The political ruffians of the Grant era functioned under semirevolutionary sanctions; they were the unconscious midwives of a new industrial society which represented definite material progress. No similar sanctions supported the carpetbaggers of the period following the World War, who had no higher historical mission than common burglars. The robber barons of 1860-1900 accomplished, whatever the means they employed, whatever the waste and losses they inflicted, a vast job of construction. Their heirs and assigns of 1920-1932 were reduced to the practice of empty legerdemain, creating holding companies without end and issuing a complicated tangle of worthless hierarchically graded stocks and bonds.

To such an extent was corruption interwoven with high governmental policies during the postwar years of Republican rapine—years which were, it should not be forgotten, logical continuations of the second Wilson Administration—that this pathological phase must be treated in a following chapter. The White House became, quite simply, a political dive.

Even in their superficial aspects the successive Republican Administrations were suspect. They differed from each other only in the name of the White House occupant. Warren G. Harding was an amiable drunkard who left a legacy of scandal mere allusion to which constitutes a breach of good taste; Calvin Coolidge simply did what he was told by Andrew W. Mellon and by Dwight W. Morrow, his political godfather; Herbert Hoover was an erstwhile vendor and promoter of shady mining stocks who before the war had been reprehended by an English court for his role in a promotional swindle.

"Harding," said Alice Longworth, daughter of Theodore Roosevelt.
velt, in a summary that must be considered scientifically exact, "was not a bad man. He was just a slob." 1 Coolidge, according to Senator Medill McCormick, part owner of the rabidly Republican Chicago Tribune, was a plain "boob." 2 He was so shunned, as Vice-President, that when he became Chief Executive he made Senator Frank B. Kellogg, the only man in Washington who had spoken a kind word to him, his Secretary of State. The third of the Republican postwar Presidents, in H. L. Mencken's judiciously insulting phrase, was a "fat Coolidge," sweatingly tremulous under the domination of Thomas W. Lamont of J. P. Morgan and Company, whom he invariably consulted over the long-distance telephone before ever announcing any decision of moment. Of Coolidge's ignorance of common affairs, which was transcended only by Harding's, the late Clinton W. Gilbert, long the Washington correspondent for the New York Evening Post, related that upon ascending to the presidency Coolidge confounded his advisers when he confided that he believed goods sold in international trade were paid for in actual gold bullion, so much gold for so much merchandise.

The exceptionally low caliber of the Coolidge mentality was never better illustrated than in 1921 when, as Vice-President, he wrote for a woman's magazine a series of articles under the title, "Enemies of the Republic: Are the Reds Stalking Our College Women?" The childish intellect displayed in these writings is sufficient commentary upon the scheming minds that carefully nurtured Coolidge's political fortunes.

Under the Presidents of 1896-1920 the government did little for the people, much for the special interests. But under the three postwar Republican Presidents the government became an actively hostile power, baleful, audacious, and irresponsible, functioning directly against the common interest. The party discipline imposed by Hanna was shattered.

The truly significant thing about the postwar Republican Presidents is that they were installed by banking capital, which in 1920 was just settling itself firmly in the saddle. They were the "blank sheets of paper" that Henry P. Davison craved in 1916. And if they did not participate personally in the looting, they had guilty knowledge of what took place, and for their co-operation were permitted
to occupy the highest office within the gift of the American people.

During the early phases of the contest for the Republican nomination in 1920 the main support of the wealthy families was thrown, through their banks, to General Leonard Wood, who in Cuba and the Philippines had functioned as the nation's first imperial pro-consul. Premature revelations about the sinister nature of his financial backing squelched Wood's boom at the eleventh hour; he would, in the face of the revelations, have been unable to snare votes. The Wood supporters thereupon flocked to Harding.

Not only had it been recognized after the Republican Congressional victories of 1918 that the Democrats had slight prospect of retaining popular support, but it was also evident that Wilson's "Copper Administration," dominated by the National City Bank, was to be succeeded, no matter what figurehead adorned the White House, by an "Oil Administration." The priority of oil was unmistakably foreshadowed by the brisk wartime development of the automobile industry. Henry Ford's phenomenal success with the popular-priced car indicated that a big market awaited automobile manufacturers, and publications like The Wall Street Journal predicted an automobile boom.

