IV

The Politics of Pecuniary Aggrandizement:

1912-1920

J. P. Morgan and Company played the leading role in the national election of 1912. Stellar supporting roles were taken by the National City Bank of New York, Thomas Fortune Ryan, George Harvey, Jacob H. Schiff, Cleveland H. Dodge, and Cyrus McCormick.

Taft and Roosevelt were the only contenders for the nomination at the Republican convention, with Roosevelt’s personal popularity pitted against Taft’s control of patronage. Patronage won, but not before Roosevelt had dramatized himself skilfully by waging fierce primary and convention fights.

Roosevelt’s preconvention backers were George W. Perkins and Frank Munsey. These two, indeed, encouraged Roosevelt to contest Taft’s nomination; they also induced him not to compromise at the convention. Since 1895 Perkins and Munsey had been inseparable; and Munsey, although still widely remembered as a newspaper publisher, was actually one of the biggest stock-market operators ever to set foot in Wall Street. He made most of his $40,000,000 fortune in Wall Street speculations conducted through Perkins. In reciprocation for the latter’s services Munsey functioned in the newspaper field for J. P. Morgan and Company—buying, selling, creating, and suppressing newspapers in consonance with J. P. Morgan’s shifting needs.

Munsey’s first big market killing took place in the International Harvester merger of 1902 after Perkins put him in on the ground floor. A novice at the game, Munsey made a fortune overnight. Until he met Perkins in 1895 Munsey, significantly indeed, was often near bankruptcy. But after falling in with the Morgan henchman he
branched right out into newspaper publishing, which required much capital.

Munsey was brought into the original United States Steel syndicate, was ushered out before Steel common collapsed, and resumed buying, unquestionably at Perkins' suggestion, after J. P. Morgan and Company had "pegged" the market at slightly more than $8 a share,—using Treasury funds during the panic of 1907. Munsey, in short, was an "insider."

From 1907 to 1911, it was brought out by the Stanley Committee, Munsey was the biggest stockholder in United States Steel, and utilized *Munsey's Magazine*, which then enjoyed a large national circulation, to praise both the company and its stock in a series of "idolatrous" articles written by himself on the basis of facts and figures supplied by the Steel Corporation. The facts and figures, as the Committee proved, were incorrect and misleading.

At times Munsey owned 500,000 to 1,100,000 shares of United States Steel, valued at $30,000,000 to $50,000,000. But when Perkins resigned from J. P. Morgan and Company on January 1, 1911, to assume a larger political role than he had ever played as director of the "Yellow-Dog Fund" of the insurance companies, Munsey's market operations significantly came to an end.²

"As they grew older he [Munsey] and Perkins saw each other more often, journeyed to Europe together, and found the close association of brothers in the Roosevelt presidential campaign of 1912." ⁸ And when Perkins died in June, 1920, Munsey said in a personal eulogy published in the New York *Sun*, which he had acquired from the Morgan-Laffan interests: "I have known Mr. Perkins for more than a quarter century. He had been much in my life; I much in his."

Before his death, however, Perkins brought out of obscurity Will H. Hays, a small-town Indiana lawyer. Perkins was the "principal factor" in selecting Hays as Republican National Chairman.⁴

In 1908 Munsey backed Taft, along with J. P. Morgan and Company, Roosevelt, and Perkins; but as Morgan, Roosevelt, and Perkins turned against Taft, Munsey also turned. The Munsey-Morgan newspapers became exceedingly hostile when suit was brought against the Steel Corporation in October, 1911. Taft merely rubbed salt into the wounds of Munsey as well as of Perkins when he also sued the
International Harvester Company, through whose formation both
had made their first big money.

In 1910 Munsey was prompted by Perkins to give $25,000 to the
ill-starred New York gubernatorial campaign of Henry L. Stimson,
who came from a wealthy family. After his defeat for the governor-
ship, Stimson was made Secretary of War by Taft upon the recom-
mandation of Elihu Root. Under Coolidge he was first the special
envoy of the United States to Nicaragua, and then was appointed
Governor General of the Philippines. In the Morgan-controlled
Hoover Administration Stimson became Secretary of State.

Munsey gave $67,166 to Roosevelt’s 1912 preconvention campaign
and Perkins gave $123,000, according to the findings of the Senate
Privileges and Elections Committee (Clapp Committee). William
Flinn, Pittsburgh Republican boss who took orders from Mellon and
Frick, gave $144,000, although Mellon and Frick were even then
backing Taft; Dan R. Hanna, Mark Hanna’s son, gave $77,000;
Alexander Smith Cochran, textile manufacturer and Morgan client,
gave $25,000; George Emlen Roosevelt, investment banker related
to the former President, gave $10,000; and Herbert L. Satterlee,
Morgan’s son-in-law, gave $600.

The chief contributors to Taft’s preconvention fund were Andrew
W. Mellon and Richard B. Mellon, $2,500 each; James Laughlin, Jr.,
and Henry A. Laughlin, of Jones and Laughlin Steel Company,
$5,000 each; Julius Rosenwald, $5,000; George T. Oliver, Pittsburgh
newspaper publisher financed by Mellon and Frick, $7,000; George
Westinghouse, of the Westinghouse Electric and Manufacturing
Company, $1,000; H. C. McEldowney, Mellon bank official, $500;
Henry Chalfant, steel manufacturer, $1,000; Andrew Carnegie,
$1,000; H. M. Byllesby, investment banker, $1,000; Isaac N. Selig-
man, New York investment banker, $500; Clarence H. Mackay,
owner of the Postal Telegraph-Cable Company, $1,000; and Jacob
H. Schiff, of Kuhn, Loeb and Company, $500.

Gifford and Amos Pinchot each gave $10,000 to LaFollette’s pre-
convention fund before the announcement of Roosevelt’s candidacy,
after which they switched to the “Rough Rider”; William Flinn gave
the LaFollette fund $1,000 before Roosevelt entered the field. Charles
R. Crane of Chicago, head of the so-called Bathtub Trust, gave La-
Follette $23,500, and Rudolph Spreckels, California sugar magnate and civic reformer, gave him $3,000.

Dark forces bored busily from within the Democratic Party. Of a preconvention fund of $50,000 for Senator Oscar W. Underwood of Alabama, $35,000 was supplied in a lump by the sinister, self-effacing Thomas Fortune Ryan of the Rockefeller camp, who also gave $77,000 to the $146,000 preconvention fund of Governor Judson Harmon, of Ohio, another presidential aspirant. James J. Hill of the Morgan forces gave Harmon $15,000. Ryan’s control of the Underwood, Harmon, and Tammany delegations in the Democratic convention was to be wielded to nominate Woodrow Wilson, whom Ryan supported as well from other directions, although on the convention floor he gave nominal support to Champ Clark. The luckless Clark, Speaker of the House and favorite of the subsidized Democratic press, had a relatively small known preconvention fund derived mostly from regional political bosses, with whom he was popular, and from William Randolph Hearst, who gave him $8,500.

The financial genius behind Woodrow Wilson was Cleveland H. Dodge, of the National City Bank, who surreptitiously exercised the most pervasive influence of any unofficial person in the two Wilson Administrations. Dodge gathered $85,000 for Wilson’s preconvention campaign, and of this sum he contributed $51,000. Cyrus H. McCormick and Jacob H. Schiff supplied the balance. Schiff was the senior partner of Kuhn, Loeb and Company, and McCormick was head of the International Harvester Company.

Charles R. Crane gave $10,000; William F. McCombs, Wilson’s campaign manager and by his own admission a confidential agent for Thomas Fortune Ryan and Charles F. Murphy, $11,000; Henry Morgenthau, New York realty operator who became Wilson’s Minister to Turkey, $20,000; and Samuel Untermyer, ambitious New York lawyer, $7,000.

Roosevelt was defeated for the Republican nomination at the Chicago convention when the legitimate credentials of most of his delegates, won at primaries, were blandly ruled out by the credentials committee under Root and Aldrich. Root bore a fresh personal grievance against Roosevelt, who, he believed, should have thrown the presidency to him in 1908; Aldrich had definitely aligned himself
with the Rockefellers. The Mellon-Frick influence was also now exerted against Roosevelt through Secretary of State Knox.

"George Perkins and Frank Munsey influenced the politics of this country in 1912 more than any men with whose activities at the time I am familiar," says Henry L. Stoddard, former publisher of the New York *Evening Mail* (secretly financed by Perkins). 6 "There certainly would have been no national Progressive Party but for those two men; there probably would not have been a Roosevelt candidacy for nomination in the convention against Taft but for them." 7

Stoddard was present in the Auditorium Annex Hotel, Chicago, after Roosevelt's convention defeat, when Munsey and Perkins both urged the former President, now grown reluctant to jeopardize his reputation further, to seek election on a third party ticket. 8 In that hotel room was born the Progressive Party, which rallied to its standard thousands of sincere liberals.

Roosevelt, ever irresolute, would not, as Stoddard makes clear, have contested Taft's nomination and candidacy had it not been for the insistence of Munsey and Perkins. "William L. Ward, George Perkins, and Frank Munsey were the directing heads" of Roosevelt's fight for anti-Taft delegates. 9 Perkins, indeed, was the floor manager of the struggle, in the course of which Munsey was offered for $200,000 a block of accredited delegates' votes sufficient to assure Roosevelt's nomination. 10 Munsey refused the offer, and in view of the vast sums subsequently spent by him and Perkins to forward the Progressive campaign and insure Taft's defeat, the suspicion seems justified that the two were not overanxious to have Roosevelt win. The notion that Perkins and Munsey may have wanted Wilson to win, or any Democratic candidate other than Bryan, is partly substantiated by the fact that Perkins put a good deal of cash behind the Wilson campaign through Cleveland H. Dodge. Dodge and Perkins financed, to the extent of $35,500, the Trenton *True American*, a newspaper that circulated nationally with Wilson propaganda. 11

As soon as Roosevelt signified that he would again challenge Taft the President's defeat was inevitable. Throughout the three-cornered fight Roosevelt had Munsey and Perkins constantly at his heels, supplying money, going over his speeches, bringing people from
Wall Street in to help, and, in general, carrying the entire burden of the campaign against Taft. There was nothing distinctive about the platforms of the three parties once their common planks were eliminated, as is aptly observed by David Saville Muzzey, the historian. An attempt was made, however, to make the Progressive platform unique by including a strong antitrust plank, but this was ruled out by George W. Perkins, chairman of the party's executive committee. Amos Pinchot thereupon precipitated a fierce struggle behind the scenes, calling upon Roosevelt to repudiate Perkins. This Roosevelt refused to do. Pinchot, perhaps was a little naïve, for Perkins and J. P. Morgan and Company were the substance of the Progressive Party; everything else was trimming.

