

So perfect, so thorough, has been the collaboration of politics and private fortune since the founding of the American colonies that it is difficult to ascertain from the data of any given period where political intrigue on behalf of specific private interest has terminated. Very early in the New World the vague idea of public welfare was seized upon to cloak the clear-cut material aims of a restricted few. The apology heard in due course was the familiar laissez-faire rationalization of European capitalism that the general good is subsumed in unfettered individual enterprise.

The first fortunes on the virgin continent were out-and-out political creations—huge tracts of land and lucrative trading privileges arbitrarily bestowed by the British and Dutch crowns upon favorite individuals and companies; what are now whole eastern cities, counties, and states were once simply private demesnes. The early royal grants—forerunners of tariffs; ship and airplane subsidies; doles to banks and railroads by the Reconstruction Finance Corporation; war contracts let on a cost-plus basis; public-utility franchises; imperial grants of vast stretches of public lands to railroads, mining, and land companies; tax-exempt securities, etc.—were the sole property titles of the newly created landed aristocrats.
The fomenters and directors of the war against England did not, by and large, give their economic allegiance to the land. They owned commodities, small factories, stocks, bonds, and bills, or were desirous of effecting such ownership and introducing nationalistic mercantile capitalism into America. The constitutional government they erected, under the leadership notably of James Madison and Alexander Hamilton, was consciously designed to fortify the newer forms of property and at the same time to retard popular political movements.

The Constitution, written in the furtive atmosphere of a coup d'etat during secret deliberations of a convention called merely to regulate commerce, was received with hostility by the populace, which forced the precipitate addition of the first ten amendments. The document provided for a government of ostensible checks and balances (but really, as a wit has said, of all checks and no balances), and at the same time guaranteed the utmost freedom, unchecked and unbalanced, to propertied interests. In short, the government itself was tightly laced into a strait jacket, while private economic enterprise was given unprecedented freedom to establish and develop a strong informal government outside the bounds of formal government—a de facto government beyond and behind the government de jure.

"The result . . . is a modern government that is about five times as inflexible, and much less democratic, than the government of Great Britain." 2

Through the decades leading to the Civil War the fuel of political strife was provided by the propertied classes, who not only bickered incessantly among themselves about the priority of the landed province over the commercial province, and vice versa, but also provoked in the economically disfranchised farmers and mechanics resentment mirrored most broadly in the Jacksonian Democracy. When a series of political defeats at the hands of the northern industrialists and merchants eventually became ominously foreboding, the Southern planter faction did not hesitate to draw the sword. The Civil War began as a counterrevolution, but ended as a revolution.

The triumph of the North in the war, forever dislodging the landed gentry from political power, brought sweeping authority to the tariff-minded industrialists—authority that has since been seriously disputed, and then in purely parliamentary fashion, only by the
Western agrarians under William Jennings Bryan, who had mis-
taken their true class interests when they helped crush the South.
From 1865 to 1896 the essentially revolutionary rule of the industrialists was unbroken.

The evolutionary phase in which the dominion of the industrialists regularized itself and shaded off into the rule of finance capitalists began to assume shape in 1896.

Marcus Alonzo Hanna, commissar extraordinary of John D. Rockefeller, became the political architect of the new era, whose unique characteristics have been a tremendous drive into foreign markets, unprecedented industrial consolidation, expansion of the mass-production industries to a staggering degree, the unexampled application of technology to production, and the fateful gravitation of the nation's producing resources as well as its political apparatus into the hands of bank capitalists. But although nascent finance capital made its first bid for dominance with the national emergence of Hanna, not until 1920, with the election of Warren G. Harding to the presidency, did it seize upon undivided suzerainty.

In the three decades preceding the advent of Hanna in Washington, the grip of the new special interests upon government had been extemporaneous, unorganized, individualistic; under Hanna the hold was made conscious, formal, and systematic, to be exercised with careful premeditation on behalf of the whole clique of big industrial proprietors. Before Hanna the fledgling industrialists had prompted the two dominant political parties in hoarsely contradictory and discordant voices from the outside (although they did have obliging friends in office); under Hanna the industrialists and bankers moved in, a consolidated body, and constituted themselves the two political parties. Before Hanna the unconstitutional control by the industrialists had been furtive, half ashamed, and vehemently denied even in the face of the most damning evidence; under Hanna the control was for the first time brazenly admitted and, cynically or sincerely, justified on the pretense that it was in the national interest. Control, it became obvious to the magnates, had to be wielded openly, as a prescriptive right of big capital, rather than covertly; otherwise, the rising chorus of protest might develop into an overwhelming mass movement.
After Hanna crude bribery by men of wealth was no longer a prime essential to the control of government; first, because the men placed in the highest public offices from McKinley through Hoover were all the political creations of the wealthy; and, second, because the community of wealth had finally obtained the rich treasure trove it had been ceaselessly seeking in the maze of frauds and trickeries that extended from the Civil War to the end of the century.

This treasure was simply the public domain, consisting of vast lands owned by the citizenry. In 1860 more than half the land area of the nation was held in trust for the people by the government, but by 1900 fully nine-tenths of it had been given away, under the stimulus of corrupt payments, to railroads, mining syndicates, speculative land enterprises, and homesteaders. Whatever of more than average value fell into the hands of the latter innocents was soon taken away by mortgage or by fraud, by force or by wit, by hook or by crook. It is a challenging fact that most of the natural resources owned today by the United States Steel Corporation, the Aluminum Corporation, the Standard Oil Company, the railroads, and, in fact, nearly all private corporations, were in 1860 communally owned under political auspices.

Every great fortune that rolled out of the nineteenth century was rooted in fraud; and the literature and documentation in proof of this broad statement is voluminous. "In their absorbing passion for the accumulation of wealth," says David Saville Muzzey, a cool historian, "men were plundering the resources of the country like burglars looting a palace." Fraud and trickery were the revolutionary devices resorted to by the northern industrialists to complete the job begun by Grant's cannon and bayonets; by fraud a realm oozing riches, and far surpassing in value the Russian Empire seized by the Bolsheviks, was wrested from the American people in the years 1860-1900. Whereas in the Civil War it was the Southern planters who were mowed down and summarily divorced from their property, in the postwar decades it was the farmers, laborers, professionals, and small merchants who were indirectly expropriated by unscrupulous, revolutionary improvisation upon the Constitutional machinery. That there was universal popular approval for the dismemberment of the public domain does not alter the fact that it was the common people,
ever slow to comprehend their true economic interest, who were despoiled.

It cannot be contended that the opening of the public domain to private exploitation, the erection of a protective tariff that grew higher with the years, and the enactment of many other special measures of value to fortune seekers were without material benefit for the nation. The stimulus given cupidity and avarice by loose governmental policies did bring about a rapid construction of a crude but serviceable society. But the price exacted by the industrialists for their entrepreneurial activity savors of the price wrung by Mephistopheles from Faust. The industrialists simply claimed, in exchange for material improvements, the nation's soul in perpetuity.

The Standard Oil Company was conniving with the chieftains of both parties before 1880. John D. Rockefeller habitually contributed large funds to the Republicans in return for lucrative concessions; Colonel Oliver H. Payne, his partner, gave liberally to the Democrats, and did not hesitate to call upon them peremptorily for delivery of the political quid pro quo. James A. Garfield, the successful candidate for the presidency in 1880, anxiously asked an associate “if Mr. Rockefeller would be willing to assist.” Rockefeller gave heavily for the Garfield campaign, and Mark Hanna, the statesman of Standard Oil, sent four checks for $1,000 each to the Ohio State Republican Committee. “It was the settled policy of the company to use its money everywhere and anywhere, in state and national councils, to produce results.”

Some years later Henry Havemeyer, sugar magnate and son of a former Tammany mayor of New York, told the United States Industrial Commission that he habitually contributed to both parties. “We get a good deal of protection for our contributions,” he said laconically. Havemeyer was head of the American Sugar Refining Company, which in 1909 became notorious when it was convicted and fined $2,000,000 for having systematically cheated the customs office over a long period.

That the ingenious Hanna, with his Rockefeller tutelage, brought into American politics a new technique rather than a new philosophy may be seen from the size of the funds that have snared American votes since 1860. After Hanna started sculpturing political contours
with pecuniary tools the election funds merely became larger (but the stakes, too, were larger) and subject to more careful bookkeeping.

From 1860 onward the national party funds in presidential years alone have been as follows (figures down through 1908 from the New York World, October 28, 1924):

<table>
<thead>
<tr>
<th>Year</th>
<th>Republicans</th>
<th>Democrats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1860</td>
<td>$100,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>1864</td>
<td>150,000</td>
<td>50,000</td>
</tr>
<tr>
<td>1868</td>
<td>150,000</td>
<td>75,000</td>
</tr>
<tr>
<td>1872</td>
<td>250,000</td>
<td>50,000</td>
</tr>
<tr>
<td>1876</td>
<td>950,000</td>
<td>900,000</td>
</tr>
<tr>
<td>1880</td>
<td>1,100,000</td>
<td>355,000</td>
</tr>
<tr>
<td>1884</td>
<td>1,300,000</td>
<td>1,400,000</td>
</tr>
<tr>
<td>1888</td>
<td>1,350,000</td>
<td>855,000</td>
</tr>
<tr>
<td>1892</td>
<td>1,850,000</td>
<td>2,350,000</td>
</tr>
<tr>
<td>1896</td>
<td>16,000,000</td>
<td>425,000</td>
</tr>
<tr>
<td>1900</td>
<td>9,500,000</td>
<td>425,000</td>
</tr>
<tr>
<td>1904</td>
<td>3,500,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>1908</td>
<td>1,700,000</td>
<td>750,000</td>
</tr>
<tr>
<td>1912</td>
<td>*1,071,548</td>
<td>*1,134,848</td>
</tr>
<tr>
<td>1916</td>
<td>†2,500,000</td>
<td>†2,000,000</td>
</tr>
<tr>
<td>1920</td>
<td>$9,700,738</td>
<td>$2,537,750</td>
</tr>
<tr>
<td>1924</td>
<td>$4,370,409</td>
<td>$903,908</td>
</tr>
<tr>
<td>1928</td>
<td>xx9,433,604</td>
<td>xx7,152,511</td>
</tr>
<tr>
<td>1932</td>
<td>††2,900,052</td>
<td>††2,245,975</td>
</tr>
<tr>
<td>1936</td>
<td>†††8,892,971</td>
<td>†††5,671,118</td>
</tr>
</tbody>
</table>

The two administrations of Democratic Grover Cleveland (1884-1888; 1892-1896) were more tightly interlocked with the community of industrial wealth, both in personnel and in general policy, than any which preceded; they foreshadowed, tentatively, what was to come under succeeding Republican administrations. Significantly, the slush funds of the Democrats in the years of the two Cleveland triumphs exceeded those of the Republicans.

* Sen. Priv. & Elec. Com., 1913, p. 1504
† N. Y. Times, Sept. 7, 1924
‡ Kenyon Committee Report, 1920
§ Borah Committee Report, 1924
xx N. Y. Herald Tribune, March 1, 1929
†† N. Y. Times, Dec. 13, 1933
††† N. Y. Times, Mar. 5, 1937
Cleveland's Secretary of the Navy was William C. Whitney of New York. The husband of Oliver H. Payne's daughter, he was the father of Harry Payne Whitney, Payne Whitney, Lady Almeric Paget, and Mrs. Willard D. Straight (now Mrs. Leonard K. Elmhirst). He began his ascent to riches in 1872 as an inspector of New York schools; in 1875 he became City Corporation Counsel. Originally an anti-Tammany man, he was metamorphosed into the confidential Rockefeller link to Boss Richard Croker of Tammany Hall, and for years was Croker's chief mentor and political guide. He was the Rockefeller pipeline into the Cleveland Cabinet. "... Grover Cleveland said more than once to friends that he owed his nomination to Whitney." Whitney spent a small fortune on Cleveland's three presidential campaigns, and was a prime example of those magnates who rose to pecuniary eminence not through any economic contribution of their own but through their political positions and their willingness to use these positions for private gain. Of such politicians there have been not a few, and among them were Thomas Fortune Ryan, Oliver H. Payne, Anthony N. Brady, William Elkins, and Peter A. B. Widener.

Whitney achieved wealth, in partnership with Ryan, by pyramid ing securities of the Metropolitan Street Railway, which owned the Broadway and other franchises in New York. The World, under the able Pulitzer, had revealed the corrupt circumstances under which the so-called "boodle" aldermen in 1884 voted this franchise to one Jake Sharp. The revelation upset the deal, but the franchise remained, and was quietly appropriated by Whitney, Ryan, and Brady, who added to it, in collaboration with Tammany, many other franchises. The eventual, inevitable collapse of the Metropolitan Street Railway, into which a wide circle of Democratic insiders had been invited, including William Randolph Hearst, brought severe losses after the turn of the century to thousands of small investors. By that time the Ryan-Whitney-Brady gang had joined the Rockefellers in the exploitation of the Third Avenue Railway Company, allied with the Metropolitan Street Railway through the Metropolitan Securities Company.