During the Wilson Administration the automobile interests had made themselves sufficiently heard to obtain passage of the Federal Aid Road Act under which, ostensibly to help the farmers, $240,000,000 of public funds were made available for road building. The United States was soon to be crisscrossed by the most elaborate system of roads in the world, constructed at public expense, and worth billions to the infant automobile industry.

Major policy was at stake as well as oil reserves and casual plunder. Finance capital, to retain the dominance won in the war, required certain special governmental policies. These, as they came into view, provided for the nonprosecution of the war profiteers; reduction of wartime income taxes which threatened to recapture a portion of public funds siphoned into private hands; administration of the credit machinery through the Federal Reserve System to facilitate speculation and the flow of surplus capital into an expanding capital-goods industry; a moratorium upon governmental regulation of finance and industry; and the making of empty, but convincing,
gestures where the interests of farmers, labor, and consumers were concerned.

The first two policies were readily shaped, but subsidiary objectives remained. As the reduction and remission of taxes on large incomes left national finances in a precarious position, and as the soundness of national finances was integral to the well-being of private wealth, the finances had to be strengthened by some device that would not inconvenience the large fortunes.

The method finally approved involved the flotation of billions of dollars of foreign securities in the domestic market, tapping the savings of thousands of small investors; with the proceeds of these flotations Europe and Latin America continued to buy American goods and, what was important, to make payments upon the adjusted intergovernmental debts. The financial strain which the magnates had imposed upon the government in 1917 to save their own fiscal skins was, therefore, partially eased.

From the beginning all regulation of private wealth was discarded. The government, instead of regulating, collaborated, notably in the use of the Federal Reserve System, by keeping speculative activity at fever pitch and facilitating the proliferation of holding companies, investment trusts, mortgage companies, and stock-market pools.

So gloomy were Democratic prospects in 1920 that there was no genuine contest for the presidential nomination, which was given to James Cox, Ohio politician, newspaper proprietor, and partner, with the Republican Dawes clique of Chicago, in the Pure Oil Company. Franklin D. Roosevelt was the vice-presidential nominee, although E. L. Doheny of the Mexican Petroleum Company sought that honor for himself. Cox was given distinguished backing because he espoused Wilson's League of Nations. Chief among those who spoke for him was J. P. Morgan and Company's Thomas W. Lamont, whose recently acquired New York Evening Post led the pro-League newspaper campaign. But even the Morgan camp was split wide open on the League issue, and Cox was opposed by some of Lamont's partners. Cox, like Alton B. Parker in 1904, made sensational charges about a huge Republican slush fund. He could not prove his case, but he precipitated a Senate investigation distinctive chiefly in that it failed to uncover the true situation.
One of the allegations was that Henry Clay Frick had given a private dinner in 1919 in honor of General Wood, with the guests present including George Harvey, George W. Perkins, John T. King (Connecticut Republican boss and Wood campaign manager subsequently indicted in alien property custodian frauds; he died before coming to trial with a co-conspirator who was sentenced to Atlanta Penitentiary), Dan R. Hanna, son of Mark Hanna, E. L. Doheny, Harry F. Sinclair, Ambrose Monell of the International Nickel Company, George Whelan, head of the United Cigar Stores Company of America, H. M. Byllesby, public utilities holding company operator, A. A. Sprague, wholesale grocer of Chicago, and William Boyce Thompson.

Thompson and Harvey took the initiative in bringing about the nomination of Harding after the Wood boom had collapsed under the weight of gold. Harvey, indeed, astutely picked Harding early in 1919 when, a year before the Republican convention, he wrote the name of the candidate he thought would capture the nomination and placed it, before many witnesses, in a sealed envelope. After the convention the envelope was opened. The name inscribed was Warren Gamaliel Harding. 8

Wall Street, with Will Hays of the Sinclair Oil Company deputized to handle details, began the collection of the Republican slush fund early in 1919. All leading corporation executives were dragooned into giving from $100 to $1,000. As Hays, a Presbyterian elder, had piously spread the tidings that no contribution exceeding $1,000 would be accepted, the leading figures of wealth cautiously made their early offerings only in installments of $1,000 each. Members of the wealthy families who gave $1,000 from two to twelve times (with two to eight members of some families contributing) were S. R. Guggenheim, Murry Guggenheim, William Boyce Thompson, R. Livingston Beekman, Edward H. Clark, C. A. Coffin, Daniel Guggenheim, Percy A. Rockefeller, Thomas Cochran (Morgan partner), George F. Baker, Charles Hayden, John N. Willys, Elisha Walker, Harry F. Sinclair, E. H. Gary, J. Leonard Replogle, James McLean, William H. Woodin, Clarence H. Mackay, Eugene G. Grace, E. C. Converse, W. C. Durant, Charles M. Schwab, Earl W. Sinclair, Theodore N. Vail, Dwight Morrow (Morgan partner),