Senator Beveridge was induced to join the Progressive insurgents (some, at least, were insurgents) upon the promise of Perkins and Munsey that the new party would be placed upon a permanent basis and would continue the good fight after the election. Yet three months after the campaign Munsey was publicly suggesting that the Progressive Party, which had polled more votes than the Republican Party, be merged with it; and Perkins was turning aside with evasive jests Beveridge's perturbed inquiries. And when the moment came to bury the synthetic Progressive Party, Munsey and Perkins left the task to Roosevelt, thus escaping the appearance of breaking faith with Beveridge.

Roosevelt tried to sneak back into the Republican fold right after the election, and his antics led Beveridge to make this bitter statement: "I think that history has not one single example of a party or a movement which was used so cold-bloodedly and wrecked so cynically and selfishly as the Progressive Party has been used and wrecked." Beveridge in 1912 suddenly attained great public stature when the Senate Privileges and Elections Committee, ignoring palpably venal senators and maliciously singling him out because of his liberalism, asked him to explain the receipt of $30,000 from George W. Perkins in 1904. Beveridge, by affidavits and witnesses, proved he had returned the $30,000 at once. The committee members, intent upon besmirching a foe, pressed Beveridge to produce a telegram he had then re-
ceived from Perkins. This Beveridge was loath to do. When the committee insisted Beveridge handed over the message, which read:

LETTER AND TELEGRAM RECEIVED. AN HONEST MAN IS THE NOBLEST WORK OF GOD, GEORGE.

Beveridge was made the chairman and keynote speaker of the Progressive Convention which nominated the hand-picked Roosevelt.

Roosevelt's most celebrated 1912 campaign speech was delivered at Columbus, where he endorsed the judicial recall and lost the support of middle-of-the-road voters. But immediately thereafter he indicated that he favored judicial reform merely as a long-range possibility; this qualification made Western liberals and agrarians suspicious and threw them, pell-mell, behind Wilson. The speech, incidentally, like all those Roosevelt ever made on public questions, was revised in advance by the magnates. The hidden editor, in this case, was E. C. Converse, president of the Bankers Trust Company of New York (Morgan).

Munsey's cash contribution to the Progressive Party brought his total political outlay for 1912 to $229,255.72. Perkins made their joint contribution more than $500,000, and Munsey expended $1,000,000 in cash additionally to acquire from Henry Einstein the New York Press so that Roosevelt would have a New York City morning newspaper. Perkins and Munsey, as the Clapp Committee learned from Roosevelt himself, also underwrote the heavy expense of Roosevelt's campaign train. In short, most of Roosevelt's campaign fund was supplied by the two Morgan hatchet men who were seeking Taft's scalp.

Munsey and Perkins, as it afterward came out, however, had not used only their own money for Roosevelt. They received funds in secret from James Stillman, Elbert H. Gary, head of United States Steel, Daniel G. Reid, founder of the American Can Company and a director in many Morgan railroads and banks, Charles F. Brooker, vice-president of the New Haven Railroad, and Robert L. Bacon, former Morgan partner.

Champ Clark was maneuvered out of the Democratic nomination at Baltimore after a tediously prolonged casting of ballots under the two-thirds rule. Clark led from the beginning, but the tide was in-
advertently turned to Wilson by Bryan, who was seeking the nomination a fourth time.

Bryan denounced Clark ostensibly because the latter was openly supported by Hearst, Thomas Fortune Ryan, August Belmont, and Tammany Hall. But Bryan, in his three attempts at the presidency, had been only too willing to accept Tammany and Hearst support, as well as the support of W. A. Clark, Montana copper king. Bryan did not realize, apparently, that the vote would quickly swing to Wilson, once Clark was eliminated. Ryan had carefully lubricated the convention mechanism for just this eventuality.

Soon after Bryan's denunciation Senator Underwood arose for Alabama and cast its Ryan-financed votes for Wilson. This started the drift to Wilson which swept into its current the Ryan-financed Ohio delegation as well.

When the turn of Nebraska came Bryan, not sensing the direction of the wind, cast its votes for Wilson, although the delegation had been pledged to Clark at the primaries. The votes of the New York delegation, under Rockefeller-Ryan-Tammany control, and cast earlier for Harmon, were now swung to Clark, thus putting the curse on him in the eyes of the Bryanites and prolonging the balloting. Charles F. Murphy, the Tammany leader, as we shall see when we scrutinize the work of George W. Harvey, was induced by a ruse to vote for Clark. Had he thrown Tammany's vote to Wilson he would have opened wide the door for Bryan.

Wilson's nomination represented a personal triumph for Cleveland H. Dodge, director of the National City Bank, scion of the Dodge copper and munitions fortune, and inheritor of the invisible mantle that passed from Mark Hanna to George W. Perkins. The nomination represented no less a triumph for Ryan, Harvey, and J. P. Morgan and Company. Sitting with Dodge as co-directors of the National City Bank at the time were the younger J. P. Morgan, now the head of the firm, Jacob Schiff, William Rockefeller, J. Ogden Armour, and James Stillman. In short, except for George F. Baker, everyone whom the Pujo Committee had termed rulers of the "Money Trust" was in this bank.

But before the complicated machinery which gave Wilson the Democratic nomination was set into motion, Dodge arranged a
significant meeting between the presidential aspirant and James Stillman and William Rockefeller at Beechwood, the estate of Frank A. Vanderlip, president of the National City Bank. What was said has not, of course, been placed upon the record yet, and perhaps never will be; but the connection of Wilson with the National City Bank, we know, was very close and has an important bearing upon crucial decisions during Wilson’s White House occupancy.

During the campaign Vanderlip supplied the fiscal and monetary views for Wilson’s speeches through William Gibbs McAdoo, who acted as go-between. Wilson annoyed Vanderlip by refusing to receive him in person; the candidate was obviously afraid to be seen with financiers.

After his nomination Wilson was prompted by Perry Belmont, banker, corporation director, brother of August Belmont, and contributor to Champ Clark’s fund, to declare in favor of the free passage of American coastwise vessels through the Panama Canal, despite the British contention that this would contravene the Hay-Pauncefote Treaty of 1901. Belmont’s recommendation was incorporated verbatim in a Wilson speech, although the source was not mentioned.

For nearly twenty years before his nomination Woodrow Wilson had moved in the shadow of Wall Street. The magnates knew as much about him in 1912 as they had known about McKinley or Taft when they were nominated; they knew a great deal more about him than they had known about Roosevelt in 1901. Dodge and McCormick had been Wilson’s classmates at Princeton University, class of 1879. When Wilson returned to Princeton as a professor in 1890, Dodge and McCormick were, by reason of their wealth, university trustees. Discerning Wilson’s unquestioned abilities, they set about doing all they could to advance his career.

In 1898 Wilson, his salary unsatisfactory, besieged with offers of many university presidencies, threatened to resign. Dodge and McCormick thereupon constituted themselves his financial guardians, and agreed to raise the additional informal stipendium that kept him at Princeton. The contributors to this private fund were Dodge, McCormick, and Moses Taylor Pyne and Percy R. Pyne, of the family that founded the National City Bank. In 1902 this same
group arranged Wilson's election as president of the university. The induction of the new president was witnessed by Morgan, Harvey, Walter Hines Page, Grover Cleveland, then a Princeton trustee, Thomas B. Reed, Speaker of the House, Dodge, the Pynes, and McCormick.

Dodge and Wilson corresponded constantly through the years on intimate terms, the latter habitually addressing the banker as “Dear Cleve.” Dodge at all times acted as Wilson's agent in approaching wealthy persons like Mrs. Russell Sage and Andrew Carnegie for university gifts; by 1910 Dodge stood as close to Wilson as Hanna in 1896 had stood to McKinley.

In 1902 a potent figure burst into Wilson's life in the person of George W. Harvey, who as president of Harper and Brothers, then undergoing reorganization by J. P. Morgan and Company, was impressed by Wilson’s *History of the American People*, published by Harper's. Harvey was a Morgan-Ryan henchman from his boots up, and ran *The North American Review* from 1899 to 1926 as his personal organ for the propagation of Wall Street points of view.

Acutely sensitive politically owing to his long training under Thomas Fortune Ryan and William C. Whitney, Harvey almost immediately visualized Wilson as a man of presidential caliber, and began extolling him in the Wall Street counting rooms. So successful was he that early in 1904 Wilson was summoned to meet a powerful clique in a private dining room at Delmonico's, an event related in the memoirs of Edward P. Mitchell, for many decades the editor of the New York *Sun*. The hosts were Thomas Fortune Ryan, William Laffan, Morgan's deputy in charge of the rigidly Republican *Sun*, Dr. John A. Wyeth, president of the Southern Society of New York, and Francis L. Stetson. In the course of the evening the ubiquitous Elihu Root, Republican Cabinet member, casually strolled in to inspect the Democratic prospect.

Neither Laffan nor Ryan was favorably impressed. But Harvey, undeterred, felt sure he had discovered a future Chief Executive. Again in 1906, at a Lotos Club dinner, with all the magnates present, including Morgan, Harvey boldly proposed the Princetonian for the presidency. He also began beating the tom-tom for him in *Harper's*
Weekly, which on March 10, 1906, saluted Wilson as a Democratic presidential prospect for 1908.