During his second term Cleveland accepted fiscal advice from J. P. Morgan and August P. Belmont, both frequent callers at the White
POLITICS OF AGGRANDIZEMENT: 1896-1912

These two bankers induced Cleveland to issue to them government bonds in exchange for gold, which was immediately bought back from the Treasury by the jocund Wall Street banks, thereby necessitating more bond issues. Cleveland sold the bonds privately to the bankers, who promptly resold them at heavily advanced prices. Negotiations with the government for the bond issues were conducted on behalf of J. P. Morgan and Company by its attorney, F. L. Stetson, who had been Cleveland’s law partner.

Pulitzer’s hard-hitting World ended the lucrative devilry by demanding public bids and offering to buy $1,000,000 of government securities at top prices. This forced the introduction of public bidding, but not before Cleveland had sold $162,000,000 of securities to the bankers, who netted profits of more than fifteen per cent.

Cleveland’s most revelatory action on behalf of Wall Street came, however, in 1894 when he trampled upon the Constitution by sending Federal troops into Chicago, unsolicited by the Governor of Illinois, under the pretense of protecting the mails but really to break the Pullman strike. The troops caused the first violence.

After Cleveland left the presidency he was, at the suggestion of J. P. Morgan, made a trustee of the Harriman-Ryan Equitable Life Assurance Society, when the company needed an eminent sponsor during the insurance scandals of 1905. In 1900, recent testimony indicates, Cleveland was a participant in a stock market pool with Oliver H. Payne, William C. Whitney, and Calvin Brice, Senator from Ohio (1890-1897) and promoter of the Nickel Plate Railroad.

II

McKinley, like Taft and Harding, came from Ohio, the seat of the Standard Oil empire. From the time his affable personality first attracted Hanna in 1876, he enjoyed Rockefeller support. In 1891 Hanna procured for Congressman McKinley, whose name graced the highest tariff yet enacted, the governorship of Ohio.

Hanna’s Rockefeller affiliation, in 1891, was intimate and of long standing. Rockefeller, who received his early schooling in Owego County, New York, became a schoolmate of Hanna’s at Central High School, Cleveland. Hanna’s coal and iron business for
many years was closely allied with the Pennsylvania Railroad, from which Standard Oil got some of its juiciest secret freight rebates and in which the Rockefellers came to own stock; at Rockefeller's personal request Hanna at an early date relinquished to Standard Oil a petroleum enterprise in which he held an interest; friends and relatives of Hanna's were direct investors in the closely held Standard Oil Trust; and, emphasizing the Hanna-Rockefeller political juxtaposition even more positively, on November 21, 1890, Hanna, at Rockefeller's solicitation, wrote to David K. Watson, Attorney General of Ohio, and ordered him, upon pain of political destruction, to proceed circumspectly about pushing a dissolution suit against Standard Oil. Watson stubbornly went ahead with the litigation, was offered a $100,000 bribe by Standard Oil, spurned it, and was ushered into political oblivion. His successor, Francis S. Monnett, was offered $400,000 to quash the same action; he, too, refused and was removed. The litigation was stopped in 1900 by a subservient attorney general placed in office by Hanna to handle this particular job. The Rockefellers, incidentally, habitually smashed unpurchasable public officials, just as the Morgan-Widener-Yerkes traction ring in Illinois smashed Governor John P. Altgeld for declining to approve perpetual traction franchises in Chicago.

Many of Hanna's political favorites, notably Joseph B. Foraker, as it later came to light, were simply Standard Oil stipendiaries. Hanna himself had ample personal means.

McKinley became as thoroughly implicated as his preceptor in the destinies of Standard Oil. In 1893, while Governor of Ohio, he went bankrupt, but was secretly salvaged by a syndicate comprising Mark Hanna, Myron T. Herrick, Samuel Mather, Charles Taft, Henry C. Frick, Andrew Carnegie, and others. Hanna frequently lent money to Governors Foraker and McKinley while they were in office. After his elevation to the White House, McKinley, to make room for Hanna in the Senate, designated as his Secretary of State the octogenarian Senator John Sherman, of Ohio. Sherman did not remain long in office, because it soon became sadly evident that he was not in full possession of his mental powers.

But Sherman had well served the Rockefellers and other Wall Street denizens in his long political career. It was Senator Sherman
who in 1875 put through the Specie Resumption Act; and Henry L. Stoddard, New York Republican newspaper publisher for many decades, notes in his memoirs that Sherman’s “relations with the First National Bank of New York [Baker] were so close during the resumption crisis that that institution was popularly called ‘Fort Sherman.’”

At Hanna’s elevation to the Senate in 1897 by the Rockefeller-controlled Ohio Legislature there was the usual raucous accusation of fraud which followed nearly every election; but the Senate, firm in the grip of Boss Aldrich of Rhode Island and Hale of Maine, refused to investigate, even though one Ohio legislator swore that he had been given $1,750 for his vote, and even displayed bank notes he said he had been given.17

The installation of men in high offices by corrupt means was no novelty; especially was it no novelty in Ohio. Oliver H. Payne, the Senator’s son, had seated himself at a desk in the Ohio Legislature, and, like a gambling-house croupier, gravely apportioned $65,000 for the votes that sent his father to the United States Senate to act for the glory of Standard Oil.18

Wall Street, despite the gold-embossed bona fides of McKinley, favored the nomination in 1896 of Levi P. Morton, Vice-President of the United States from 1889 to 1893, president of the Morton Trust Company, Governor of New York, and long entangled in many shady deals. Morton was touted by the Morgan clique, but McKinley captured the Republican nomination through Hanna’s shrewd planning. It was not, however, until Hanna on August 15, 1896, met James J. Hill, railroad factotum of the Morgan camp, that the entire financial community rallied behind McKinley. Hill offered to introduce Hanna in Wall Street, and in five days the two henchmen collected all that was necessary to buy decisive blocs of votes and to regiment the opinion of an ignorant electorate.19

The meeting between Hanna and one of Morgan’s many scouts was hardly accidental, for Rockefeller shortly before had transformed himself into a bank capitalist. Starting as a mercantile capitalist, then becoming an industrial capitalist, John D. Rockefeller early in the nineties veered with the trend and bought stock in the National City Bank of New York, then the largest financial house in the
country. For more than two decades the name of James Stillman, president of the National City Bank, was to be synonymous with the name of Rockefeller.

The precise proportions of the Republican slush fund of 1896 never became known, although the Evening World set the figure at $16,000,000. The magnates, frightened by the threat of the grim-faced Bryanites, threw money about like sailors in a brothel. Herbert Croly, Hanna's biographer, estimates the election fund at $3,500,000, but his surmise related only to the national committee collections; funds were independently dispatched by the magnates to the state and county committees, and were personally conveyed to senatorial and congressional candidates. It is an established fact that vast sums about which the general public seldom hears are used to prostitute virtually all elections.

The Standard Oil Company flung $250,000 into the political caldron. "... In 1896 every bank and trust company in New York but one, and most of the insurance companies, made contributions to the Republican national committee," the late Cornelius Bliss, Sr., Republican treasurer and Secretary of the Interior under McKinley, told Judge Charles H. Duell of New York, assistant Republican treasurer in 1904. Each of the three leading insurance companies—the New York Life (Morgan), the Mutual Life (Rockefeller), and the Equitable Life (Ryan-Harriman)—generously coughed up their policyholders' funds. Life insurance at that time was much more of a "racket" than it is now under comparatively stringent laws. The insurance companies, as it was revealed later in the Hughes investigation (forced by the trumpetings of Pulitzer's World), made a fine art of political and miscellaneous venality. The Mutual in 1904 disbursed $364,254 for corruption, the Equitable $172,698, and the New York $204,109; the Equitable had been giving $30,000 annually to the New York State Republican Committee for several years.

"The men whose hands went deepest into their pockets understood in general that if the Republicans won, the politics of the country would be managed in the interest of business—a consequence that was acknowledged by all the Republican speakers and by none so frankly as by Mark Hanna."
Under the triumphant McKinley the antitrust law, of course, remained a dead letter, for no one was more endangered by it than the Standard Oil Company. Monetary policy under McKinley was also precisely what the magnates had ordered, gaining formal expression in the Gold Standard Act. Tariffs in the Dingley Tariff Act were jacked up to 49½-52 per cent, in accord with the desires of Big Business. Vital legislation in the McKinley Administration passed through the hands of Senator Nelson W. Aldrich, chairman of the powerful Senate Finance Committee, who placed his blessing upon the Dingley Act.

Seven Presidents served under Aldrich, Republican Senate whip. Destined to become young Rockefeller’s father-in-law, Aldrich had as unsavory a record as one could conceive. McClure’s Magazine, February, 1905, revealed that the whole Rhode Island political machine, dominated by Aldrich and General Charles R. Brayton, was corrupt in every detail; that the majority of state senators were bought; that Brayton, Aldrich, and Marsden J. Perry manipulated the legislature, gave themselves perpetual public-utility franchises, and passed unrepealable laws worth millions to themselves. When Aldrich gave up his wholesale grocery business in 1881 to enter the Senate he was worth $50,000; when he died, after thirty years in politics, he was worth $12,000,000.26

The war with Spain, precipitated by journalistic stimuli, distracted the country from its multiplying social grievances in the first years of the McKinley Administration, but McKinley was scarcely hustled into the war against his will. In 1896 he exchanged letters with Whitelaw Reid, owner of the New York Tribune, and both agreed that the United States would have Cuba; but both favored the postponement of an armed struggle with Spain. Assistant Secretary of the Navy Theodore Roosevelt and Senator Henry Cabot Lodge, both of whom enjoyed political life only by virtue of J. P. Morgan’s pleasure, were the nucleus of a jingoistic Washington cabal that boldly espoused the war and, indeed, worked indefatigably to provoke it.27 Secretary Roosevelt from his first day in office feverishly prepared the Navy for this particular conflict, and it was Roosevelt who secretly, and on his own responsibility, ordered Dewey’s descent on
Manila, although the status of the Philippines was not an avowed issue.

All the magnates deplored the war—in public. But although Morgan and Carnegie professed themselves against the war, Lodge and Roosevelt did as much as Hearst and Pulitzer to bring it on. And Senator Joseph B. Foraker and Representative Joseph Bailey, both in time disclosed as outright hirelings of the Standard Oil Company, daily, while the decision hung in the balance, demanded a declaration of war.

The inner motivation with respect to this war has not yet been brought to light in documentary form. But these facts are certain: Rockefeller's paid henchmen on the floor of Congress wanted the war; Hearst and Pulitzer demanded it; Roosevelt and Lodge forced it; McKinley and Hanna acquiesced in it; and the Rockefeller-Stillman National City Bank benefited most directly from it, for Cuba, the Philippines, and, indeed, all of Latin America soon afterward became dotted with National City branches, and the Cuban sugar industry gravitated into National City's hands. Moreover, all of Wall Street, its eyes upon South America's rich mineral resources, wanted the Isthmian Canal built; and Cuba and Porto Rico bore a strategic relation to the control of such a canal.

The National City Bank during McKinley's incumbency was, significantly, more closely involved in Administration affairs than any other bank, and Lyman J. Gage, the Secretary of the Treasury, was widely looked upon as a National City man. Gage took Frank A. Vanderlip, financial editor of the Chicago Tribune, to Washington as his assistant. From this post Vanderlip stepped into the National City Bank, eventually assuming the presidency of the institution. Gage, upon leaving the treasury, was made president of the United States Trust Company by James Stillman.

After the brief hostilities, the process of trust building to which Hanna was wholeheartedly committed began in deadly earnest. In 1899 alone there were launched no fewer than ninety-two corporate trusts, including the Standard Oil Company of New Jersey. Nothing like it had ever been seen before.

The new combinations, however, were not "trusts" in the old sense of the term. They were really holding companies which, thanks
to purposely contrived state laws, were enabled to do anything under the sun. The old Standard Oil Company and about a dozen others, including the American Sugar Refining Company, were the "trusts" from which the name derived. Rockefeller's enterprise was actually named the Standard Oil Trust; it was a device whereby the Rockefeller partners, holding the shares of forty affiliated concerns under trust agreements, voted the stock without consulting the actual owners.

The practice in the new holding-company era was for a banking group, usually led by J. P. Morgan and Company, to induce the dominant families of competing enterprises to exchange their holdings for cash or for stocks and bonds in a consolidated enterprise. Securities of the new companies were then peddled like fish to a gullible public properly primed by glowing newspaper and magazine articles. The proceeds went to original owners of the constituent companies and, in the form of fat commissions and fees, to the bankers. The Morgan syndicate that floated the United States Steel Corporation in 1901 exacted a fee of $62,500,000 according to the United States Bureau of Corporations, whereas the tangible value of the entire property was only $682,000,000; the new securities had a face value, however, of $1,400,000,000. Similar fees were charged for merging companies into the General Electric Company, the International Harvester Company, and the American Telephone and Telegraph Company.