Harvey went in person to the Democratic convention of that year to procure the nomination for his protégé. During the deliberations Wilson waited nervously at Princeton for news, as his biographer relates; but Bryan snared the nomination for the third time, and was to prove for the third time that it was impossible to get into the White House without the consent of the reigning families. On May 15, 1909, Harper's Weekly predicted that Wilson would be elected Governor of New Jersey in 1910 and President of the United States in 1912.

Harvey is worthy of brief attention if the factors that made Wilson a President of the United States are to be understood. Harvey owed his eminence to Thomas Fortune Ryan and William C. Whitney, with whom he worked in close harmony while he was managing editor of the New York World, during the second Cleveland presidential campaign. In 1891 he resigned from The World to become advertising manager and publicity agent for the Whitney-Ryan Metropolitan Street Railway, then engaged in giving the public a forced diet of bogus securities. So successful was Harvey in getting "puffs" about the Metropolitan inserted into the newspapers that he was made an insider in many Whitney-Ryan stock-market pools. His sole function was, indeed, simply to see that the newspapers printed matter that made their readers accept arguments in favor of the wholesale traction mergers then going on, and come into the stock market for a thorough trimming. For more than a decade Harvey worked this greasy game, and eventually came to the favorable attention of J. P. Morgan and Company.

Another detail of Harvey's background, which dovetailed with his profitable Whitney-Ryan association, made it possible for him to function decisively in forwarding the political fortunes of Wilson. Back in the 1880's, while employed by The World, Harvey had been a resident of New Jersey. In 1887 he resigned from The World and accepted the managing editorship of the Newark Journal, owned by James Smith, Jr. Harvey remained in Newark about a year before returning to the wider opportunities offered by The World, and in 1888 became aide-de-camp of the Governor of New Jersey, gaining
the appellation of “Colonel.” With this sunburst insignia clinging to him and while still editing The World, he became in 1890 the State Commissioner of Banking and Insurance of New Jersey.

Harvey’s New Jersey connections made him invaluable to Whitney and Ryan, then insinuating themselves into New Jersey traction, electric, and gas companies. It was, indeed, the year after he met Whitney and Ryan that he went to Newark. In 1892 he introduced his former Newark employer, James Smith, Jr., to William C. Whitney, the invisible power behind the Cleveland Administration; and Whitney, by a judicious use of money, induced the New Jersey State Legislature to send Smith to the United States Senate, where he sat, a Whitney-Ryan agent, until 1899.

Smith was not ungrateful to Harvey for having gained him this political preferment, which enabled him to become the Democratic boss of New Jersey. After listening to Harvey’s representations, he procured for Wilson the gubernatorial nomination on the first ballot of the Trenton Democratic State Convention in October, 1910. It was common talk in political circles that Dodge had been forced to give Smith $75,000 to get Wilson nominated. Wilson also had to promise, through Harvey, to make Smith a Senator again in 1912; but Wilson was to repudiate this agreement when the time came for its fulfillment, giving the Dodge-Harvey propaganda agents the opportunity to boast that the great Princeton democrat had repudiated the “bosses.”

Wilson carried New Jersey in the general movement of popular revulsion against the Taft Administration marked by the Democratic congressional victories of 1910. His campaign was financed by Dodge, although the general public knew nothing of it. Wilson, truth to tell, was a “natural” candidate. The Harvey propaganda, for example, transmuted what had been a feud among the Princeton faculty members into a glorious, but unsuccessful, struggle by Wilson to “democratize” the university by doing away with campus eating clubs!

Throughout Wilson’s gubernatorial term Harper’s Weekly sedulously boomed him for the presidency. But eventually the open support of this periodical, known far and wide as a Morgan publication, became embarrassing, and Wilson asked Harvey to be vid in his support. “Then I will sing low,” said Harvey.
that there had been a quarrel with Harvey, helpful to Wilson among
the Western Democrats, were then circulated. So realistic did Har-
vey make his sudden hostility appear that Wilson became alarmed
and dispatched two abject letters of apology. Despite the supposed
antagonism between the two men, which gave inordinate satisfaction
to liberal Wilsonians, Harper's continued to push the Wilson cause,
albeit quietly.

At the convention of 1912 Harvey ostentatiously supported Clark,
but Harvey's authorized biographer makes it clear that he did so
merely to confuse Bryan. It was Harvey who got Alabama to vote
for Wilson immediately after Bryan's denunciation of Clark; and
it was Harvey who induced Murphy, the Tammany chieftain, to
stand firm against Wilson.

Harvey, indeed, duped Murphy by telling him flatly that Wilson as
President would do nothing for Tammany. With Wilson's cynical
treatment of James Smith, Jr., fresh in mind, Murphy could well be-
lieve this. Murphy, moreover, assumed that Harvey, who had done
so much to create Wilson politically, knew his man. Much to the
satisfaction of the Wilson forces, he stuck grimly by Clark through-
out the subsequent balloting.

That Murphy at this time was under the control of Thomas Fort-
une Ryan has been very positively established on the record. In 1912
Ryan gave Murphy at least $10,000 and at the same time Anthony
N. Brady gave the Tammany chief at least $25,000. Such contribu-
tions to Tammany were regularly made by Ryan and Brady.

William G. McAdoo, traction promoter and, later, Wilson's Sec-
retary of the Treasury, was brought into the fight for Wilson by
William F. McCombs, a Ryan agent. A former pupil under Wilson
at Princeton and a graduate of the Princeton Law School, McCombs
hopped on the band wagon after Wilson had been elected Governor
of New Jersey. He was chairman of the Democratic National Com-
mittee by 1912, at the age of thirty-five, firmly re-established with Wil-
son on the basis of their former academic relationship.

McAdoo was already celebrated for his promotion of the Hudson
and Manhattan Railroad, which connected New York and New Jer-
sey by tunnel under the Hudson. Long before 1912 McAdoo had be-
come an integral part of the New York public-utilities network,
shown by John Moody’s standard *Truth About the Trusts* (1904) to have been dominated by Ryan and the Rockefellers through National City Bank since the beginning of the century.*

Brady in 1901 gave McAdoo’s Hudson and Manhattan Railroad project financial backing; the Guaranty Trust Company (Morgan) also put up money. The Bradys were so impressed by McAdoo’s abilities that in 1919 Nicholas and James Brady, sons of the quondam Albany grocery clerk, offered McAdoo, then resigning as Secretary of the Treasury, the lucrative receivership of the Brooklyn Rapid Transit Company. McAdoo had to reject this offer; he was about to move to California, there to become counsel to E. L. Doheny, owner of the Mexican Petroleum Company.

But it was Ryan’s man, McCombs, who obtained political preferment for McAdoo. First McCombs got McAdoo elected president, over the heads of more eligible persons, of the Southern Society of New York, a semipolitical body. Then he contrived to have McAdoo twice re-elected. McCombs introduced McAdoo to Wilson when the latter was Governor of New Jersey after McAdoo had signified a desire to talk to the New Jersey Governor about certain public-utilities regulations that affected the Hudson and Manhattan Railroad in New Jersey.

So successful was Wilson’s campaign on behalf of “The New Freedom” that the general public contributed large sums in small individual amounts to his campaign finances. When Wilson testified before the Clapp Committee he was able to say righteously that McCormick and Dodge had recalled their contributions to his campaign. These tidings created a favorable impression, even though McCormick and Dodge had been impelled to recall their contributions by the uproar that followed the Clapp Committee’s preconvention fund revelations.

Although the nature and extent of the Roosevelt campaign contributions were spread on the record, details of the Taft and Wilson postconvention campaign funds have been lost; Charles P. Taft, however, gave $150,000 to his brother’s campaign. Information about other contributions, placed in the hands of the Clerk of the House of Representatives in accordance with an Act of Congress, was soon

*See Appendix A: “The Public-Utilities Background of Wilson’s Backers.”*
afterward thoughtfully destroyed—because Congress had not yet stipulated that it should be made a permanent matter of record!

After the 1912 disclosures extraordinarily large individual contributions to the political parties, while not unknown, became less numerous. Yet the money continued to gush forth from essentially the same inexhaustible sources. A factor in the new technique of making political contributions was the income-tax law enacted in the first Wilson Administration. To reduce taxes, corporations in general increased the salaries of their officials to outrageous levels, with the understanding that they show "public spirit" by donating a portion of their income to political parties and controlled charities. And after 1912 the magnates also pressed their families into service in making political contributions, so that now wives, sons, daughters, sisters, cousins, aunts, and uncles, as well as major and minor employees, patriotically help swell political slush funds. Since 1916 thousands of contributions ranging from $500 to $5,000 have come from persons easily traceable to the inner circle of the dominant families.

II

Woodrow Wilson took office ominously, one might say, as a reformer and a liberal.

Wall Street was not disturbed. As George Harvey later wrote, vested wealth accepted Wilson's election "without serious misgivings"; the capitalists, he said, "felt no animosity toward Mr. Wilson for such of his utterances as they regarded as radical and menacing to their interests. He had simply played the political game."

The first Wilson Administration brought various superficial reforms. The Underwood Tariff Act scaled down the rates of the Payne-Aldrich Tariff by ten per cent. An income-tax law was attached as an amendment to the new tariff bill in accordance with the terms of a new Constitutional amendment. The schedule provided for a levy of one per cent on incomes of more than $3,000 and a graduated surtax on incomes of more than $20,000; the surtax amounted to only six per cent on incomes of more than $500,000. Liberals hailed the new tax law as a brake on the fortunes, but the fortunes were all too firmly established. The Adamson Law set an
eight-hour day for railroad workers, but it was passed in the face of a threatened general railroad strike.

In his first message to Congress the President gave liberals a thrill by intoning, "We must abolish everything that bears even the semblance of privilege or any kind of artificial advantage."

The Clayton Antitrust Act was passed in deference to the pretense of newspapers and politicians that the Sherman Act was unworkable. Such a conclusion was hardly warranted, for there never was waged a sincere prosecution under the Sherman Act. The Clayton Act was, not without design, even less of a bar to monopoly than its predecessor. The Wilson Administration also established the Federal Trade Commission, successor to the old Bureau of Corporations.

The Federal Reserve Act was passed in the first Wilson term, and, although the class paternity of this measure impugns it before history, it is technically one of the most constructive laws ever enacted. As with all laws, however, its operation depended upon the social bias of its administrators, and the administration of the Reserve System has reposed from the beginning in Wall Street hands.

The Federal Reserve Act was the offshoot of a bill originally presented in the Senate by the dubious Aldrich, whose measure incorporated the collective wisdom of a monetary commission under his chairmanship. The ideas of the commission in turn emanated from the fertile brains of the Wall Street clique, whose deputies worked out the details in 1908 at the remote Jekyll Island Club, Jekyll Island, off the Georgia coast, during an ostensibly duckhunting expedition. Among those present were Paul M. Warburg, partner of Kuhn, Loeb and Company; Henry P. Davison, partner of J. P. Morgan and Company; Frank A. Vanderlip, president of the National City Bank; Dr. Piatt Andrew, special assistant to the Senate Monetary Commission; and Benjamin Strong, vice-president of the Bankers Trust Company (Morgan).

The protracted Jekyll Island conference took place in the atmosphere of an elaborate conspiracy. The trip to Georgia was made in a private car chartered by Aldrich, and the travelers all used assumed names so that the train crew would not establish their identities. For a long time there was no public knowledge that such a conclave had been held.
The financiers wanted a central bank on the European model, to facilitate the large-scale manipulation of the national economy. An instrument was desired that would function as had the United States Bank, smashed by President Andrew Jackson because it concentrated immense monetary power in private hands.

But when Aldrich introduced the scenario produced by the Jekyll Island duck hunters it was immediately hooted down as a nefarious Wall Street enterprise and, for the time being, came to naught.

The task of the liberal Wilson Administration was to place essentially the Jekyll Island measure on the statute books, but in an eccentric guise. The job of drawing up such a bill was given to Paul M. Warburg, one of the Jekyll Island plotters. Warburg collaborated with all the big financiers, as his own memoirs reveal, and when Administration views were needed he conferred with Colonel Edward M. House, Wilson's roving commissioner. House attained world eminence by the masterly feat of keeping the Texas delegation solidly for Wilson at the 1912 convention.

The Warburg-Wall Street draft, superficially revised by Wilson and Senator Carter Glass of Virginia, was simply the Jekyll Island duck hunters' scheme for a central bank, dressed up in fancy toggery. There was some opposition to it from uninformed Wall Street quarters, but it was, significantly, endorsed by the American Bankers Association.

In practice the Federal Reserve Bank of New York became the fountainhead of the system of twelve regional banks, for New York was the money market of the nation. The other eleven banks were so many expensive mausoleums erected to salve the local pride and quell the Jacksonian fears of the hinterland. Benjamin Strong, one of the original duck hunters, son-in-law of E. C. Converse, and Converse's successor as president of the Bankers Trust Company, was selected as the first Governor of the New York Reserve Bank. An adept in high finance, Strong for many years manipulated the country's monetary system at the discretion of directors representing the leading New York banks. Under Strong the Reserve System, unsuspected by the nation, was brought into interlocking relations with the Bank of England and the Bank of France, greatly strengthening the financial fabric of the political status quo in the western hemi-
sphere. While Wall Street, during and after the World War, moved on to ever enlarging profits, the farmers, whom the Reserve System was ostensibly created to assist, went from bad to worse.

After the passage of the Federal Reserve Act, Thomas Fortune Ryan commended Wilson in one of his rare public statements: "He is a great man and a great President." 40

Five days after Wilson's inauguration Henry P. Davison, of J. P. Morgan and Company, and Willard Straight, son-in-law of William C. Whitney, visited the White House to ask presidential approval for American participation in the six-power Chinese loan. 41 Wilson refused, perhaps because at this particular point he was still closely attuned to the more insular views of the banker-industrialists as personified by Dodge and McCormick. Cyrus McCormick, after Dodge, was Wilson's closest adviser throughout. 42

In May, 1913, James Speyer, of the banking house of Speyer and Company, called at the State Department and confided his anxiety that the Huerta regime in Mexico would default on a $10,000,000 loan maturing in June. 48

Henry Clay Frick dropped in at the White House to ask that the dissolution suit against United States Steel be quashed; but Wilson decided this heavily publicized litigation would have to take its course.

Lesser government officials were also importuned to bestir themselves for Wall Street. J. P. Morgan appeared personally at the Treasury Department to tell McAdoo that he opposed the shipping bill which provided for government purchase or construction of ships. 44 On July 31, 1914, Morgan telephoned McAdoo to discuss the outbreak of war in Europe. 45

The biggest problem confronting Wilson when he took office was the situation in Mexico. And it was in this connection that Cleveland H. Dodge, who owned big Mexican copper properties, first functioned significantly behind the scenes.

In 1911 Porfirio Diaz, dictator of Mexico, was driven from an office in which for many years he had collaborated, along mutually profitable lines, with American mining and oil millionaires like Hearst, Doheny, Dodge, and Rockefeller. But it was Standard Oil that dislodged Diaz.
Percy N. Furbcr, president of Oil Fields of Mexico, Ltd., in 1918 told C. W. Barron that "the [Mexican] revolution was really caused by H. Clay Pierce," who owned thirty-five per cent of the stock of the Pierce-Waters Oil Company, which Standard Oil controlled through a sixty-five per cent stock interest, and was a confidential Rockefeller henchman. "He wanted to get my property," said Furbcr, who continued: "H. Clay Pierce demanded of Diaz that he should take off the taxes on oil imports" to enable Standard Oil to bring in products from the United States. "Diaz refused. . . . Pierce put up the money behind Francisco Madero and started the revolution . . . neither Clay Pierce or anybody else ever dreamed of what would follow." 46

Standard Oil's Francisco Madero was ousted on February 18, 1913, and was executed by Victoriano Huerta, pawn of British oil interests. The revolutionary movement deepened. To the north Carranza and his lieutenant, Pancho Villa, took the field against Huerta. The Carranzistas soon obtained backing from Cleveland H. Dodge and his companion magnates. Wilson from the outset refused to recognize Huerta's government.

But Dodge and others with large stakes in Mexico, alarmed by the threat of events, proposed that Huerta be given American recognition if he promised to hold elections, which would give them a chance to install friendly officials. A memorandum to this effect was relayed to Colonel House by Julius Kruttschnitt, chairman of the Southern Pacific Company. House sent it to Wilson. This memorandum, drawn by D. J. Haff, a Kansas City lawyer, was approved, before being sent to Washington, by Phelps, Dodge and Company, of which Cleveland H. Dodge was vice-president, the Greene Cananea Copper Company of Mexico, and E. L. Doheny of the Mexican Oil Company.47

Haff then called to confer with Wilson, and was introduced by Dodge, whose "approval always went far with the President." 48

There was one compelling reason why Huerta should be denied recognition if he refused to take orders from Washington, and he did refuse. The reason was simply that Huerta had been violently installed in place of Standard Oil's Madero by Lord Cowdray, head of the British oil interests in Mexico.49 Wilson, indeed, in a communication to Sir Edward Grey, the British Foreign Secretary, vowed that
he would oust Huerta, whom the British government and various of its international satellites had hastily recognized.

Not until the early part of 1914 did Wilson give up hope of bringing Huerta under the thumb of Dodge, Rockefeller, and the National City Bank. A number of provocative acts by American armed forces disclosed the new temper in Washington. On April 9, 1914, American sailors landed at Tampico, ostensibly to replenish water and gasoline supplies. They were arrested by Huerta’s troops, but upon protest from Washington were released. There was some astonishment in the United States when Wilson insisted that Huerta salute the United States flag and apologize. Huerta refused. Under international law the circumstances gave Washington no occasion to demand a formal salute.

On April 21, 1914, American warships, upon instructions from Washington, shelled Vera Cruz to prevent a German ship from landing munitions consigned to Huerta. There was loss of life and great property damage.

On July 15, 1914, Huerta, the odds against him obviously too great, was forced out, and Venustiano Carranza took office on behalf of the National City Bank of New York. When it became clear to Carranza’s revolutionary adherents that he, too, had betrayed them, they took the field under Pancho Villa, portrayed in the American press as a common bandit but actually a social revolutionary. In 1915 and 1916 the Wilson Administration tried by armed intervention to pluck this thorn in Carranza’s side. Villa’s border attacks on American towns were calculated, indeed, to provoke American intervention and thereby to undermine Carranza in the political esteem of the Mexican people.

The story of Dodge’s collaboration with Carranza, fortunately, has been left on the record by Frank H. Blighton, a newspaper man whose personal integrity was formally vouched for by former Governor George W. P. Hunt and Senator Henry F. Ashurst, both of Arizona.

Blighton recalled that Dodge had a dubious record. In 1907 Dodge and Louis D. Ricketts were indicted in the Territory of New Mexico for attempting to alienate government mineral lands under fraudulent circumstances. W. H. H. Llewellyn, United States Territorial Attorney, refused to prosecute them, and was for this reason removed by
Attorney General Charles J. Bonaparte. Peyton Gordon, Llewellyn's successor, was just getting ready to draw the legal net around Dodge and Ricketts when Wilson took office. He was precipitately removed by Attorney General James C. McReynolds, a railroad lawyer who entered the Wilson Cabinet on the recommendation of Colonel House and was soon afterward appointed to the Supreme Court of the United States, where he became the most outspoken reactionary of the American bench.

Counsel for Dodge and Ricketts in this action were Albert B. Fall and Thomas B. Catron, both later made United States Senators by the oil and mining interests. Fall, an old school chum of Doheny, is known to history as one Cabinet member caught in venal intrigue with the millionaires—and, mirabile dictu, convicted.