Most of the new securities, as in the case of United States Steel, represented at least half "water," which made it impossible for many corporations, United States Steel included, to show even conservative earnings on the overcapitalization; many of the new contrivances simply exploded in the bankruptcy courts during the ensuing three decades. Even where the combinations endured, the securities frequently sank in market value toward the zero mark. Small investors, again prompted by florid newspaper accounts, cleared out like frightened geese, with heavy losses, while the manipulators and original owners retrieved the depreciated holdings at far less than their true potential value.

The business operated with the planned precision of a great mili-
tary campaign, and the gains of the promoters in the period 1899-1909 exceeded in value the plunder of many great wars.

The census of 1900, with McKinley's first term ending, showed that 185 of the new combinations, with $3,000,000,000 of capital, controlled one-third the manufacturing resources of the nation. The securities of one hundred of these companies in October, 1903, on the other hand, showed a shrinkage of forty-seven per cent in market value from the high prices of 1899 and 1900. United States Steel sank from $40 to $8 a share, with a corresponding loss to thousands of investors.

III

McKinley triumphed again in 1900 because the tinsel of a victorious war and a new tropical colonial empire draped his Administration, and there were impressionable spirits who imagined that they, too, would one day partake of the feast of the magnates. Again the President was backed by Hanna and the 1896 synthesis of rival financial forces, although the harmonious coalition was soon to disintegrate.

The composition of McKinley's Cabinet reflected the coalition that twice elected him. John Sherman was a Rockefeller-Hanna man from his boots up. John Hay, who succeeded as Secretary of State, was a Republican stalwart, former secretary of Abraham Lincoln. Cornelius N. Bliss, Secretary of the Interior, was a Morgan-Ryan slush-fund supervisor and a director of the Equitable Life Assurance Society. Elihu Root, who took the portfolio of war in 1899, was Ryan's attorney and became Morgan's; he had been Tammany Boss Tweed's lawyer and as such had been reprimanded by the trial court in the Tweed scandal for improper activities. Philander C. Knox was a Frick-Mellon man, a director in several Mellon banks that had long financed Frick's coke business, and the reorganizer of the Carnegie Steel Corporation as a holding company. "Mr. Frick's closest political associate was Philander C. Knox and far-reaching consequences were attributable to their mutual fidelity." Frick personally solicited of McKinley the Cabinet post for Knox. Gage, as we have seen, was a Rockefeller-Stillman man.

Knox and Root sat in the Cabinets of three Presidents, faithful
janizaries of the economic royalists. They later invaded the Senate to continue their boring from within. E. H. Harriman it was who gave away the secret of Root’s popularity in high circles when he said, “Other attorneys tell us what we can’t do; Mr. Root tells us what we can do.”

Joseph H. Choate, Rockefeller’s ablest attorney, who for years contested State and Federal dissolution suits against Standard Oil, was made Ambassador to Great Britain by McKinley; the aging Hay eventually succeeded him. As the rise of international finance capitalism made certain ambassadorial posts of vital importance we find after the 1890’s that nearly all the ambassadors to London, Paris, Tokyo, Berlin, Rome, and lesser foreign capitals are the trusted deputies of the Morgan, Rockefeller, Mellon, and other banking camps.

In 1900 the Standard Oil Company again gave the Republicans $250,000 over its name. The insurance companies, as usual, freely disposed of policyholders’ funds, of which they had more than the capital goods industries could immediately absorb. All the magnates again deluged the Republican Party with money, underwriting its success at the polls.

The Democrats, to be sure, notwithstanding Bryan and his Populistic cohorts, were not without the backing of private wealth in the campaigns of 1896 and 1900. William Randolph Hearst, heir to gold, silver, and copper mines, discovered that he could create a profitable sensation by supporting Bryan, whom most metropolitan newspapers vilified hysterically. Hearst in 1896 offered to match, dollar for dollar, the contributions of his readers, who sent in $40,000. Marcus Daly, head of the Anaconda silver enterprise and, with William A. Clark and F. Augustus Heinze, one of a group that corrupted Montana to the core, in 1896 raised $289,000 for the Democrats, whose prattle boomed speculation in silver shares. Four years later Bryan was borne aloft again by the same dubious elements.*

The assassination of the re-elected McKinley by an anarchist in September, 1901, befogged, temporarily, what had been a serene prospect for the votaries of Mammon. J. P. Morgan was thoroughly unnerved by the news. The Rockefellers, too, were stricken, for “they took the best medical advice after McKinley was shot and

* See Appendix C, page 500
determined that his chances for getting well were not good," according to James R. Phillips, Jr., president of the Butte and Consolidated Mining Company and an associate of Archbold, Rogers, and William Rockefeller in Amalgamated Copper. "They therefore sold out all their speculative holdings." 85

Only as recently as Inauguration Day, a fitting occasion, J. P. Morgan and Company had announced itself the syndicate manager for the Brobdingnagian United States Steel Corporation, so there was cause for Morgan's worry.

Not only was there consternation at McKinley's untimely death, but there were misgivings about Vice-President Theodore Roosevelt, who automatically became President. Roosevelt had done a good deal of bold talking about reform; but there need have been no questioning of his essential conservatism. In many ways it was a blessing for the magnates that Roosevelt replaced McKinley, for the new President's purely verbal radicalism was to hold in check the rising tide of social discontent as the reckless pyramiding of fortunes continued. McKinley had never been resilient enough to pretend hostility to the magnates while privately capitulating to their demands; but Roosevelt, a virtuoso at deception, is even today looked back upon as a great liberal and reformer.

Roosevelt had been boosted from the bottom to the top of his political career by the Morgan clique, but it was some time before the bull-headed Morgan learned to discount his gestures. He was in the vice-presidency, as a matter of solemn fact, because he was scheduled for political oblivion. His antics as Governor of New York had displeased many powerful personages, among them J. P. Morgan. As the latter's henchmen alone had advanced the Roosevelt political fortunes, Morgan had justification for being dissatisfied.

Roosevelt, after having served in the New York Legislature, had been nominated for the mayoralty of New York in 1886 by Chauncey Depew, president of the Vanderbilt's New York Central Railroad; the nomination was approved by Elihu Root and Levi P. Morton. 86 In 1897 Roosevelt became Assistant Secretary of the Navy upon recommendation from the same quarters but not before he had served as a Civil Service Commissioner under Presidents Harrison and Cleveland, and as Police Commissioner of New York City.
Roosevelt’s emergence as a press-created hero of the Spanish-American War was the only role not written for him in advance. His war reputation was joyfully capitalized, for in 1898 Thomas C. Platt, boss of New York State, was instructed by Depew to support him for the governorship of New York. The word of the New York Central Railroad was law; Roosevelt was placed in nomination at Saratoga by Depew, and was seconded by Elihu Root, not the least of whose accomplishments had been the writing, with Joseph H. Choate, of the New York State Constitution of 1893 that disfranchised a large area of New York City. The Roosevelt campaign was forwarded by State Republican Chairman Benjamin B. Odell, who succeeded as Governor and whom E. H. Harriman was brutally to stigmatize during the insurance investigations as his personal “creature.” Roosevelt won the election on the issue of “patriotism.”

“The campaign for Governor marked the first occasion on which the financial interests of the East contributed funds toward the election of Roosevelt. They did so again in 1900 and 1904. Donations were received from the Mutual, Equitable, and New York insurance companies as well as from the Metropolitan and Third Avenue Railways. Tom Platt boasted that he had collected $10,000 from J. P. Morgan. . . . The respectables were behind Roosevelt.”

As Governor of New York, Roosevelt proved he was no maverick. After he had prepared his second message to the Legislature in December, 1899, he responded to the promptings of Harriman’s agent, Odell, and greatly modified it. An even more revelatory course was flashed into view by the redoubtable New York World, which on March 13, 1900, flatly accused the Governor of having abused his power by shielding Thomas Fortune Ryan and the devious Elihu Root, then sitting in McKinley’s Cabinet, from the consequences of an unlawful act. The facts were these: Root was counsel to the State Trust Company when the bank made illegal loans in the amount of $5,000,000. One loan of $435,000 went to L. F. Payn, State Superintendent of Banks and Insurance, Wall Street’s major link to the Albany lobby, and Jay Gould’s former chief lobbyist and bribe dispenser. Another loan of $2,000,000 went to Daniel H. Shea, an office boy employed by Thomas Fortune Ryan, a director of the bank. Root, said The World, had passed upon the
legality of the loans; but Roosevelt did nothing to bring Root, Payn, or Ryan to answer before the law. Indeed, Roosevelt later was glad to welcome Root into his Presidential Cabinet.

Governor Roosevelt also winked at the notorious Erie Canal frauds.

Roosevelt, however, annoyed J. P. Morgan very decidedly by sponsoring the tax on franchises, which intruded theoretically upon the public utilities swindle. He also came to be feared as a formidable rival by Platt, who proposed to get rid of him by making him Vice-President. Roosevelt threatened to become a stumbling block to Platt “in the green valley of New York State politics.” 41 At the Republican convention of 1900, convinced that he was stranded politically, Roosevelt allowed himself to be sponsored for the vice-presidency by the wily Platt and the sinister Quay of Pennsylvania. His nomination was formally seconded by Depew, an accredited delegate. Quay, suspicious of the powers that had fallen to the Hanna-Rockefeller group and himself synchronized with the Mellon-Frick element, wished to encumber the Administration by saddling it with a supposedly headstrong person; Quay’s machine might, perhaps, also guide this person. As it worked out, Frick himself became one of Roosevelt’s private advisers and was subsequently offered a place on the Isthmian Canal Commission. McKinley and Hanna both objected to having the orally fiery Rough Rider on the 1900 ticket, but to no avail. 42 They succeeded only in making Roosevelt believe Standard Oil was inimical to his career.

By the time Roosevelt took the presidential oath the Morgan coterie was reasonably reassured about his intentions, for as Vice-President Elect the new Chief Executive had given a private dinner in December, 1900, in honor of no lesser personage than J. P. Morgan. This function “dispelled lingering doubts induced by Roosevelt’s fight for the franchise tax as governor. It enabled Mr. Morgan to proceed with entire confidence with his plans for the organization of the United States Steel Corporation.” 43

No sooner was he inducted into the presidency than Roosevelt entered into an agreement with Senators Aldrich and Hale, and their followers of the industrialist Republican Senate bloc, to continue without change the McKinley policies. In return he was promised their co-operation.
When Roosevelt's two terms are weighed it becomes patent that during this period, and with Roosevelt's collaboration, J. P. Morgan and Company and its clients made the greatest progress in their history. The evidence in support of this conclusion is crushing.

Roosevelt summoned the masters of the nation for advice on his initial message to Congress. The men who closely scrutinized his first state paper included A. J. Cassatt, president of the Pennsylvania Railroad, Nelson W. Aldrich, "Morgan's floor broker in the Senate," Mark Hanna, Elihu Root, and Philander C. Knox. With all the big clans represented, omissions and emendations desired by their spokesmen were promptly accepted. The presidential message as delivered was so ambiguous that there was speculation about its meaning throughout the country for many weeks. Its positive aspects were all in line with Wall Street predilections except for the recommendation that a new Department of Commerce and Labor be established; the Rockefellers did not like this, but Roosevelt, after 1900, did not like the Rockefellers. The "trusts" were mentioned; but that was all. The digging of an Isthmian Canal was recommended, and the reduction of sugar duties. Lower sugar tariffs were ardently sought only by the American Sugar Refining Company.

Roosevelt, throughout his term of high office, like a dutiful schoolboy, submitted all official proclamations to the magnates and accepted their rescripts. "He submitted a draft of his third annual message to James Stillman, president of the National City Bank, and promised to make changes in the passages referring to the currency question. He even invited Morgan himself to the White House. 'I should like very much to see you to talk over certain financial matters,' he wrote him on October 8, 1903." From 1902 to 1905 Roosevelt, as was disclosed by the Senate Privileges and Elections Committee slush-fund investigation of 1912, secretly corresponded with Harriman about appointments, public pronouncements, campaign contributions, and like matters. Harriman, a power in New York State, had a large voice in the Legislature and the office of Governor Odell. He was, moreover, allied with Kuhn, Loeb and Company, and was a factor, along with Thomas Fortune Ryan, in the Equitable Life Assurance Society.

The sense of security that reigned in the breasts of the money-
masters as the new President meekly took advice, and retained the corporation lawyers that were the pivots of the McKinley Cabinet, was apparently dispelled in February, 1902, when Roosevelt peremptorily ordered Attorney General Knox to file suit against the Northern Securities Company as a violator of the antitrust law. Knox, upon Roosevelt's solicitation, rendered the opinion that this great railroad combination violated the law. Coming from a Frick-Mellon man about a Morgan company his opinion suggests a maneuver behind the scenes. Knox had no principled objection to combinations.

The Northern Securities Company, incorporated some months before by J. P. Morgan and Company, represented an ambitious plan to consolidate the Northern Pacific, Great Northern, and Chicago, Burlington, and Quincy Railroads. On the day of incorporation there was a conference in the Morgan offices attended by the weighty parties to the transaction, who were George F. Baker, E. H. Harriman, James J. Hill, James Stillman, William Rockefeller, and C. S. Mellen, Morgan deputy in charge of the New Haven Railroad.