While this New Mexican case was pending Dodge, Ricketts, Arthur Curtiss James, copper and railroad magnate by inheritance and allied by marriage with the Dodge family, and James McLean, vice-president of Phelps, Dodge and Company, were indicted in Globe, Arizona, by a grand jury sitting under J. R. B. Alexander, Assistant United States Attorney General. Grounds of action were similar to those in the New Mexican case.

Soon after Wilson was inaugurated the two Federal indictments were dismissed upon formal order of McReynolds.

Dodge then proceeded to plunge into further illegal adventures; but his operations now concerned Mexico, where he had big properties, and involved gunrunning to the Carranzistas. Dodge was a director and big stockholder of the Winchester Arms Company, the Union Metallic Cartridge Company, and the Remington Arms Company, as well as of Phelps, Dodge and Company, the El Paso and Southwestern Railroad, and the National City Bank.

In May, 1913, the manager of Phelps, Dodge and Company at Bisbee, Arizona, supplied J. L. Perez, a Carranza lieutenant, with ninety thousand rounds of cartridges—this in violation of a munitions embargo proclaimed by Taft on March 14, 1912. As the ammunition was being transported to Mexico it was intercepted by an American border patrol. Perez and his co-workers confessed and pleaded guilty.

United States Attorney Joseph E. Morrison promptly lodged complaints against Dodge, certain of his employees, and Winchester Arms
officials, and prepared to ask for their indictment. The Department of Justice thereupon requested Morrison's resignation, which he refused to submit. On October 22, 1913, McReynolds peremptorily ordered Morrison not to indict the Winchester Arms Company. A copy of this interesting message is preserved.\(^5\)

Morrison complied with McReynolds' order. But he brought indictments against two local officers of Phelps, Dodge and Company and others, and not long after this he was removed from office by McReynolds. Morrison thereupon dispatched a long telegram to Washington in which he accused the Attorney General and the Department of Justice of obstructing the course of justice. This message, a copy of which is preserved, gave many details of the case.\(^6\)

On August 7, 1913, President Wilson had appointed W. H. Sawtelle, of Tucson, to the Federal District Court of Arizona. The case against the Dodge employees was tried before him, and, despite a mass of evidence and a host of witnesses, Sawtelle brusquely dismissed the action.

President Wilson, having found it impossible to wean Huerta from Cowdray and the British Foreign Office, on February 12, 1914, lifted the Mexican arms embargo with the pious explanation that conditions had changed since Taft imposed it. Thereupon a stream of cartridges, rifles, and miscellaneous war materials moved steadily to Carranza from Remington Arms and Winchester Arms. And on July 15, 1914, Huerta, his European arms supply cut off by the United States Navy, fled his office before the advancing Carranzistas. Wilson had made good his threat to the British Foreign Secretary.

Representative William A. Rodenberg, of Illinois, on September 6, 1916, formally charged that Dodge was personally responsible for the shipment of one million rounds of cartridges to Carranza. Rodenberg said Dodge had visited the State Department the day before Wilson lifted the arms embargo.

The Dodge ammunition enterprises were to figure significantly but not prominently in the Wilson Administration. After the merchant liner and British naval auxiliary \textit{Lusitania} had been sunk in 1915, and after Wilson had dispatched the indignant note to Germany which did much to crystallize American public sentiment against Germany, Dodge became chairman of the "Survivors of the
Victims of the Lusitania Fund." Dudley Field Malone, Collector of the Port of New York, testified that the vessel was loaded with ammunition and was therefore a legitimate prey of war, although Wilson failed to give due weight to this important fact. The shipping manifests showed, moreover, that the ammunition came in part from Dodge's own Winchester, Remington, and Union Metallic Cartridge companies.

In many ways Dodge, the only one of his close advisers from whom Wilson never was estranged, throws a queer retrospective light upon Wilsonian liberalism. In 1915 Dodge's Arizona miners struck for higher wages and were violently beset by gunmen brought in from city underworlds. Governor Hunt opposed Dodge; the strikers won. Up for re-election, Hunt, Arizona's first Governor, was opposed by Dodge's political machine. He was counted out by thirty-one votes!

III

Before inquiring into phases of the World War that primarily concerned the American millionaires and multimillionaires, orderly procedure requires brief examination of the 1916 elections wherein Wilson narrowly triumphed over Charles Evans Hughes.

Hughes had long functioned as a Wall Street attorney, although he was widely considered liberal in his leanings; color was lent to this myth by the fact that he had accepted the job of investigating the life-insurance companies when other attorneys were afraid to touch it. Hughes began his career in the firm of Chamberlain, Carter and Hornblower. The latter was chief counsel to the New York Life Insurance Company in the palmiest days of its financial rapine, general counsel to the New York Central Railroad, and deep in the confidence of Depew and the Vanderbilts. In 1894 Hornblower, appointed by Cleveland to the Supreme Court, was rejected by the Senate.

Hughes married the daughter of Walter S. Carter and in 1888 formed the law firm of Carter, Hughes and Cravath. Paul D. Cravath, as we have remarked, succeeded Elihu Root as attorney to Thomas Fortune Ryan, whom he served for more than a quarter century. Hughes' law firm from its inception represented various New York
public-utilities companies; after 1901 it acted for the New York, Westchester and Boston Railroad Company, controlled by J. P. Morgan and Company.

In every detail of his life Hughes was joined with the Wall Street freebooters. Even a Baptist Bible class which he led in 1894 numbered among its many wealthy members John D. Rockefeller, Jr., who succeeded Hughes as its leader.

At the beginning of the fight within the insurance companies Hughes was one of counsel to James W. Alexander of the Equitable Life Assurance Society as well as to the Mercantile Trust Company. Yet the magnates felt some trepidation when Hughes in 1906 was proposed for Governor of New York to oppose Hearst and the Democratic ticket; but Cravath is reported to have assured Ryan that Hughes would be “safe.” 54 This, indeed, he was. Hughes went so far as to dismiss the weighty charges against District Attorney William Travers Jerome of improper collaboration with Ryan, Brady, and other public-utilities racketeers. Cravath defended Ryan.

The Hughes gubernatorial election fund of 1906 totaled $313,923, and the biggest contributors were J. P. Morgan and Levi P. Morton, $20,000 each; John D. Rockefeller and Andrew Carnegie, $5,000 each; Chauncey M. Depew, John W. (“Bet-A-Million”) Gates, J. and W. Seligman and Company, and Kuhn, Loeb and Company, $2,500 each; Charles M. Schwab, Edwin Gould, Jacob H. Schiff, and Adolph Lewisohn, $1,000 to $2,000 each.

After his defeat in 1916 Hughes became chief counsel for the Standard Oil Company, succeeding Joseph H. Choate. He joined Harding’s “Black Cabinet” as Secretary of State, later resumed his Standard Oil practice, and in 1930 was named Chief Justice of the Supreme Court by Herbert Hoover. He narrowly escaped being rejected by the Senate, whose insurgent bloc led the fight against his confirmation. As Chief Justice he succeeded Taft (Standard Oil), who had been appointed by President Harding (Standard Oil).

Theodore Roosevelt was in close touch with J. P. Morgan and Company during the preconvention period of the 1916 campaign. To Charles Willis Thompson, of The New York Times, Roosevelt said, “As for the financial people, they believe everything is coming their way, and [Henry P.] Davison thinks that if it is necessary to
spend twenty millions it can be done with satisfactory results.”  

“I knew,” wrote Thompson, “that his information was accurate; George W. Perkins was even then in communication with the Wall Street people to find out, on Roosevelt’s behalf, what their attitude would be and what they thought.”  

“The financiers,” said Roosevelt, “have an idea just now that they can put Root over. Such men as Davison, for instance. . . . They want Root because he agrees with them and they know where they stand. If they can’t have him, then, as Davison says, ‘We want a blank sheet of paper on which we can write.’ And if they can’t have either, they will be fairly well satisfied with Wilson.”  

Thompson tells of being present when Roosevelt had a telephone conversation with Perkins about the candidates.

The Progressive Party, although quite dead, was still on view. The putrefying corpse merely required the services of Roosevelt as gravedigger. At Chicago a spurious convention was held at which Bainbridge Colby, also a former lawyer for the Equitable Life Assurance Society, nominated Roosevelt for the presidency; Hiram Johnson made the seconding speech. Roosevelt declined the nomination by telegram, and the party was formally disbanded. George W. Perkins was, of course, in full control of the convention machinery.

To determine what should be done about the Progressive Party there had been a political council late in 1915 at the home of Elbert H. Gary, chairman of the United States Steel Corporation. Present in the gathering were August Belmont, A. Barton Hepburn (chairman of the Chase National Bank), Jacob H. Schiff, George F. Baker, Frank A. Vanderlip, Cornelius Vanderbilt, Daniel Guggenheim, Clarence H. Mackay, George B. Cortelyou, and George W. Perkins.

Soon after the nomination of Hughes, and after the withdrawal of Roosevelt from the Progressive ticket, Perkins had dinner with the Republican nominee and received from him permission to bring Beveridge back into the fold. This was the least Perkins could do for the sorely misled Indiana Progressive. Late in 1916 Republican Governor Charles Whitman, of New York, to indicate that the quarrel with the Progressives was ended, proposed Perkins as Mayor of New York City.

According to The New York Times of November 28 and 29, 1916,
the largest contributors from the nation's ruling families to the Republican fund of 1916 were as follows:

$92,500
Pierre S. du Pont

$25,000

$20,000
E. T. Stotesbury and Mrs. E. H. Harriman.

$15,000
J. P. Morgan, J. B. Duke, Galen Stone (public utilities), and Joseph E. Widener.

$11,000
George F. Baker

$10,000

$7,500
George F. Baker, Jr., and Mrs. Willard Straight.

$4,500
Seward Prosser (Bankers Trust Company).

$2,500
Mrs. T. Coleman du Pont, Arthur Curtiss James, and Edward Hines.

Mrs. E. T. Stotesbury, Mrs. Felix Warburg, Mrs. Simon Guggenheim, Mrs. John D. Archbold, Helen Frick (daughter of Henry C. Frick), James N. Hill (son of James J. Hill), Mortimer L. Schiff, and Joseph and W. R. Grace (shipping).

To the fund for the election of Governor Whitman $45,542 came from Perkins and $10,000 from Arthur Curtiss James. Perkins also gave $48,654 additionally to mail Whitman literature to Progressive and Republican Party voters. G. A. Pratt gave the Whitman fund $5,000; Mrs. E. H. Harriman, $1,000; Herbert Seligman and Cornelius Vanderbilt, $500 each; and L. W. Stoesburg, M. J. Dodge, E. S. Whitney, Oscar S. Straus, and H. H. Rogers, $250 each.

To the New York County Republican fund Ogden L. Mills gave $2,000; John D. Rockefeller, $2,000; and Felix Warburg, Louis C. Tiffany, Mrs. Whitelaw Reid, daughter of Darius O. Mills, William K. Vanderbilt, J. P. Morgan, and Henry P. Davison, $1,000 each. The Curran Committee of the Republican and Independent Parties got $5,000 from Willard Straight, $2,000 from George W. Perkins, and $1,000 each from Samuel A. and Adolph Lewisohn.

The Democratic Party was hardly less well provided for. The Wilson Business Men's League collected $2,500 each from S. R. Bertron, broker, and Charles R. Crane; $1,500 from Edward A. Filene, Boston department-store owner, and $1,000 each from Jacob H. Schiff, banker, and Jesse I. Straus, New York department-store owner.

The biggest contributors to the Democratic national fund were Cleveland H. Dodge, $25,000; E. L. Doheny, $25,000;* Roger Sullivan, Chicago Democratic boss, and Thomas D. and David B. Jones, directors of the International Harvester Company, $12,500 each; Alvin Untermyer, son of Samuel Untermyer, Frederick Penfield, Nelson Morris (Chicago packer), Charles J. Peabody, Charles R.

*In this instance once again the official record is shown by a private memoir to be too modest by half. Henry Morgenthau writes (All in a Life Time, p. 242) that he collected $50,000 from Doheny in 1916 for the Democrats.
Crane, F. X. Peabody, and Bernard Baruch, $10,000 each; Francis P. Garvan, son-in-law of Anthony N. Brady, Martin Vogel, Edwin O. Wood, James Taylor Lewis, Fred Johnson, George S. Mead, F. B. Lynch and Marcus A. Coolidge, $5,000 each.

Frederick Penfield was a wealthy Philadelphia real estate owner. His contribution was understood to include money from Josiah Quincy, a Boston mining-company attorney under Federal indictment for using the mails to defraud. Quincy was subsequently acquitted. Wilson appointed Thomas D. Jones a member of the Federal Reserve Board, but he was not confirmed by the Senate.

Many big Democratic contributions were concealed from the voters by a new technique of delaying campaign gifts until after the election, when there remained a deficit to be liquidated. The first report on the Democratic fund in the Times for November 27, 1916, set it at $1,584,548. Notwithstanding that 170,000 persons contributed, under the illusion that Wilson was a great democrat, the campaign, which actually cost $2,500,000, left in its wake a deficit of $600,000, according to the Times of February 28, 1917.

In 1916, as afterward, the political parties did not lay all their cards on the table with respect to sources of funds. William Boyce Thompson, partner in the brokerage house of Hayden, Stone and Company, large stockholder in the Chase National Bank and the Sinclair Oil Company, and one of the first directors of the Federal Reserve Bank of New York, lent Will Hays, Republican campaign manager and chief counsel of the Sinclair Oil Company, $1,000,000 in the course of the campaign, which was later repaid.

In 1918 Thompson gave $300,000 to Hays for the expressed purpose of buying control of Congress, in which the Republicans that year gained a majority. In 1919 Thompson became chairman of the Ways and Means Committee of the Republican Party.

IV

The World War was the overshadowing event of both Wilson Administrations, and marked another stage in the upward march of the American multimillionaires.

The economic royalists offered leadership in bringing the nation into the war; the country—farmers, organized and unorganized
labor, the middle classes, professionals, and intellectuals—accepted that leadership. The alternative confronting the millionaires as the world market was torn asunder by the warring nations was domestic economic stagnation, which would have brought down upon them the concentrated wrath of all classes.

The search which historians have made for individuals who caused the war, and who caused America’s entry into the war, is probably futile. As some historians have pointed out, the causes of the war were multiple, and operative many decades before 1914.

The question which strikes at the heart of the war situation like a dagger is not, Who caused the war? It is not even, Who brought America into the war? The revealing question is, Who profited by the war, pocketed the profit, and defends the profit? The major portion of the war profits, the fact is, went into the hands of the wealthiest families.

The victorious European powers achieved conquests at the expense of wartime enemies, although the gains did not come anywhere near balancing the cost. But the United States magnanimously refused to participate in the parceling out of economic spoils under the Treaty of Versailles. The Wall Street denizens could afford to underwrite this decision on the part of their politicians, because their conquest took the form of gain at the expense of the American people itself.

The American soldiers fighting in the trenches, the people working at home, the entire nation under arms, were fighting, not only to subdue Germany, but to subdue themselves. That there is nothing metaphysical about this interpretation becomes clear when we observe that the total wartime expenditure of the United States government from April 6, 1917, to October 31, 1919, when the last contingent of troops returned from Europe, was $35,413,000,000. Net corporation profits for the period January 1, 1916, to July, 1921, when wartime industrial activity was finally liquidated, were $38,000,000,000, or approximately the amount of the war expenditures. More than two-thirds of these corporation profits were taken by precisely those enterprises which the Pujo Committee had found to be under the control of the “Money Trust.”

Most of the war’s cost was financed by pledging the government’s
credit, i.e., the people's credit; and this pledge at the end of the war amounted to nearly $30,000,000,000, or more than thirty times the prewar national debt. The only way the people could recover some of this money was by taxing the corporations, and the Republican Administrations which held power after 1920 saw that taxes on the rich were sharply reduced rather than increased. What the government did not permit the rich to keep legally they kept by practising wholesale tax evasion, as revealed by various Senate investigations.

The beginning of war was fortunate for J. P. Morgan and Company, sadly involved in the $400,000,000 collapse of the New York, New Haven and Hartford Railroad's financial structure. In 1914, despite the increase in traffic in the two decades during which Morgan had controlled the enterprise, the finances of the New Haven were in ruin. As Charles A. Beard says of this railroad, it "was so loaded with stocks and bonds that it collapsed with an awful crash, spreading ruin far and wide among widows, orphans, and other security holders in New England and giving an awful shock to those who had bought common shares at a high figure in the old days of prudence."

The shambles within the New Haven Railroad would impugn every pretense of J. P. Morgan and Company to social rectitude, if nothing else did. The report of the Interstate Commerce Commission showed that $12,000,000 had been secretly abstracted from the railroad's treasury by J. P. Morgan and Company. C. S. Mellen, president of the New Haven, testified he had warned the New Haven directors that stock of the New York, Westchester and Boston Railroad was not worth ten cents a pound, yet the New Haven graciously relieved J. P. Morgan and his associates of this white elephant for a handsome price. From June 30, 1903, to June 30, 1913, the Interstate Commerce Commission showed, J. P. Morgan and Company, which took control in 1893, had caused the New Haven's capitalization to be increased from $93,000,000 to $417,000,000, of which increase only $120,000,000 was spent on the railroad and the balance on outside speculations through 336 subsidiary companies. The railroad, among other things, bought at fancy prices undesirable traction properties from Senator Aldrich.

The New York World of February 1, 1914, observed that the New
Haven stockholders had been "swindled, robbed, and ruined" by "cold, calculated villainy" which had left the railroad "bled white."

"Thousands of men," said this newspaper, "are in jail for offenses against society which are picayunish in comparison with this stupendous achievement in respectable robbery."

By midsummer of 1914 the outlook was decidedly black for the House of Morgan, and there were those who predicted it would soon go the way of Jay Cooke and Company. The beginning of the European hostilities, however, found J. P. Morgan and Company fortuitously appointed fiscal agent in the United States for the British and French governments. As such it took charge of the vast war purchases of the Allies in this country. The crisis for the banking house was averted.

As revealed in 1936 by the Nye Senate Committee, Secretary of State William Jennings Bryan on August 10, 1914, less than two weeks after war began, informed President Wilson that J. P. Morgan and Company had inquired whether there would be any official objection to making a loan to the French government through the Rothschilds. Bryan warned the President that "money is the worst of all contrabands," and that if the loan were permitted, the interests of the powerful persons making it would be enlisted on the side of the borrower, making neutrality difficult, if not impossible.

On August 15 Bryan wrote to J. P. Morgan and Company, "Loans made by American bankers to any foreign nation which is at war are inconsistent with the true spirit of neutrality." This statement formally committed the United States against loans to warring Europe. Soon afterward Bryan was constrained to reverse himself, which he did privately.

The ever-facile New York bankers, however, now set about approaching their Washington officials in another way. On October 23, 1914, Samuel McRoberts, vice-president of the National City Bank, informed Robert Lansing, counselor of the State Department, that the bank desired to stimulate trade by assisting foreign governments to buy in the American market but was unable to do so with the available supply of credit.

That evening, with Bryan out of town, Lansing called on Wilson. Between them they drew a Jesuitical distinction between credits and
loans: credits were held to be permissible. Then Wilson authorized Lansing to convey his "impressions" to such persons as were "entitled to hear them," upon the express understanding that they would be regarded as Lansing's "impressions" and that Lansing "had no authority to speak for the President or the government."

On the evening of October 24, 1914, Lansing transmitted his "impressions" to a mysterious, unnamed emissary from J. P. Morgan and Company (apparently Willard Straight) at the Metropolitan Club of New York, which had been founded by the elder J. P. Morgan. Two days later, at the State Department, Lansing gave his "impressions" to an agent of the National City Bank. But when Vanderlip, former president of the bank, was asked by the Nye Committee to supply details he suffered a convenient lapse of memory.