J. P. Morgan was said to have been thunderstruck by Roosevelt's fiat; he sought an audience with the President, and when he asked if the similar United States Steel organization was also to be assailed Roosevelt is said to have replied, "Not unless we find out . . . they have done something that we regard as wrong." 46 Roosevelt never did find anything wrong with United States Steel.

Elihu Root stepped out of the Cabinet to act as the Morgan-Hill defense counsel for Northern Securities, and succeeded in obtaining a purely technical dissolution decree from the Supreme Court on March 14, 1904. Justice Oliver Wendell Holmes, in a dissenting minority opinion, with delicate irony insinuated that, as the Sherman Act was a criminal statute and as the law had been admittedly violated, Morgan, Harriman, Hill, Stillman, and their colleagues could be prosecuted as common felons rather than merely spanked with a dissolution order. "No one, Roosevelt least of all, had any desire to start such prosecution . . . the 1904 campaign was approaching." 47

The true nature of this celebrated government "victory" over J. P. Morgan and Company was disclosed by the late Senator Robert M. LaFollette, who wrote, "The government's attorneys in preparing the decree omitted to provide for the dissolution of the combination and
conspiracy between the competing and parallel lines; and likewise omitted from the decree the provision that these competing lines be required thereafter to operate independently each through its own board of directors. The effect of the abortive decree was to leave the combination in full force and operation through a holding company or trust agreement. This defeated the very purpose for which the action was brought and left the Government nothing. Furthermore, the decision entered in that case operated to increase the capital stock of the monopoly one hundred million dollars as a burden upon transportation."

What Roosevelt's motives were in ordering the prosecution one cannot say. Perhaps Morgan secretly wanted the suit, for by the terms of the decree the Morgan-Hill ownership in the railroads was increased at the expense of Harriman. Certain it is that Roosevelt's dramatic act, notwithstanding its trivial outcome, established him in the popular fancy as a foe of entrenched wealth; certain it is that this popular misconception, strengthened by an immediate speaking tour, proved to be a decided political asset; and it is no less certain that this was the last time, as well as the first, that Roosevelt crossed swords in more than rhetorical fashion with J. P. Morgan and Co. Roosevelt's conduct thereafter was as though, having shown his independence for all to see, he could now let J. P. Morgan do as he pleased.

Roosevelt went out of his way, in a theatrical fashion, to strengthen the popular impression that he was hostile to Morgan. After the Northern Securities litigation, at a dinner of the Gridiron Club, an organization of Washington journalists, he pugnaciously shook his fist under Morgan's nose and said harshly, "And if you don't let us do this, those who come after us will rise and bring you to ruin." Reports of the affair could not, under the rules of the club, be written, but intimations were permitted to leak out; and editors thereupon spun out the great myth of Morgan's enmity toward Roosevelt, who was supposed to reciprocate it with interest.

While Roosevelt and Morgan shadow-boxed for public delectation, the Rockefellers were becoming increasingly suspicious of the new White House occupant, and quite justifiably. They tried to block establishment of the new Department of Commerce and Labor with
its Bureau of Corporations, but Roosevelt tripped them up with a celerity that displayed the power of the presidency—if put to use. He ended the clamor inspired by the Rockefellers by calling in newspapermen and telling them that John D. Rockefeller had sent to nine senators, including Hale, Spooner, Elkins, and Kean, telegrams which read: “We are opposed to the antitrust legislation. Our counsel will see you. It must be stopped.”

The Roosevelt-Rockefeller feud lent color to the popular misapprehension that the President was hostile to great wealth. But the mere composition of Roosevelt’s Cabinets showed that he bore no ill will toward the “plunderbund.” After the Northern Securities comedy Root returned as Secretary of State. George von L. Meyer, a director of the Old Colony Trust Company of Boston and an undercover agent of Morgan’s, was Postmaster-General from 1907 to 1909, when he took the portfolio of Navy under Taft. Paul Morton, president of the Santa Fe Railroad and, later, president of the Equitable Life, was Secretary of the Navy for a few months in 1904 when Roosevelt and Harriman, a major stockholder in Equitable Life and the dominant influence in Santa Fe, carried on a profound intrigue over Western territorial judicial and executive appointments. In 1909 Robert Bacon, Morgan partner with whom Roosevelt in his first term corresponded about affairs of state, moved up from Assistant Secretary to Secretary of State as Root stepped into the Senate. William Howard Taft, who had distinguished himself by his antilabor decisions on the Ohio bench, took over the War Department in 1904. Leslie M. Shaw, a wealthy Iowa banker, was Secretary of the Treasury from 1902 to 1907. For a brief interval Herbert L. Satterlee, Morgan’s son-in-law, was Assistant Secretary of the Navy.

Harriman, Morgan, Ryan, Mellon, and Frick all had their errand boys at the President’s elbow, but there was never a Rockefeller man in Roosevelt’s Cabinet, and this alone was enough to nettle Standard Oil.

IV

The Panama Canal project, conceived under McKinley but born under Roosevelt’s ministrations, involved powerful financial factions. It had always been understood in Washington that if an Isthmian
canal ever was built, it would cross Nicaragua, where the United States had acquired canal rights. A French company began digging early in the 1880’s across what is now Panama, but had long since abandoned work. In time, the chief creditor of this company became Philippe Bunau-Varilla, publisher of *Le Matin*, of Paris, and a speculator with a police record. Elihu Root privately referred to him as a member of “the penitentiary gang.” Bunau-Varilla, who knew a thing or two, in 1896 retained as his lawyer William Nelson Cromwell, of New York.

The Republican convention of 1900 had been on the verge of formally endorsing the Nicaraguan route, but Cromwell—by giving $60,000 directly to Mark Hanna for the Republican campaign of 1900 and charging the sum to the French company—blocked the endorsement. Hanna declaimed convincingly in the Senate on behalf of the hitherto unacceptable Panama project and Congress on June 28, 1902, passed the Spooner bill favoring Panama; but Senator Morgan of Alabama charged corruption, and recalled that Congress in 1899 had authorized the Nicaraguan Canal as traversing “the most practicable route.” Theodore Roosevelt, incidentally, had earlier gone on record as favoring the Nicaraguan route.

The abrupt abandonment of the Nicaraguan route by the Republican convention of 1900 constituted the first public recognition in North America that a canal along any other route was feasible. But there was a juicy plum for private sharpers imbedded in the Panama project; there was nothing extraneous in the Nicaraguan plan.

In May, 1901, the Isthmian Canal Commission, appointed by President McKinley to forward Cromwell’s scheme, appraised the unexercised rights of the moribund French company at $40,000,000. By a strange coincidence this was just what the French company claimed. Originally it had asked $109,141,500, but had scaled its price down because the engineering cost of a Panama Canal was estimated at $144,233,000 as against $189,864,052 for a Nicaraguan Canal; the reduced price of the Panama rights enabled the Republicans to bellow that the costs of both projects were the same.

The sum of $40,000,000 was eventually transferred by the government, through J. P. Morgan and Company, to the unidentified stockholders of the French company. “These rights, such as they were,
could doubtless have been bought for a much smaller sum, had there been a counter offer.” The money was paid, however, only after the government, with Roosevelt directing the conspiracy from behind the scenes, as he boasted many years later, had called upon the Navy to protect the synthetic revolution which terminated the sovereignty of Colombia over Panama.

Credit for the revolution was publicly taken by Bunau-Varilla who, with Cromwell, actually plotted the whole affair. Indeed, the New York World of July 5, 1903, foretold and gave the date of the revolt which took place as scheduled on November 3, 1903. Bunau-Varilla, who emerged as an official of the new Republic, was apprised in advance via Washington of the movements of American warships toward Panama, and informed his co-conspirators.

Two Congressional investigations failed to disclose the identity of the stockholders of the French company who got the $40,000,000 windfall, although Roosevelt, to appease critics, averred that Cromwell had privately given him the names. The suspicion was voiced that, if there were indeed stockholders, they were not the original investors for whom partial repayment had been solicited as an act of simple justice, but speculative chiselers who had bought up the depreciated canal shares in Paris for a song. This theory was based upon more than conjecture, for the Panama Canal Company of America, successor to the original company, was formed in 1899 by August Belmont, Kuhn, Loeb and Company, Levi P. Morton, and clerks in Cromwell’s law office. This new company got $15,000,000 of the $40,000,000 collected by J. P. Morgan and Company. Who behind the facade of the company shared with Cromwell and Bunau-Varilla was never established on the record, but from all appearances the whole Panama affair was a gamble on a shoestring for big stakes in which all the leading politicians of finance shared. Cromwell repeatedly refused to name the stockholders when called upon to do so by Congress. In ensuing decades he continued to make substantial cash contributions to the Republican Party, and became an attorney for some of the largest corporations.

The final cost of the Panama Canal was much greater than the estimated cost of the projected Nicaraguan Canal. The United States agreed to give the bastard Republic of Panama $10,000,000 and, after
1913, $250,000 annually. Under the treaty of 1922, Colombia had to be paid $25,000,000. When this payment was proposed during the Wilson Administration, Roosevelt himself fumed that it could be justified only "upon the ground that this nation had played the part of a thief, or a receiver of stolen goods."

The somber coloring of the Panama Canal imbroglio did not become thoroughly apparent until Pulitzer's World toward the end of Roosevelt's second Administration flatly charged that the Cromwell deal was corrupt. The first indictment, brought in Washington, named the Indianapolis News as well as The World. But in Indianapolis Judge Albert Barnes Anderson upheld the defendants' contention that they should not be dragged to Washington, and significantly observed, "There are many very peculiar circumstances about the history of this Panama Canal or Panama Canal business."

The second indictment, procured in New York by District Attorney Henry L. Stimson, alleged that President Roosevelt, Charles P. Taft, Elihu Root, Douglas Robinson (the President's brother-in-law), William Nelson Cromwell, and J. P. Morgan had been libeled by The World. This action was quashed by Federal Judge Charles M. Hough, who declared that the President had "prostituted" his power in suing The World. The United States Supreme Court on January 3, 1911, unanimously upheld Judge Hough, and sitting on the court were Holmes, appointed by Roosevelt, and Hughes, appointed by Taft.

The World's allegations, coming just as Taft was about to assume the presidency, prevented William Nelson Cromwell from being appointed Attorney General. Cromwell was seriously mentioned for this high post, which had already been ornamented by Philander Knox and was later to boast the incumbency of A. Mitchell Palmer and Harry M. Daugherty.

Roosevelt's first term ended without having produced any constructive social legislation, but with the country convinced that the President was an enemy of Wall Street. Late in 1903, Senator Lodge,
Morgan spokesman in Boston’s political purlieus, informed the President that J. P. Morgan and other financiers had agreed to support him for re-election in the 1904 campaign. John Cudahy and J. Ogden Armour, the meat packers, tactfully declared in favor of Roosevelt, who had just brought suit against them for price-fixing.

The political collaboration of the magnates with their apparent foe in the White House would seem strange were it not that Roosevelt had a technique in these matters. He would lodge charges against a few conspicuous trusts, those of his political enemies by preference, and allow the others to go their way. As to Morgan, who Roosevelt had publicly implied was one of “the criminal rich,” “the banker usually got what he wanted.”

V

The Republican slush fund of 1904 was of the customary elephantine proportions; but it has more clinical value for the historian than its earlier counterparts because details of its composition are preserved in the records of the Senate Privileges and Elections Committee investigation of 1912.

The identities of its contributors bespoke the crafty pecuniary influences behind Roosevelt and his predecessor in the White House, although Roosevelt in 1912 tried to disavow knowledge of the situation when called upon to explain. But the damning Harriman letters, unfortunately for him, proved he was aware of what was going on.

E. H. Harriman regarded himself as Roosevelt’s confidential campaign manager in 1904. The President and Harriman for several years had been on exceedingly intimate terms. On June 2, 1904, Harriman wrote to the Chief Executive: “I have not yet been able to get at Messrs. Dodge, Hughitt, and Frick, but hope to be able to accomplish it in the first part of the next week.” On September 23, 1904, Roosevelt wrote to the railroad manipulator: “There were one or two points in my letter of acceptance which I should have liked to discuss with you before putting it out.”

Again on October 14, the President wrote: “A suggestion has come to me in a roundabout way that you do not think it wise to come on to see me in these closing weeks of the campaign, but that you are
reluctant to refuse, inasmuch as I have asked you. Now, my dear sir, you and I are practical men, and you are on the ground and know conditions better than I do. If you think there is any danger of your visit causing me trouble, or if you think there is nothing special I should be informed about, or no matter in which I could give aid, why, of course, give up the visit for the time being, and then a few weeks hence, before I write my message, I shall get you to come down to discuss certain Governmental matters not connected with the campaign.”

Harriman on October 20, 1904, wrote: “Would like to speak with you personally on long-distance telephone.”

After the election, Roosevelt and Harriman continued a lively correspondence about the appointment of an Arizona territorial Governor and Chief Justice who would be friendly to the railroad interests. Even more remote appointments were of interest to Harriman, for on December 28, 1903, he wrote to Roosevelt: “I have been requested to endorse M. W. C. Ralston as candidate for naval officer at San Francisco, which I cheerfully do.”

In 1905, government suits against Harriman’s Central Pacific Railroad and Southern Pacific Railroad, which had consolidated competing lines, were abruptly dismissed by the Attorney General. The complaints, based upon Interstate Commerce Commission Report No. 943, showed flagrant violation of the Sherman Act. The termination of this and subsequent litigation amply rewarded Harriman for his political outlays in 1904. The government lost a later suit against the same companies, because it had drawn a faulty bill of complaint. Roosevelt’s critics charged that the complaint had been incorrectly drawn by design.

The happy relations between Roosevelt and Harriman ended in 1906, as a reflex to the inner struggle for control of the Equitable Life Assurance Society and to the ensuing insurance scandals. The insurance companies bore an intimate relation both to the Republican and to the Democratic Parties; they were the central switchboards of finance capital because they held vast resources and controlled of the major commercial banks of New York.

James Hazen Hyde, a young wastrel, had inherited ;
502 shares, or fifty-one per cent, of the Equitable Life Assurance Society. By a special trust agreement the dividends on these shares were limited to $3,514 a year in all so that the company might misrepresent itself as mutualized. The shares, however, gave ironclad control of resources of several hundred millions as well as of many big banks and trust companies; and, as the subsequent public inquiry showed, this control could be used to dispose almost at will of huge funds.

In February, 1905, James W. Alexander, president, and thirty-five other officers of the company, requested the board of directors to give stockholders the right to vote, implying that Hyde was not reliable so far as their interests were concerned. After months of recrimination and intrigue the board in April, 1905, appointed a committee consisting of Henry C. Frick, E. H. Harriman, Cornelius N. Bliss, James J. Hill and Darius O. Mills, all of them directors, to investigate. The committee's report arraigned the Hyde regime and cited certain abuses.

Young Hyde, intimidated by the proceedings, sold his shares to Thomas Fortune Ryan for $2,500,000, although he had once been offered as much as $7,000,000. Hill had offered him $5,000,000. These shares, and not the abuses, were the real occasion for all the excitement.

Ryan's quiet coup enraged Harriman, who peremptorily served notice that unless Ryan sold him half the shares at cost the Harriman political apparatus in Albany would rip open the entire insurance situation. Ryan capitulated, but strange rumors had seeped into the office of the New York World, which demanded a general legislative investigation of all the insurance companies. The fat was in the fire. The State Legislature had to call an inquiry. Despite maneuvering to make it a whitewash, the steady publicity given by The World kept it straight. When at the outset it was discovered that no competent lawyer would dare conduct the hearings, The World itself put the issue up to Charles Evans Hughes, then in his early forties. Hughes, a corporation attorney who had himself acted as counsel for Alexander of Equitable Life, apparently was able to recognize opportunity, for he at once accepted the position of counsel to the committee.
Moving through Root* and Roosevelt, Ryan ruined Harriman politically, but not before the public had its nostrils assailed for months by the Hughes disclosures.

The insurance company funds were used by officers and directors for their pet speculative enterprises; the margin for private speculative accounts of officers and directors was supplied by the companies; J. P. Morgan and Company kept the New York Life Insurance Company from purchasing superior securities so that it might instead be stocked up with nearly $150,000,000 of less desirable issues emitted through the banking firm's syndicates; officers and directors acquired securities from syndicates and resold them to the companies at advanced prices; friends and relatives of officers and directors were fastened like barnacles in superfluous jobs throughout the companies; salaries and commissions to insiders were exorbitant; vast funds were misdirected over a period of decades to lobbying for laws that would permit a continuation or an extension of malpractices in all states; legislators were bought and paid for in wholesale fashion; and policyholders received only a fraction of value for their money.

The poorest earnings ratios were shown by the biggest companies—the Mutual Life (Rockefeller), New York Life (Morgan), and Equitable Life Assurance Society (Ryan-Harriman). Among the statesmen on the secret insurance company pay roll were Senator Chauncey M. Depew (Republican) and Senator David B. Hill; Depew received $20,000 annually although he was not even an attorney for the companies.

The personalities behind the scandal consisted of the richest men—Elihu Root was brought into the life-insurance situation in a quiet advisory capacity before the scandal became public and while he was in the Cabinet, according to Henry Morgenthau, *All In a Life Time*, p. 82. Morgenthau, a large-scale New York real-estate operator, was president at the time of the Central Realty, Bond and Trust Company, in which Anthony N. Brady, Henry O. Havemeyer, James Stillman, and the Mutual Life Insurance Company (Rockefeller) owned stock, and Morgenthau functioned for the insurance companies in realty transactions. He relates that he was picked by Alexander to build the fire under Hyde by collecting voting proxies from several thousand policyholders of Equitable Life, and that this was done through the United States Express Company. Stillman warned Morgenthau not to bring general reflection upon the financial community, and Morgenthau outlined the entire situation for Stillman and Root before proceeding. Harriman, too, was consulted. Virtually everybody of importance in politics and finance, then and later, was involved in some way in the insurance situation.

The investigation brought out that the central pivot of political corruption was George W. Perkins, partner of J. P. Morgan and Company, vice-president of the New York Life Insurance Company, and keeper of the so-called “Yellow-Dog Fund” maintained in common by the companies and administered from the shady “House of Mirth” in Albany. Perkins won a decision, 4 to 3, before the New York Court of Appeals on his plea that a charge of grand larceny relating to his transfer of $48,500 of New York Life Insurance Company funds to the Republican Party be dismissed. This accusation had been irregularly lodged by District Attorney William Travers Jerome in police-court proceedings rather than by grand jury indictment. The World stormed, and Perkins was indicted for forgery on the company’s books; but this charge also came to nothing as Jerome refused to prosecute. Since 1902 Perkins, incidentally, had been in very friendly correspondence with Roosevelt.

One product of the investigation was a more stringent statute that apparently made certain malpractices impossible, but all the companies continued under the same auspices and in most cases with the same officers. The present directors of the four largest insurance companies are all either primary or secondary figures in the Morgan, Rockefeller, Mellon, Du Pont, National City, and Kuhn, Loeb and Company camps, for the fundamental law of the land has not changed since 1905.
The companies were required by a new law to mutualize, and formally complied. But as the Pujo Committee of the House of Representatives found in 1912, “the so-called control of life insurance companies by policyholders through mutualization is a farce... its only result is to keep in office a self-constituted, self-perpetuating management.”

The companies were also ordered to divest themselves of control of banks and trust companies. They fulfilled the order by turning over bank control to the leading financial lords. J. P. Morgan and Company acquired from the Equitable and the Mutual Life Insurance Company several banks which were combined with the Bankers Trust Company and the Guaranty Trust Company, then already under Morgan control. J. P. Morgan and Company also acquired from the insurance companies shares in the First National Bank and the National City Bank, assuming a direct interest in these institutions for the first time. Viewed from this aspect the insurance scandal was a blessing to Morgan, for without it he could never have hoped to pry loose these bank stocks.

In 1910 Morgan paid $3,000,000 for the Harriman-Ryan shares in the Equitable Life Assurance Society, whose par value was only $51,000 and whose dividends amounted to one-eighth of one per cent of the cost. But, as Louis D. Brandeis has observed, this stock “gave control of $504,000,000 of assets.”

That the insurance situation still presents suspicious aspects despite reforms is shown by a long dispatch to The New York Times from Albany, March 17, 1937, which began as follows:

“A proposal for a sweeping legislative investigation of life insurance companies produced a series of lively exchanges here today at a public hearing conducted by the Senate Insurance Committee. Several of the Senators sitting on the committee assailed practices of insurance companies and declared the investigation was essential. Words like ‘petty larceny,’ ‘racket’ and ‘fleecing the policy holders’ were heard...”

One of the chief complaints still made against the insurance companies is that they pay their top officials annual salaries ranging from $200,000 to $300,000 for duties so standardized they could be per-
formed by intelligent clerks. The entire system of life insurance is also the object of severe criticism. *

The sequel to the Harriman-Ryan feud was dramatic, and Harriman held the losing cards.

In 1907 there drifted into the office of The World a copy of a long letter written by Harriman early in 1906 to Sidney Webster, a Republican factotum. Harriman set forth in this communication that he had been unwillingly sucked into the insurance imbroglio and that he had unsuccessfully backed Depew for an ambassadorship. He had, he said, thrown fifty thousand votes to Roosevelt, making a difference of one hundred thousand votes in the outcome.

Harriman's letter closed as follows: "Ryan's success in all his manipulations of traction deals, tobacco companies, manipulations of the State Trust Company into the Morton Trust Company, and the Shoe and Leather Bank into the Western National Bank and then again into the Bank of Commerce, thus covering up his tracks, has been done by the adroit mind of Elihu Root, and this present situation has been brought about by the conditions and circumstances which have brought together the Ryan-Root-Roosevelt element. Where do I stand?"

Publication of this missive pointed the finger of suspicion at Roosevelt, who hastily revealed correspondence tending to show Harriman had first approached the President. As Harriman's posthumously published correspondence proved, however, Roosevelt withheld his own letter wherein he had first called upon Harriman to advance his political fortunes.

The President, moreover, had before this set forces into motion against Harriman by having the Interstate Commerce Commission investigate the Harriman railroads, disclosing many abuses and allowing himself to appear again before the public as a foe of entrenched wealth. In due course the I.C.C. investigation disclosed that Harriman's Union Pacific Railroad had irregularly issued $375,158,183 of securities, only $46,500,000 of which were refunded or redeemed up to 1912 and about $362,000,000 of whose proceeds were used to purchase securities of other railroads, giving Harriman twenty-seven

* See Life Insurance—A Legalized Racket, by Mort and E. A. Gilbert (Farrar and Rinehart, 1936).
railroad directorships and extraordinary powers. Harriman, it was shown, deliberately ruined the Chicago and Alton Railroad.

At his death in 1909, Harriman left $100,000,000 to his wife, who passed it on to two sons, but a formidable Morgan antagonist, a client of Kuhn, Loeb and Company, was effectively broken in a political sense by the President.

Although Harriman bestirred himself in 1904, the lead in mobilizing funds for the electoral struggle was taken by the Morgan group, with Standard Oil chipping in generously but playing a double game by giving the Democrats reinforced secret assistance. John D. Archbold, vice-president of Standard Oil, talked over the Republican tariff attitude with Cornelius N. Bliss, and during the conversation insisted that Roosevelt be informed of the Standard Oil contribution because, said Archbold, he wanted it "gratefully received." Archbold also wanted assurances conveyed that Standard Oil was not hostile to the President.

On behalf of the Morgan group E. T. Stotesbury, Morgan partner, collected $146,759 in Philadelphia; S. T. Wainwright, of the Wainwright Coal Company, collected $101,700 in Pittsburgh; Senator John F. Dryden, of New Jersey, founder and president of the Prudential Insurance Company (originally named the Widows' and Orphans' Friendly Society), collected $70,000; a special committee under Perkins collected $100,000, mostly from the insurance companies; George von L. Meyer, of the Old Colony Trust Company of Boston, and destined for a chair in the second Roosevelt Cabinet and the Taft Cabinet, collected $105,727 in New England. "The Meyer Committee," C. S. Mellen confided to C. W. Barron in 1913, "was organized in the interest of J. P. Morgan and Company and has been in that firm's control from the beginning and is so now." Mellen, Senator Lodge, and T. Jefferson Coolidge, Sr., president of the Burlington Railroad and former Ambassador to France, were members of this committee.

Harriman took $250,000 from the coffers of his various railroads for the Roosevelt campaign. But the largest individual contribution did not come to light until 1922, when litigation over the estate of George J. Gould, a Harriman-Stillman collaborator, disclosed that the Gould family in 1904 had given the Republicans $500,000.
at the time was directing many railroad manipulations, and had reason to fear railroad legislation and White House initiative. The Senate Committee in 1912 found that he contributed only $100,000, and the discrepancy between this figure and the sum he actually did contribute suggests that other similar discrepancies may exist.

Aside from Gould's long-secret donation the biggest individual contributions, as revealed, were as follows:

$150,000


$100,000

John D. Rockefeller and Henry H. Rogers, jointly; E. H. Harriman and Chauncey M. Depew.

$50,000

C. S. Mellen, Jacob H. Schiff, Percy Rockefeller, Henry Clay Frick,* James Hazen Hyde.

$25,000 to $50,000

James Speyer, private banker; Robert Mather; Whitelaw Reid, son-in-law of D. O. Mills, mining magnate, and publisher of the New York Tribune; R. C. Lake of Missouri.

$5,000 to $25,000


$1,000 to $5,000

Joseph H. Choate, C. W. Post, O. C. Barber, Cornelius Vanderbilt, International Nickel Company, Remington Typewriter Company,

* George Harvey, in his biography of Henry Clay Frick (p. 298), says that Frick gave more than $100,000 to the Republicans in 1904.
St. Joseph Lead Company, General Electric Company, the American Locomotive Company, and hundreds of additional similar individuals and corporations.