Knowing the relations between Dodge and Wilson we may assume that during all these pourparlers Dodge was in constant touch with the President. The Nye Committee, unfortunately, did not inquire into the Dodge-Wilson friendship.

Through J. P. Morgan and Company the Allied governments, after the Lansing-Wilson "impressions" had been transmitted, began buying supplies in large quantities on bank credits. All the banks participated in the business, with National City in the forefront of the commercial institutions. It was some time, however, before the new influx of orders was felt.

The financial risk daily became greater, of course, as German military successes piled up in one theater of the war after another.

Meanwhile, in December, 1914, Henry P. Davison, Morgan partner in charge of making financial arrangements with the Allies, assured David Lloyd George, Chancellor of the Exchequer, that the United States within six months would lift the restrictions against formal loans to the Allies. Davison, as a high ranking member of the de facto government, knew whereof he spoke; it was only a little more than six months before Wilson secretly gave permission for the flotation of the huge Anglo-French Loan.

To break the ground for this loan in government circles Benjamin Strong, Governor of the Federal Reserve Bank of New York, former official of the Bankers Trust Company (Morgan), wrote on August
14, 1915, to Colonel House, warning that the exchange rate of the pound against the dollar was slipping. This meant, presumably, that England's power to purchase and to pay was diminishing. The Nye Committee tried to establish whether the slump of sterling was not the outcome of a maneuver by the American bankers in collaboration with the Bank of England to frighten the Washington Administration into permitting a loan for the ostensible purpose of rehabilitating the pound.

Then Secretary McAdoo was given a copy of a letter from J. B. Forgan, president of the First National Bank of Chicago (Morgan influence) to F. A. Delano, Vice-Governor of the Federal Reserve Board. Forgan asked what the government's attitude would now be toward an Allied loan, as funds were needed which the banks professed could no longer be supplied by means of open credits. On August 21, 1915, McAdoo wrote to Wilson, "Our prosperity is dependent upon our continued and enlarged foreign trade. To preserve that we must do everything we can to assist our customers to buy. ... To maintain our prosperity we must finance it. Otherwise we must stop, and that would be disastrous."

On August 25, 1915, Secretary Lansing, who supplanted Bryan, sent Wilson a copy of Forgan's letter, with his own covering opinion that changed conditions must be recognized and that "the large debts which result from purchases by the belligerent governments require some method of funding these debts in this country."

On August 26 Wilson wrote to Lansing: "My opinion in this matter, compendiously stated, is that we should say that 'parties would take no action either for or against such a transaction,' but that this should be orally conveyed, so far as we are concerned, and not put in writing." Wilson, in short, was fearful that evidence of his endorsement of lending to the Allies would leak out. Lansing informed the bankers of this new turn of Wilson's mind.

Now, before coming to flotation of the Allied loans by J. P. Morgan and Company and the National City Bank, let us retrace our steps to April, 1915, when Thomas W. Lamont, partner in J. P. Morgan and Company made a speech before the American Academy of Political and Social Science at Philadelphia. This speech was neither re-
ported in the newspapers nor was it brought to light by the Nye Committee.*

The value of this long-hidden extraordinary speech resides in the fact that it tends to prove the bankers were interested in seeing the European war continue so that they might extract from it maximum profits. After reviewing details of the financial situation since the beginning of the war and after pointing to the great increase in American exports, Lamont dangled before his listeners the prospect of the United States becoming the financial center of the world. Factors pro and con relating to this development were enumerated by Lamont, who continued:

"Another factor, depending upon the duration of the war, is the extent to which we shall buy back American securities still held by foreign investors. . . . If we should continue to buy such securities back on a large scale— and the chances are that if the war continues long enough [sic!] we shall do that—then we should no longer be in the position of remitting abroad vast sums every year in the way of interest. . . . We should be paying the interest upon our debts to our own people [banks], not to foreigners. Such a development would be of the utmost importance for this country financially.

"A third factor, and that, too, is dependent upon the duration of the war [sic!] is as to whether we shall become lenders to the foreign nations upon a really large scale. I have pointed out that since the war began we have loaned direct to foreign governments something over two hundred million dollars. Yet this is a comparatively small sum. Shall we become lenders upon a really stupendous scale to these foreign governments? Shall we become lenders for the development of private or semipublic enterprises in South America and other parts of the world, which up to date have been commercially financed by Great Britain, France, and Germany? If the war continues long enough to encourage us [sic!] to take such a position, and if we have the resources to grapple with it, then inevitably we shall become a creditor instead of a debtor nation, and such a development, sooner or later, would certainly tend to bring about the

dollar, instead of the pound sterling, as the international basis of exchange.”

After this delineation of the glittering pecuniary possibilities in the war Lamont said, with characteristic histrionic casualness, “These thoughts I have thrown out simply in the way of inquiry and suggestion.”

The Lamont document is of first-class historical significance when read in conjunction with the evidence taken by the Nye Committee. It establishes for the first time on the record the conscious economic motivation in J. P. Morgan and Company and the Wall Street bankers in general for inducing the United States government to take the course it did subsequently take, although such motivation has always been publicly denied by the partners of J. P. Morgan and Company.

And it was Lamont who, when the Federal Reserve refused to rediscount English war notes on purchases, advised the Bank of England to discontinue buying, temporarily, thereby frightening the entire business community. Very soon afterward Wilson gave his roundabout permission to the bankers to float Ally loans.

In late 1914, and throughout 1915 and 1916, leading figures of wealth, and their agents in press, pulpit, and rostrum, carried on a vigorous propaganda in favor of the Allies, against Germany. The newspapers particularly did all in their power to insure the success of this campaign.

After President Wilson was maneuvered into permitting loans to the Allies, J. P. Morgan and Company in October, 1915, headed a syndicate of the leading banks which floated the $500,000,000 Anglo-French Loan. The biggest individual subscribers were the Guggenheim brothers (copper), James Stillman, J. P. Morgan, George F. Baker, Andrew Carnegie, Vincent Astor, Otto H. Kahn, Hetty Green, William H. Clark (copper), Charles M. Schwab of Bethlehem Steel, and Samuel Untermyer, New York lawyer. In the first year $620,000,000 and in the next year, up to the fall of 1917, $600,000,000 was advanced. The leading insurance companies, banks, and corporations as well were induced by their Wall Street masters to stock up with this paper, knitting the nation’s finances into the war fabric on the Allied side.
Early in 1917 the Allied governments, which now owed the American bankers and their clients nearly $1,500,000,000, had been brought virtually to their knees by the German armies, and it was believed that the limit of Allied credit had been reached. In March, 1917, the Czar's government, which had also been fighting to make the world safe for democracy, collapsed, threatening to release the German army of the East for duty in France.

On March 5, 1917, Walter Hines Page, American Ambassador to England, sent to President Wilson a long dispatch which Page summarized as follows: "I think that the pressure of this approaching crisis has gone beyond the ability of the Morgan Financial Agency for the British and French Governments. The need is becoming too great and urgent for any private agency to meet, for every such agency has to encounter jealousies of rivals and of sections." Page said that the outlook was "alarming" to America's industrial and financial prospects, but pointed out frankly, "If we should go to war with Germany, the greatest help we could give the Allies would be such a credit. In that case our Government could, if it would, make a large investment in a Franco-British loan or might guarantee such a loan... Unless we go to war with Germany our Government, of course, cannot make such a direct grant of credit..."

The alternative to war, Page warned, was domestic collapse.

Within four weeks President Wilson asked Congress for a declaration of war, ostensibly because submarine warfare against shipping had been renewed. Congress, with the exception of a small but gallant band led by Senators LaFollette and Norris, promptly acceded.

Out of the proceeds of the very first Liberty Loan more than $400,000,000 was paid to J. P. Morgan and Company in satisfaction of debts owed by the British government! During its participation in the war the United States lent to Europe $9,386,311,178, of which Great Britain got $4,136,000,000 and France $2,293,000,000. American participation in the war made it possible for the government to place the credit of the whole American people behind the Allies, whose fortunes were, early in 1917, at such a low ebb that the American holders of nearly $1,500,000,000 of English and French paper stood to suffer a disastrous loss. The declaration of war by the United States, in ad-
dition to extricating the wealthiest American families from a dangerous situation, also opened new vistas of profits.

Europe got none of the money lent by the Treasury; it received only materials of war. The owners of American industries got the money. They employed most of it to expand the industrial equipment of the nation and to increase the size of their fortunes and the extent of their power. In short, the war debt created by the American government amounted simply to money transferred from the people of the country to the richest families, who owned the banks and industries. Wartime profits,* as the Nye Committee showed, were enormous.

And although Europe has since defaulted on its war and postwar debts to the United States, it has, except for Russia, Germany, and Austria, scrupulously paid off every cent owed to the American banks and bankers. Europe could have liquidated its obligation long ago, but only in goods. Any settlement of that nature, however, has been blocked by American bankers and industrialists, working through their tools in Congress and the White House.

Walter Hines Page, trustee of the Rockefeller General Education Board and editor of various Wall Street publications, deserves brief attention at this point. From the moment war broke out in 1914 Page was wholeheartedly committed to the Allied point of view. He did everything he could to have the United States rake England's chestnuts out of the fire. So indefatigable was he that he often appeared to be a British agent and he has been flatly accused by many, notably by H. L. Mencken, editor and critic, of figuring in a treasonable role.

Such a view of Page is shallow, and scarcely does him justice. Page was merely playing Wall Street's game, and Wall Street's game happened to be England's. When Wilson in 1913 broached the idea of the London ambassadorship to Page, the latter held back on the ground that he could not support himself in proper ambassadorial style. Wilson thereupon called on Dodge to make up the needed funds out of his private purse. Dodge agreed to give Page $25,000 a year during his tenure of the London post. Page was, therefore, as wartime ambassador to Great Britain, financed by a big stockholder

* See Appendix B: War Profits.
of the National City Bank who also happened to be one of America's munitions magnates.