The detailed figures on Democratic contributions for 1904, when Judge Alton B. Parker was the Democratic candidate, were destroyed. But significant shreds of data were salvaged by the Senate Privileges and Elections Committee. August Belmont, private banker, gave $250,000, and was a member of the party's executive committee. Thomas Fortune Ryan, whose agents infested the successive Roosevelt Cabinets, gave $450,000. Ryan, incidentally, was one formidable figure whom the fire-breathing Roosevelt never tackled. Henry Havemeyer gave $10,000, but his company contributed to the Republicans.

Belmont and Ryan persuaded Parker to declare in favor of the gold standard, thereby creating a sensation because the Democratic platform contained no declaration for gold. Parker's statement amounted to an official repudiation of Bryanism and an endorsement by the Democrats of the Gold Standard Act of the McKinley Administration.

Wall Street generally understood that Parker had been selected at the behest of Rockefeller, with whom Ryan was closely associated in the Metropolitan Securities Company. Oliver H. Payne tried, on the other hand, to induce Hanna to oppose Roosevelt for the Republican nomination, thereby scaring the President and making him more embittered than ever against Standard Oil, but Hanna was unresponsive, broken in health and spirit by McKinley's violent end. Parker's nomination was boisterously contested by William Randolph Hearst, himself seeking the presidency by means fair and foul, and the support given to his rival so angered Hearst that his resentment led to many later journalistic revelations of Rockefeller transgressions. It was Hearst's agents who stole the Archbold correspondence whose eventual publication justified public suspicion of the Rockefellers' professed uprightness.

Thoroughly informed testimony about the role of the Rockefeller junta in blessing the obscure Parker with the nomination came from Thomas W. Lawson, Boston financier and stock-market manipula-
tor, who told the Senate under oath in 1912 that H. H. Rogers of Standard Oil "practically gave their agents at the convention carte blanche to nominate Mr. Parker." Lawson had been unhappily associated with Rogers and Archbold in speculations with Amalgamated Copper Company. Additional testimony is obtained from James R. Philipps, Jr., who, with no ax of vengeance to grind, on April 7, 1904, confided to C. W. Barron, proprietor of the Wall Street Journal, that "Standard Oil will support Parker as the Democratic nominee." But the disappearance of the Democratic records makes it impossible to ascertain the sum of money contributed by Standard Oil. Possibly a part of the huge Belmont-Ryan contribution came from Rockefeller.

After his re-election Roosevelt began to speak more freely about social questions; but the tide of revolt, too, was swelling, especially in the West where Governor Robert M. LaFollette of Wisconsin was ending the first stage of his long uphill fight against privilege. Too much significance cannot be attached to the appearance of LaFollette in the Senate in 1905, for thereafter the machinations of anti-social vested wealth were at least to be subjected to adverse criticism in the highest parliamentary forum.

"The President, so often torn by anxiety for the future, was led to radicalism by his desire to perpetuate the existing order." He was radical in utterance at any rate, and his most penetrating biographer makes it clear that he was dissembling. Roosevelt, it was noted, would "progress to a certain point in his program to ward off socialism and unrest, and then make energetic efforts to appease the right wing." He was in unholy communion with "the criminal rich" even as he oratorically flogged them.

There was every reason for the President to take up the catchwords of Bryanism and Populism, for the country since the Civil War had exhibited with increasing starkness the paradoxical contradiction of profound and apparently intensifying poverty within the lower mass while increasingly heavy tribute flowed to the upper stratum.

By the second Roosevelt term, most of the public domain having been pre-empted, the social safety valve of an open frontier was

* Walter F. McCaleb, sometime fellow in history, the University of Chicago.
definitely closed. This safety valve for decades had relieved the slowly growing pressure of social restlessness and discontent that was reflected late in the nineteenth century in the appearance of Henry George's *Progress and Poverty* and Edward Bellamy's *Looking Backward*; in the Knights of Labor struggle and the Populist movement; in the Homestead and Pullman strikes; and in numerous other dynamic symptoms of profound economic maladjustment.

Furthermore, the mailed fist of government upon a people accustomed to a certain degree of freedom had, paradoxically, grown heavier as chattel slavery was abolished and popular suffrage was broadened. Under the post-Civil War industrial regime, which spread the wages system, the power of the President was progressively enhanced by usage, as expressed in the greatly increased invocation of the veto; and the functions of the Supreme Court, its members all presidential appointees, were gradually broadened to give it supremacy over a corrupted Congress that did not fight back as did free British Parliaments once opposed by the throne. Before the Civil War the Supreme Court nullified only one act of Congress. But from 1860 to 1930 it voided no fewer than fifty-eight, and did not really attain its full stride as a legislative *saboteur* until the decade 1930-1940.

Theodore Roosevelt, who used the veto forty times, was properly disturbed by what he saw as he gazed about the land. In 1906 he wrote in alarm to Senator Lodge: “The labor men are very ugly and no one can tell how far such discontent will spread.”

The sharpest intellectual portent of underlying discontent was the school of magazines that attained great circulation by exposing variegated social evils, tidings of which the newspapers for the most part, excepting Pulitzer's *World*, religiously suppressed. The President irritably dubbed the contributors to these irreverent publications “muckrakers.” This designation in time became a badge of honor, for the offenders were, without exception, the ablest, most honest, most fearless journalists of the day.

Despite the commotion raised by the muckrakers there was only a languid legislative reflex to it in Roosevelt's second term. Although he had a Republican Congress and controlled patronage, the President, who could talk so glibly, seemed unable to get any but Wall
Street measures over the hurdles. The Hepburn bill was passed, giving the I.C.C. authority to establish railroad rates, but the fight against it was led by Senator Lodge, the President’s closest friend, and Senator Aldrich. LaFollette believed the Hepburn bill too weak, but he fought Lodge. When Senators Aldrich, Spooner, Lodge, and Knox (who replaced the deceased Quay) were unable to kill the measure they amended it to provide for judicial review and revision of rates. This left everything as it had been. Incidentally, Senator Knox’s new seat in the Senate had cost $500,000.*

After the passage of the Hepburn bill “Roosevelt once more belabored trusts with his big stick, but, with his free hand he was signaling the ‘boys’ back of him, saying under his breath, ‘Don’t get excited, this is for public consumption.’” Referring to the Hepburn bill and other similar measures, McCaleb says, “The result of Roosevelt’s sponsored legislation is today become the very bulwark of the worst combinations with which the country is afflicted.”

Roosevelt retained his popularity, however, by filing suit against the Tobacco Trust and the Standard Oil Company. The American Tobacco Company, like Standard Oil, was under Rockefeller domination, although Thomas Fortune Ryan and James B. Duke were also important factors in it. The litigation against these companies amounted to political reprisal by Roosevelt for real and imagined Rockefeller opposition, and it strengthened the Morgan-Mellon-Frick element to the extent that the Rockefellers were weakened.

The Standard Oil litigation led to the “dissolution” of the company in 1911 by the Supreme Court; but the constituent parts prospered and in 1929 the Rockefellers began the job of gradually putting them together again. In a separate court action Judge K. M. Landis gave the public abnormal satisfaction in 1907 by fining Standard Oil $29,000,000, but his ruling was set aside.

Roosevelt privately said of his antitrust tactics during his second term: “As a matter of fact, I have let up in every case where I have had any possible excuse for so doing.” He confined himself to bring-

* The $500,000 that bought Knox’s seat in the Senate was provided by A. J. Cassatt, president of the Pennsylvania Railroad, John D. Archbold, vice-president of the Standard Oil Company, and Henry Clay Frick, director of the United States Steel Corporation.—Oswald Garrison Villard, Prophets True and False, p. 251.
ing suits against a few outstanding combinations, but "even when verdicts were rendered in favor of the Government, no real results ever flowed from the decisions." Government counsel, as LaFollette observed, usually sabotaged the Federal cases.

In his message of December, 1906, the President asked for income and inheritance taxes (for which Pulitzer had agitated in 1884); for Federal licensing of corporations; for the prohibition of corporation political funds; for maximum working hours for railway employees; and for the curtailment of judicial injunction powers in labor disputes. Congress dutifully proscribed corporation political contributions (but the corporation men were still permitted to contribute), and set seventeen hours as the maximum safe period of labor for railroad workers! The rest of the President's message was sardonically ignored.

LaFollette was joined in his insurgency by Senator Albert J. Beveridge, of Indiana, a quondam imperialist who gradually came to understand the ominous drift of political affairs. It was Beveridge and LaFollette who, aided by public opinion which had been outraged by stockyard conditions as portrayed in Upton Sinclair's *The Jungle*, forced through the Pure Food and Drug Act. Whittling by the reactionaries under Aldrich, however, made the measure woefully ineffective. Beveridge again, without any assistance from the White House, vainly attempted to obtain a general prohibition of child labor; Lodge stood out in the opposition although Beveridge in the course of a three-day speech said, "The evidence is before the Senate of the slow murder of these children, not by tens or hundreds, but by the thousands." Spooner warned that it was unconstitutional to interfere with the exploitation of children. A second child-labor bill written by Beveridge was throttled in committee.

The Aldrich-Vreeland currency bill, first proposed by Roosevelt, allowed national banks to form associations and borrow from the government up to ninety per cent of their pooled assets; it was passed even though LaFollette filibustered eighteen hours in a vain attempt to prevent what was really the underwriting of finance capital by the central government. Attempts to outlaw anti-labor injunctions and an effort by Beveridge and LaFollette to form a
tariff commission of experts were brought to naught by Aldrich and his hatchet men, with the White House doing nothing.

Throughout his tenure Roosevelt continued to demand and receive funds for the building of a huge Navy intended merely to underwrite foreign economic conquests of Wall Street; in 1907 he theatrically sent the fleet around the world. In defiance of the expressed injunction of the Constitution he expanded the powers of the presidency in the field of diplomacy. In his first term, for example, he ordered the seizure of the Dominican customs for the benefit of European creditors who applied pressure through J. P. Morgan and Company. At the beginning of his second term he arranged with Japan and England, unknown to the Senate or to the nation, a secret informal agreement respecting the Pacific Ocean. In doing this, as Dr. Beard believes, he laid the groundwork for American participation on the side of England and Japan in the World War.

The President arbitrarily intruded in the European parceling out of Chinese commercial privileges by insisting upon American “rights,” and shortly afterward, in 1909, J. P. Morgan and Company assumed the leadership of an American syndicate for Chinese railway financing. This step led to the Chinese financial consortiums of 1910 and 1920, in both of which Morgans represented the American participation. Losses of not quite fifty per cent were sustained by Americans who lapped up Chinese securities ladled out by this syndicate.

The large measure of Morgan influence in the White House under Roosevelt was most convincingly illustrated during the panic of 1907. It was freely charged later, and President Roosevelt himself hinted it, that the panic was aggravated, if not started, solely to permit the United States Steel Corporation to gobble up the Tennessee Coal and Iron Corporation in contravention of the Sherman Act. Tennessee Coal was not then very important, but it was known to possess ore deposits among the richest in the world.

If there was a conspiracy, and the preponderance of evidence suggests that there unquestionably was, it was a joint venture of the Morgan and Rockefeller groups to apportion special economic domains. The Rockefeller and Morgan groups in this period were inter-
twined in a number of ventures, and busily traded and bartered positions one with the other.

The recorded story of the Tennessee Coal and Iron seizure, and the ruin of F. Augustus Heinze, begins at the General Convention of the Protestant Episcopal Church, at Richmond, in the fall of 1907. Toward the close of the convention the stock market sickened and dropped, and certain brokerage houses were known to be in danger. Wall Street and its troubadours in the press blamed President Roosevelt because he had recently alluded bellicosely to the “malefactors of great wealth.”

Morgan, an Episcopal elder, sang “lustily” on the train to New York from the convention, according to Bishop Lawrence of Massachusetts—surely bizarre conduct at a moment of financial crisis! But an odd reason for Morgan’s musical elation was not long in fitting itself into a peculiar series of events. This reason was, apparently, the crash a few days earlier, on October 16, of the stock of United Copper, a company owned by Heinze, president of the Mercantile National Bank; Heinze promptly resigned from the bank. On the same day Otto Heinze and Company, brokers, went under the gong, and in distant Butte a Heinze bank gave up the ghost. “These disturbing events, presumably, had been described in telegrams received by Morgan at Richmond.” Yet Morgan sang lustily.

The academic historians, in analyzing the “Bankers’ Panic” of 1907, have ignored the significance of Heinze’s downfall, as well as other incidents, although all the facts in the case point unmistakably to the conclusion that the doom of Heinze and United Copper was a *quid pro quo* exacted by the Rockefellers for permitting Morgan to swallow Tennessee Coal and Iron. Heinze for years had been a hornet in the hide of Rockefeller-controlled Amalgamated Copper, formed in 1899 as the “Copper Trust” to control the Anaconda Copper Mining Company, and various other metallurgical enterprises. Directors of Amalgamated Copper were William Rockefeller, William G. Rockefeller, James Stillman, Henry H. Rogers, and Robert Bacon, Morgan partner and close friend of President Roosevelt who in the second Roosevelt Administration became a Cabinet member.

Amalgamated Copper was a high-cost producer. United Copper was a low-cost producer which could, and did, freely undersell Amal-
gamated in all markets. Between 1901 and 1904 Amalgamated Copper common, of a par value of $150,000,000, declined sharply, and the enterprise was severely and repeatedly criticized adversely by Clarence W. Barron in the bulletins of the Boston News Bureau. On April 4, 1903, Barron revealed that Amalgamated Copper "people" had told him with respect to Heinze, "We are going to settle this, but we are going to settle it in our own way." * Settlement day came on October 16, 1907, when the raid conducted by a widespread group of brokers forced the price of United Copper stock down so far that its value as collateral was severely reduced and Heinze bank loans were immediately liquidated. Heinze was ruined.

Further reasons for Morgan jubilation developed on October 23, 1907, for on that day the Knickerbocker Trust Company failed. As soon as the Knickerbocker closed its doors Secretary of the Treasury George B. Cortelyou, who in 1909 was to enter upon a twenty-five-year tenure as head of the Morgan-Rockefeller Consolidated Gas Company of New York, hurried into private conference with Morgan. The next day call money was melodramatically marked up to one hundred per cent, and was then cut down to ten per cent when President Roosevelt placed $25,000,000 of Treasury funds in the hands of J. P. Morgan and Company, giving Morgan tight control of the money market.

The stage was set; the government was collaborating.

On the day Knickerbocker Trust failed, a story appeared in the New York Evening Sun, according to testimony before the Stanley Congressional Committee in 1911, to the effect that there was also a run on the Trust Company of America. It was a fabricated yarn, but the morning Sun had carried a suggestive story that Oakleigh Thorne, president of the Trust Company of America, might resign. The first Sun story directed suspicion toward the Trust Company of America; the second Sun story strengthened the earlier suspicion.

There was logic behind this, for The Sun at the time was published by William Laffan, who was personally subsidized by J. P. Morgan. Laffan founded the Evening Sun in 1887 and in 1897 took over the morning Sun from W. L. Dana, purchasing full ownership in 1902

with Morgan money. An art connoisseur and Morgan's adviser on esthetic matters, Laffan died in 1909; Morgan's will in 1913 established in Laffan's honor the Laffan Professorship of Assyriology and Babylonian Literature at Yale University.

The morning after the *Evening Sun* sounded the false alarm, October 24, 1907, a front-page story appeared in *The New York Times*, published by Adolph Ochs, relating that there had been a terrific run on the Trust Company of America and that worried bankers had met in all-night conference. The information was false; there had been no run. As brought out before the Stanley Committee, this article was planted in the unsuspecting *Times* by none other than George W. Perkins, who wrote a statement purporting to give the gist of banking sentiment, stipulating to the *Times* representative, like his editors impressed by the Morgan power, that neither the name of Perkins nor of J. P. Morgan and Company be mentioned. Perkins' inflammatory statement began: "The chief sore point is the Trust Company of America."

Perkins' essay was considered so "injudicious" by Melville E. Stone, head of the Associated Press, that, despite Morgan prestige and Morgan friendliness toward the Associated Press, he could not bring himself to release it to the country. At the time, however, there was every reason for the *Times* to regard Perkins as a friendly collaborator: mortgages on the Times Building were held by various of the insurance companies.

The day the *Times* blazoned forth the fictitious story frenzied depositors withdrew $13,500,000 from the Trust Company of America, in contrast with normal withdrawals of $1,586,000 the day before.

The bankers' nocturnal meeting between the appearance of the two false newspaper stories had, indeed, been called by J. P. Morgan and Company on the pretense that the Trust Company of America was in danger. Thorne, upon being told that the meeting concerned his bank, was dumbfounded, knowing the institution was perfectly sound; but the canard in the *Times* forced the issue inexorably.

Thorne soon learned what the bankers' game was. Among the securities possessed by his bank was a big block of Tennessee Coal and Iron stock, held against a small loan of $482,700 to a Rockefeller group including Oliver H. Payne, L. C. Hanna (a brother of Mark
Hanna), J. B. Duke, E. J. Berwind, and Anthony N. Brady. J. P. Morgan and Company, controlling the money market with government money, stipulated that aid to the beleaguered bank was contingent upon the release of this stock in exchange for bonds of the United States Steel Corporation. Indeed, all banks holding loans on Tennessee stock were ordered by J. P. Morgan to give up this stock."

Thorne himself owned 12,500 Tennessee Coal shares which were unpledged, and he had to agree to release these along with the other shares before he could obtain a required $30,000,000 on the excellent collateral which his bank offered. Henry Clay Frick, Elbert Gary, and J. P. Morgan personally rounded up $30,375,875 of shares of Tennessee Coal and Iron from all sources, mostly banks and brokerage houses, giving full ownership to United States Steel.

But before the Steel Corporation could with impunity swallow Tennessee Coal and Iron and its rich ore deposits it was necessary to obtain the formal assent of the White House, which had the authority to institute antitrust proceedings. It was also necessary to make the deal palatable to public opinion. Therefore, on Sunday, October 28, 1907, it was agreed by Morgan, Frick, and Gary that Roosevelt must be consulted before the spurious emergency consolidation took place. Frick and Gary went to Washington, and the next morning they told Roosevelt that a big "house," which they pointedly offered to name, was in danger of failing. Roosevelt, curiously enough, asked them not to name this "house," although the newspapers had been screaming about the apparently imperiled Trust Company of America.

This odd request relieved the two Morgan emissaries of identifying the alleged endangered enterprise and protected Roosevelt from any accusation that he had permitted the steel merger for insufficient reasons. Had the President insisted on knowing the name of the house Gary and Frick had in mind, they could only have mentioned the insignificant brokerage firm of Moore and Schley. The prospect of the failure of such an enterprise would not have justified the President's suspension of the antitrust law in order to "save the country." The difficulties of this brokerage house simply enabled Gary and Frick falsely to imply to Roosevelt that an institution of much greater moment was in danger, and also to imply to the public that this
conference with the President concerned the thoroughly solvent Trust Company of America about which there was so much manufactured alarm.

Roosevelt, officially knowing nothing, but possibly thoroughly informed about the inner nature of the entire transaction which he alone had made possible by giving J. P. Morgan and Company control of the money market, assured his callers he would not institute antitrust proceedings. The panic in Wall Street subsided. United States Steel got the coveted Tennessee Coal and Iron shares. Rockefeller and Stillman got rid of Heinze. The pressure on the Trust Company of America abated. And everybody was happy, including the public which read about Mr. Morgan’s heroic rescue and the felicitations sent by the President to the financiers.

Gary admitted to the Stanley Committee that the Trust Company of America had never been in danger. Its supposed insolvency merely provided an excuse for shifting desirable stock into Morgan’s hands. A subcommittee of the Senate Judiciary Committee, steered by Aldrich, decided in 1908, however, that there had been no conspiracy. But Roosevelt, when later confronted with all the evidence, admitted that the Senate committee had been deceived. If this is true then Roosevelt himself deceived the committee, for he himself took and significantly spirited away the records of the Bureau of Corporations relating to the case when they were demanded by the Senate Committee. 76

A fair measured conclusion drawn from all the evidence would seem to be that Roosevelt was informed about the plans of his closest political associates to ruin Heinze and grab Tennessee Coal and Iron, that he lent all the power of his high office to the conspiracy in the full knowledge of what he was doing, and that he destroyed the direct evidence of his complicity.

Not without reason has the United States Steel-Tennessee Coal transaction been called “theft.” 77 But, despite the findings of the Stanley Committee, the United States Steel Corporation kept the valuable Tennessee Coal and Iron property. When dissolution proceedings against United States Steel (instituted by President Taft on the basis of the evidence uncovered by the Stanley Committee), reached the Supreme Court that august body, in one of its most
tortuous decisions, decided that “reasonable” combination was not precluded by the antitrust law.

Before he relinquished his office to Taft there were other incidents in which the “malefactors of great wealth” found Roosevelt equally obliging.

The President on August 22, 1907, directed Attorney General Bonaparte to cancel preparations for a dissolution suit against the International Harvester Company. Just before the order was issued Perkins, the Morgan partner who organized this company in 1902, visited Roosevelt and remonstrated against the litigation. In 1912 it was freely charged by the Taft forces that the President had capitulated to the threats of Perkins, a director of International Harvester who had also been a director of Northern Securities Company. Notwithstanding his notorious implication in the insurance scandals, Perkins became, in collaboration with Frank Munsey, the newspaper and magazine publisher, Roosevelt’s chief political mentor and financier.

On March 11, 1907, Roosevelt personally assured J. P. Morgan, visiting at the White House, that the suits filed against the Harriman lines did not presage a general assault upon railroad combinations; Morgan apparently had uppermost in mind the New York, New Haven and Hartford Railroad. In the same year the President assured C. S. Mellen of the New Haven Railroad that the company might acquire an interest in the Boston and Maine, thereby providing the basis for an antitrust suit that President Taft properly dismissed because Roosevelt himself had invalidated the government’s contentions by giving the New Haven, through Mellen, permission to retain the Long Island steamboat line.\(^{28}\) The absorption of the Boston and Maine was contrary to the wishes of this road’s individual stockholders, who fought for more than twenty years against a union that meant only losses for themselves and profits for the New Haven and J. P. Morgan and Company.

The Rockefeller faction, for some undisclosed reason, obtained a valuable favor through William J. Matheson, vice-president of the Rockefeller-controlled Corn Products Refining Company, who dropped in at the White House one day in 1907 and induced Roosevelt to stop Harvey W. Wiley, chief chemist of the Department of Agri-
Although the Rockefellers were out in the cold during Roosevelt's incumbency as far as White House favors were concerned, they were playing a large political role, as revealed by the Senate Privileges and Elections Committee investigation of 1912. This inquiry was forced upon the Senate, for since 1908 the Hearst newspapers had been publishing fragments of letters stolen from the files of John D. Archbold in the Standard Oil Company offices.

Archbold himself admitted to the Senate committee that he gave $25,000 in 1904 to Senator Boies Penrose and $100,000 to Cornelius Bliss, as well as moneys to Senators Nathan B. Scott and Stephen B. Elkins of West Virginia. Penrose, as a member of the United States Industrial Committee appointed by McKinley to conduct a survey of corporations, secretly brought to Archbold a copy of the Committee's report, which recommended the disclosure of the names of all corporation stockholders. At Archbold's suggestion, Penrose had this revolutionary recommendation deleted.

Archbold's correspondence, which, like Harriman's, is too extensive to quote in full, showed that in 1898 Standard Oil had given $2,000 to W. C. Stone, former Lieutenant Governor of Pennsylvania and later Congressman; that it had given sums of $5,000 to Representative John P. Elkins, of Pennsylvania; that Representative Joseph C. Sibley, of Pennsylvania, president of the Rockefeller-controlled Galena Signal Oil Company, regularly took Standard Oil advice about pending legislation and committee appointments, and also frequently accepted money; that Senator Joseph B. Foraker habitually accepted large sums of money for specified and unspecified purposes; that Senators Bailey of Texas, McLaurin of South Carolina, and Quay of Pennsylvania were on the Standard Oil payroll; and that in general Standard Oil was pumping money out with a muscular hand. The evidence suggests that Sibley in the House and Foraker in the Senate were the Rockefeller paymasters in Washington. Sibley, indeed, from time to time mentioned in his letters various friendly Representatives that were in dire need of "loans."

Foraker, the letters made clear, used money not only to defeat and to pass bills in the Senate, but also to influence decisions in the Ohio
courts and actions by Ohio's legislative and administrative officers. Until Hearst made the first Foraker letters public in 1908, it should be remembered that Foraker was a serious contender for the Republican presidential nomination. He made the nominating speech for McKinley in 1896.

Under date of January 25, 1902, Foraker asked Archbold for $50,000 with which to acquire a secret share in the influential Ohio State Journal of Columbus, but the attempt on the Columbus newspaper failed. Foraker returned Archbold's bank draft.

An example of Foraker's legislative functions is disclosed by an Archbold letter of February 25, 1902: "Again, my dear Senator, I venture to write you a word regarding the bill introduced by Senator Jones, of Arkansas, known as S. 649, intended to amend the act to protect trade and commerce against unlawful restraint and monopolies, etc., introduced by him December 4. It really seems as though this bill is very unnecessarily severe and even vicious. Is it not much better to test the application of the Sherman law instead of resorting to a measure of this kind? I hope you will feel so about it, and I will be greatly pleased to have a word from you on the subject... ."

The Jones bill came to naught.

VI

President William Howard Taft, as it turned out, was entirely satisfactory to no one; that is probably why he was sidetracked in 1912. He was placed in the presidency by Roosevelt, who was evidently under the impression that he himself would be able to exercise presidential power through a docile creation, much as Hanna had worked through McKinley. Taft, a conservative of conservatives, was ruggedly honest, however, according to his own lights, as McKinley had unquestionably been. Neither Taft nor McKinley posed as a liberal. They sincerely admired the Wall Street crowd which Roosevelt personally found distasteful.