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The wartime emergency found members of the government *de facto* swarming into strategic posts in the government *de jure*. Many of them had long been active, however, in preparing the country for war.

Henry P. Davison who, as a Morgan partner, negotiated the Anglo-French bank loans, in 1915 financed "Aerial Coast Patrol No. 1," a civilian flying unit under the temporary auspices of Yale University. In 1915 General Leonard Wood opened the Business Men's Training Camp at Plattsburg, New York, financed by Bernard M. Baruch, whose initial contribution was $10,000; Baruch spent much time gathering camp funds in Wall Street. The newspapers, of course, gave this project extended attention. With a flourish, Willard Straight, of J. P. Morgan and Company, and Robert Bacon, former Morgan partner, immediately enlisted. Mrs. Cornelius Vanderbilt gave an ambulance train to the New York National Guard. Theodore Roosevelt, Henry Cabot Lodge, Elihu Root, and other faithful servitors of J. P. Morgan and Company were all demanding a declaration of war long before Wilson felt he had the country with him.

There was every reason, of course, for Wall Street to regard the war as beneficent. By the close of 1916 Stock Exchange prices had risen six hundred per cent over the 1914 average. For stockholders and bankers 1916 was until then the most prosperous year in American history.

In 1915 E. I. du Pont de Nemours and Company, for example, through J. P. Morgan and Company, received $100,000,000 of English money to expand the plant capacity of its explosives division; overnight the Du Ponts were lifted from tertiary to primary industrial rank. Crude iron prices, which in 1914 stood at $13 a ton, by 1917 had risen to $42. Whereas unfilled orders of the Bethlehem Steel Corporation at the end of 1913 were only $24,865,000, at the end of 1914 they stood at $46,513,000 and at the end of 1915 at $175,432,000. Munitions exports in 1914 totaled $40,000,000; in 1915 they were $330,000,000, in 1916, $1,290,000,000. Before America entered
the war Wall Street had sold nearly $5,000,000,000 of material to the Allies.

No sooner had the banks shifted the financial risk of their war business to the American people by having the government declare war upon Germany, than the rich families felt it their patriotic duty to take the operation of the government into their own hands; nor did President Wilson oppose them. The government, incidentally, had been secretly preparing for war for six months prior to the actual declaration. According to Franklin D. Roosevelt, then Assistant Secretary of the Navy, the Navy Department began extensive purchasing of war supplies in the Fall of 1916.  

By no accident all the strategic government posts, notably those concerned with buying, were reserved for the Wall Street patriots. On the most vital appointments, Wilson consulted with Dodge, who proposed Davison for the head of the American Red Cross. He also recommended the hitherto unknown Baruch, speculator in copper stocks, as chairman of the all-powerful War Industries Board.

Baruch was given his start in the brokerage business by James Keene, a confidential broker for J. P. Morgan and Company; he made his first big money in the Amalgamated Copper manipulation of the National City Bank-Kuhn, Loeb and Company crowd. In 1904 he became a confidential broker for the Guggenheims, and Thomas Fortune Ryan and Henry H. Rogers later became his “business bedfellows.”

As head of the War Industries Board, Baruch spent government funds at the rate of $10,000,000,000 annually; aspects of the operations of his department were harshly criticized after the war, and Baruch himself was rebuked, by the Graham Committee of the House of Representatives. Some of the unsavory details of this inquiry’s findings are reserved for later exposition.

Baruch packed the War Industries Board and its committees with past and future Wall Street manipulators, industrialists, financiers, and their agents. Some of these were Julius Rosenwald, head of Sears, Roebuck and Company; Daniel Willard, president of the Baltimore and Ohio Railroad; Walter S. Gifford, then vice-president of American Telephone and Telegraph; Howard E. Coffin, president of the Hudson Motor Car Company; Alexander Legge, of the Interna-
tional Harvester Company; J. Leonard Replogle, steel magnate; Herbert Bayard Swope, brother of General Electric's Gerard Swope; Clarence Dillon, of Dillon, Read and Company; Elbert H. Gary, chairman of United States Steel; James A. Farrell, president of United States Steel and son-in-law of Anthony N. Brady; and John D. Ryan, president of Anaconda Copper (Amalgamated Copper), Assistant Secretary of War, and head of the copper-buying committee.

The buying committees in all the war industries were composed of the heads of those industries, who fixed prices on a cost-plus basis and, as subsequent investigations revealed, saw to it that costs were grossly padded so as to yield hidden profits.

With Ryan as an Assistant Secretary of War sat Edward R. Stettinius, partner of J. P. Morgan, who until the United States declared war supervised American war purchases for the Allies. Russell Leffingwell, Morgan partner-to-be, was Assistant Secretary of the Treasury under McAdoo, who appointed Dwight W. Morrow, Morgan partner, as director of the National War Savings Committee for New Jersey. Although without shipping experience, Morrow was also made a member of the Allied Maritime Transport Council, which allocated tonnage among the Powers. Charles M. Schwab, of Bethlehem Steel, took charge of the Emergency Fleet Corporation. Herbert Hoover, promotion agent for various London mining concerns, was made National Food Controller. Frank A. Vanderlip, president of the National City Bank, was given charge of the War Savings Stamp campaign. Samuel McRoberts, vice-president of the National City Bank, became chief of the procurement section of the ordnance division. Paul D. Cravath, Thomas Fortune Ryan's attorney, was made legal adviser to the American War Mission to Europe.

The laxity of the Washington officials is exemplified nowhere better than in the collected letters of Franklin K. Lane, Secretary of the Interior under Wilson. Lane, when war was declared, wrote: "The President ought to send for [Charles M.] Schwab and hand him a Treasury warrant for a billion dollars and set him to work building ships, with no government inspectors or supervisors or accountants or auditors or other red tape to bother him. Let the
President just put it up to Schwab's patriotism and put Schwab on his honor. Nothing more is needed. Schwab will do the job."

This is practically what the President did do in every department of industry. Lane, it is interesting to see, understood that it was auditors and accountants that worried the magnates.

Davison packed the Red Cross with Morgan people. George F. Baker, Jr., of the First National Bank, headed the Preliminary Emergency Commission to Italy. Grayson M.-P. Murphy, vice-president of the Guaranty Trust Company (Morgan), headed the first Red Cross Mission to France, later succeeding Baker in Italy.

Murphy is, perhaps, the most vital minor character in this narrative. Today he is a dominant figure in the Chicago-New York motor-bus systems and a director in several Morgan banks as well as the head of his own investment banking house. As an army lieutenant early in the century Murphy, according to Henry Pringle in his biography of Roosevelt, was secretly dispatched by the President to look over the ground in Panama with a view to staging the Panama revolution. So favorably was Murphy impressed with the possibilities that he and a fellow officer considered trying to interest J. P. Morgan and Company in financing the revolution. Late in 1934 Murphy was denounced by Major General Smedley D. Butler as one of the backers of a grandiose scheme, to be financed initially at $50,000,000, in which Butler would lead a militant political movement of World War veterans. After a brief flurry in the press, during which Murphy's scheme was denounced by liberals as fascistic, Butler's grave charge was pushed safely out of public consciousness behind a wall of silence.

With Davison on the Red Cross War Council were Cornelius N. Bliss, Jr., Republican politician; Seward Prosser, now chairman of the executive committee of the Bankers Trust Company (Morgan); John W. Davis, then Solicitor General and now Morgan's chief counsel; John D. Ryan; Harvey D. Gibson, now president of the Manufacturers Trust Company; and Jesse H. Jones, Texas banker and land promoter and now head of the Reconstruction Finance Corporation.

The Russian Mission of the Red Cross was headed by Colonel William Boyce Thompson and Colonel Raymond Robins, Alaska
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gold prospector. Thompson and Robins in Russia, and Murphy in Italy, used the Red Cross to forward the war aims of Wall Street in a way unsuspected by the American people. The purely political function of the Red Cross is not generally appreciated even today.

Murphy's job in Italy was to bolster shattered morale after the Caporetto disaster. He put the Red Cross to work caring for the homeless and destitute whose mental state was considered dangerously revolutionary. Thompson and Robins, according to their own statements, functioned in Russia as a political arm of the War Department. Their crowning achievement was the purchase of enough delegates to the All-Russian Democratic Congress so that instead of unseating Kerensky, it would support him—and his program of continuing the war. The cost of seducing this congress was $1,000,000, which Thompson cheerfully paid over. Throughout his stay in Russia, Thompson was at all times in cable communication with Lamont and Morrow at Morgan's, and in intervals paved the way for the grant, by the pre-Bolshevik government, of a mining concession to himself and his friends.

The aim of Thompson and the Red Cross was to prevent the Russian people from making a separate peace with Germany. When the Russians nevertheless made peace, Thompson's revised aim was to prevent them from supplying Germany with materials. The Red Cross gave aid in the form of food and money to anti-German elements and withheld it from pro-German and extreme radical elements. Thompson and Robins, under cover of the Red Cross, carried on espionage to locate supplies suspected of being routed to the German border.

Hoover's postwar European relief commission functioned similarly. Food and supplies were withheld from liberal and radical governments and were given to reactionary regimes.

The end of the war found the political financiers still dogging Wilson's unhappy footsteps. At the Peace Conference Baruch was at Wilson's elbow; Lamont, as a Treasury Department representative, was also present "and wrote the financial part for Wilson's League of Nations," according to William Boyce Thompson, "and was more relied upon abroad in financial matters than was Barney Baruch." Lamont, says another authority, "was one of the few
among that admirable body of experts to whom President Wilson lent a willing ear.” 71 Confidential copies of the Treaty of Versailles were, incidentally, in the hands of J. P. Morgan and Company long before the United States Senate saw the documents.

All the postwar international financial conferences were dominated by J. P. Morgan and Company, which floated most of the choice postwar international loans, including the two Reparations Loans. The World War easily doubled the power of the clans mobilized around this banking house, as well as of those around the Rockefeller and Mellon banks.

From the personal standpoint of America’s richest families the World War was the single most constructive event since the Civil War.