The essential difference between the Taft and Roosevelt Administrations, as far as the overlords of money were concerned, was that whereas Roosevelt favored J. P. Morgan and Company and bore down on John D. Rockefeller, Taft redressed the balance by hindering J. P. Morgan and Company and helping the sorely beset Rocke-
feller clique. The Du Ponts, who had run aground politically under Roosevelt, also found a friend in Taft.

No sooner was Taft's candidacy announced than John D. Rockefeller publicly declared for him as against Bryan, who was running for the third hopeless time on the Democratic ticket. Everybody who had rallied around Roosevelt in 1904, and some who had supported Parker, got behind Taft. The 1908 slush fund was not, however, as large as its three predecessors. Indeed, it was the smallest Republican slush fund since 1888.

The Taft family itself made the biggest contribution to the fight—$110,000, but Charles P. Taft, the candidate's half brother, a successful corporation lawyer, could well afford to part with the money. According to data unearthed by the Senate Privileges and Elections Committee in 1912, Andrew Carnegie and J. P. Morgan and Company gave $20,000 each; Alexander Smith Cochran, textile manufacturer and Morgan client, and E. T. Stotesbury, Morgan partner, put up $15,000 each; Frank Munsey, Jacob H. Schiff, J. P. Morgan, and Whitelaw Reid each gave $10,000; and Simon Guggenheim, J. and W. Seligman and Co., George F. Baker, Adolph Busch, James Speyer, and George W. Perkins gave $5,000 each. Perkins also sent $15,000 into West Virginia for the State campaign, and other sums elsewhere. Henry Clay Frick gave more than $50,000, according to George Harvey, but the Senate Committee missed this contribution as it probably missed many others.

T. Coleman du Pont, who was rumored to have given $70,000 in 1904, which never appeared on the record, in 1908 tendered the Republicans a check for $20,000, but it was delicately refused because there was a suit pending against his company for allegedly defrauding the War Department on gunpowder contracts. Taft eased up on this litigation, begun when a Du Pont employee, for personal revenge, told what the company had been doing. The Democrats, too, had grown finicky, perhaps because of the letters Hearst was publishing, and returned a check for $10,000 to the American Sugar Refining Company, involved in litigation with the government over manipulated weighing machines.

The Democratic national campaign cost $750,000, and the biggest contributor was Herman Ridder, newspaper publisher, who gave
$37,000. Tammany Hall gave $10,000. William A. Clark, the mining magnate, gave $4,000. Small businessmen and lawyers gave amounts below $5,000. After the election, the Standard Oil Company gave $5,000 to defray accumulated debts.

Taft’s victory placed him at the head of a country very different from the one Roosevelt had inherited. In 1900, for example, there were 149 trusts of $4,000,000,000 capitalization; when the “trust-busting” Roosevelt breezed out of the White House, there were 10,020, with $31,000,000,000 of capitalization. Roosevelt’s outstanding contribution was that he made the government infinitely more efficient than it had ever been before. The civil service was extended, forest lands and water-power sites were re-claimed, irrigation projects were launched, and the Navy was made into an effective bill collector at foreign ports. The money spent to elect Roosevelt had brought not only special favors to the major contributors but had also given them the best government, from the standpoint of businesslike operation, they had ever had.*

President Taft could never see why he was not permitted to hob-nob openly with the magnates, whose company he enjoyed. His advisers had a daily job trying to keep him away from the members of the “plunderbund” and of keeping their White House visits secret. Taft liked to play golf with Henry Clay Frick, but Mrs. Taft had to use all her influence to keep him from golfing with John D. Rockefeller, of whom Taft was frankly very fond. J. P. Morgan, however, often called at Beverly, Taft’s summer home, without being

* That aspect of Roosevelt’s regime which liberal historians consider of a constructive nature has, however, been rather successfully called into question by H. C. Hansbrough in The Wreck: An Historical and Critical Study of the Administrations of Theodore Roosevelt and William Howard Taft (1913). This critic contends that the Roosevelt land-conservation program was designed in part, at least, to close the public domain so that settlers would move to privately owned railroad lands (p. 52). The railroads, Hansbrough brings out, financed the conservation movement outside the government and paid $45,000 a year to a periodical, The Talisman, so that it would favor conservation. “This,” says Hansbrough, “was the milk in the reform cocoanut.” An active Washington conservation lobby was also financed by the railroads. Roosevelt’s policy of trust “regulation,” Hansbrough also brings out, was originated by George W. Perkins, who lectured and wrote on it a year before it was enunciated by Roosevelt. The Hansbrough volume contains the correspondence between Herbert Knox Smith, head of the Bureau of Corporations, Perkins, and Oscar Straus, relative to the quashing of litigation against the International Harvester Company (pp. 62-69).
On one occasion Morgan offended Taft's sense of propriety by requesting the President to come to his New York home for a conference at which Senator Aldrich was to be present. Taft suggested that Morgan come to Washington if he wanted to see him. Taft, quite clearly, did not have the conspiratorial attitude of Roosevelt, of whom Representative Sibley wrote to Archbold under date of January 9, 1904, that he had acquiesced when "Aldrich told him also that he did not know as it would do for Mr. Archbold to come over, as it might cause comment. . . ."

In April, 1911, Senator Aldrich, his daughter Abby, and John D. Rockefeller, Jr., Abby's husband, paid a clandestine visit to the White House for lunch and were cautiously brought in by a back entrance; Taft requested that no entry be made of the arrivals in the White House register for prying journalists to see.

Legislatively, the Taft Administration's accomplishments merely bolstered up the positions of the magnates. Taft's first message, in which he promised tariff reform in consonance with the Republican platform pledge, was perfunctory. It took two minutes to read. Instead of tariff reform Congress produced the Payne-Aldrich Act, which boosted the tariffs on more than six hundred items and made it possible for American manufacturers, ensconced behind a protective wall, to raise prices to extortionate levels although wages had not moved up correspondingly since the passage of the Dingley Act. The House bill was quickly revised by Aldrich, Hale, Lodge, and Reed Smoot of Utah, sitting on the Senate Finance Committee. Aldrich spent forty-eight hours writing up the rates, the while the lobby outside his office swarmed with the agents of the corporations all clamoring for higher tariffs. Duties on trivial items were reduced. Beveridge and LaFollette fought without success against the bill; the Senate, like the Supreme Court, was packed with corporation men. LaFollette showed that the tariff reductions amounted to only $45,000 and the increases to $10,000,000. Protected by the old tariff, he proved, the Rockefeller-Ryan American Tobacco Company was making a steady fifty per cent annual profit on its capital and in ten years had abnormally profited to the extent of $180,000,000 at the expense of the public.
Taft nevertheless signed the bill, first describing it as bad but then reversing himself and saying it was the best tariff bill ever written.

The Cabinet under Taft held only corporation lawyers. Knox had resigned his Senate seat to become Secretary of State. George W. Wickersham, Taft's Attorney General, prepared a new railroad bill designed to wipe out the Interstate Commerce Commission. LaFollette and Albert Cummins, however, whittled away at this measure, behind which the Administration stood, until it was no longer recognizable. The Commerce Commission was saved.

Taft bestirred himself in bringing antitrust suits, but directed them against the Morgan camp. Late in 1911, after the hearings of the Stanley Committee, the ax fell on United States Steel. All in all, Taft brought forty-five suits, against only twenty-five by Roosevelt, and yet Roosevelt is remembered as the "trust-buster."

It was the instigation of the suit against United States Steel that finally swung Roosevelt against Taft; Roosevelt complained that Taft, as a Cabinet member, had approved the union of Tennessee Coal and Iron with United States Steel. It was also the bringing of this suit, and another against the International Harvester Company, that set Morgan, standing in back of Roosevelt, against the re-election of Taft. But, with the Stanley Committee's report before the public, Taft had no alternative but to proceed as he did.

The Rockefellers could, of course, do nothing about the pending suit against Standard Oil, which was ordered "dissolved" by the Supreme Court in 1911. Chief Justice Edward White in his decision said the company had been operating in defiance of law for the nineteen years since an Ohio court had ordered it dissolved in 1892.

The unhappy Taft experienced an increasingly hostile press as his Administration matured, and in June, 1910, he ascribed this to the tariff, which, he declared, "did not cut low enough the rate on print paper. . . ." 87

The general imperialistic foreign policy of McKinley and Roosevelt was continued under Taft, who himself was responsible for giving it the name of "dollar diplomacy." Intervention abroad in favor of Wall Street interests gained momentum under the guiding hand of Secretary of State Philander C. Knox.

Taft threw a very special favor in the way of the Rockefellers' Na-
tional City Bank and became personally responsible for the sinister flowering of bank securities affiliates when, after a secret White House conference in 1911 with Frank A. Vanderlip, president of the National City Bank, and Henry P. Davison, Morgan partner, he ordered suppressed an important opinion of Solicitor General Frederick W. Lehmann, who held that securities affiliates were illegal. Lehmann’s opinion was not made known until February 24, 1933, when it was discovered during the inquiry into Wall Street irregularities by the Senate Banking and Currency Committee.88 Irreparable injury to the public interest was done for two decades by these securities affiliates which sprang up like locusts around nearly all large commercial banks. As the Senate showed in 1933, they traded in the stock of the parent banks, rigged the securities markets, and sold dubious securities to an unsuspecting public.

When the National City Company was formed as the first securities affiliate the directors of the parent bank were J. Ogden Armour, Cleveland H. Dodge, Henry C. Frick, Joseph P. Grace (Latin American shipping), Robert S. Lovett (chairman of the Union Pacific Railroad), Cyrus H. McCormick, J. P. Morgan the younger, William Rockefeller, Jacob H. Schiff, Moses Taylor, Frank Trumbull (chairman of the Chesapeake and Ohio Railroad), Edwin S. Marston (president of the Farmers Loan and Trust Company), William D. Sloane (son-in-law of William H. Vanderbilt), James A. Stillman, James Stillman, and Frank A. Vanderlip.

The Taft Administration would hardly have been well rounded had there not been at least one resounding scandal involving the overlords of wealth, although the long-deferred revelation of the suppressed Lehmann opinion suggests that there were indeed more than a few Wall Street skeletons in Taft’s political closets. The affair which came to light during Taft’s incumbency as the Ballinger scandal involved an attempt of the Guggenheims and J. P. Morgan and Company to alienate valuable Alaskan mineral lands from the public domain. Secretary of the Interior Richard A. Ballinger had been an attorney for some of the Guggenheim interests before he took office.

A controversy broke out between Ballinger and Chief Forester Gifford Pinchot over the disposition of the lands, to which fraudulent claims had been filed by the Guggenheims in concert with J. P. Mor-
gan and Company; Ballinger had reopened some of these lands to private exploitation in deference to the spurious claims. Taft promptly ousted Pinchot, but stood by Ballinger until public clamor became too great, and then permitted him to resign. The claims, valued at from $75,000,000 to $100,000,000, were later voided by the courts. Other than this, there never was a definite conclusion to the issue.

Taft also stepped forward on behalf of Charles Heike, secretary and treasurer of the American Sugar Refining Company, who with lesser employees had been convicted in the resounding weighing-machine scandal. Henry O. Havemeyer, president, fortunately died before the prosecution began. Heike, about to serve a term in the penitentiary, was freed by Taft. "The poorer men went to jail." 89

The Administration had nothing to do with the Pujo Committee investigation launched by the House of Representatives in 1912. This committee revealed that J. P. Morgan, George F. Baker, and James Stillman, by means of virtual shoestrings, controlled in an absolute sense the money market of the nation. Under Morgan domination were companies with an aggregate capitalization of $17,273,000,000, including the United States Steel Corporation, the International Harvester Company, the International Mercantile Marine, the American Telephone and Telegraph Company, the New Haven Railroad, the New York Life and Equitable Life insurance companies, and many others.

The partners of J. P. Morgan and Company and the directors of Stillman's National City Bank (Rockefeller) and Baker's First National Bank together held, according to the final report of the Pujo Committee:

One hundred and eighteen directorships in 34 banks and trust companies having total resources of $2,679,000,000 and total deposits of $1,983,000,000. Thirty directorships in 10 insurance companies, having total assets of $2,293,000,000. One hundred and five directorships in 32 transportation systems having a total capitalization of $11,784,000,000 and a total mileage (excluding express companies and steamship lines) of 150,200. Sixty-three directorships in 24 producing and trading corporations having a total capitalization of $3,339,000,000. Twenty-five directorships in 12 public-utility corporations having a total capitalization of $2,150,000,000. In all, 341 directorships
Louis D. Brandeis, reviewing this report, proved that it actually understated the magnitude of resources controlled by this triumvirate of finance capitalists. He found that the great danger was not that these men owned all these resources but that they controlled them by means of "other people's money"—the essence of finance capitalism. Such control made for recklessness of operation, since the very great losses that were sustained from time to time bore most heavily on moderately circumstanced citizens. Such control also made possible the reaping of enormous profits by manipulation, profits in which the actual owners of property usually did not share. The consequences against which Brandeis specifically warned did not descend on the nation until 1929-33.