From January 1, 1919, to August 26, 1920, the Republican National Committee collected $2,359,676 for general party purposes, irrespective of contributions on behalf of individual candidates. This was all the Kenyon Committee could find, although in subsequent years vast additional sums were brought to light. According to the final report of the Kenyon Senatorial Investigating Committee, Harry F. Sinclair on May 15, 1919, made two contributions of $1,000 each. Yet, testifying under oath on June 2, 1920, Sinclair made the following answers to questions:

Q. You have had nothing to do with political campaigns at all?
A. No, sir.

Q. Directly or indirectly?
A. No, sir.

The Kenyon Committee got no further with its inquiry into the $10,000,000 Republican slush fund of 1920, but it brought about the
elimination of Wood by discovering that his preconvention fund totaled at least $1,773,033. William Boyce Thompson in 1922, however, confided to C. W. Barron: “There was no limit on the State contributions or the Senatorial Committee. Every Congressional District and every State had all the money it could use. In all six million dollars must have been spent.” As chairman of the Republican Ways and Means Committee which directed Hays, Sinclair attorney and national campaign manager, Thompson presumably knew whereof he spoke. Other committee members were John W. Weeks, of the brokerage house of Hornblower and Weeks, and the United States Senate; William Cooper Procter, head of the Procter and Gamble Soap Company, of Cincinnati; T. Coleman du Pont, William Crocker, and Mrs. John T. Pratt (Standard Oil).

Concealment of campaign contributions is customary. Frank R. Kent, of the Baltimore Sun, writes in his authoritative Political Behavior: “Indictments for violations of the Corrupt Practices Acts are almost unknown and convictions practically nonexistent. From President down, all elective officers are chosen as a result of campaigns in which both state and Federal laws . . . are evaded and violated. In every campaign for the presidency there is in each party always some man other than the treasurer and chairman, close to the candidate and who knows the game, to whom personal contributions that are never advertised and for which there is no need to account can be made."

Detailed contributions to the Wood fund uncovered by the Kenyon Committee included $731,000 from Procter; $100,000 each from George A. Whelan (United Cigar Stores), Rufus Patterson (tobacco), and Ambrose Monell (International Nickel); $50,000 from Henry H. Rogers (Standard Oil); $25,000 from John D. Rockefeller, Jr.; $15,000 from H. M. Byllesby; $10,000 each from George W. Perkins, William Wrigley, and John C. Shaffer, Chicago newspaper publisher and oil man; $6,000 from G. H. Payne, and $5,000 from Philip de Ronde, sugar importer. John T. King collected $91,000, but could not remember the donors. His successor as Wood's campaign manager was William Loeb, President Theodore Roosevelt's White House secretary but long before 1920 promoted to vice-
president of the Guggenheim's American Smelting and Refining Company and president of the Yukon Gold Company.

The second largest preconvention fund belonged to Frank O. Lowden, son-in-law of the late George M. Pullman, financier of Charles G. Dawes' Central Trust Company of Chicago, a leading spirit in the formation of the American Radiator Company, and wartime Governor of Illinois. Lowden's fund amounted to $414,984, most of which he contributed himself; it was of special interest because the Senate Committee obtained a glimpse of how some of it was used to "finance" two Missouri convention delegates.

Hiram Johnson came third with a fund of $194,393, Herbert Hoover fourth with $173,542, and Warren G. Harding fifth with $113,109. The Coolidge preconvention fund was only $68,375, so far as the record shows, but the Kenyon Committee failed to turn up the names of Dwight W. Morrow and Thomas Cochran although other sources show that these men contributed and were, indeed, the moving spirits behind the Coolidge boom. The largest contributor to the Coolidge fund found by the Kenyon Committee was Frank W. Stearns, Boston department-store owner, who gave $12,500. Harry M. Daugherty was the principal Harding preconvention contributor.

For eight years after 1920 new disclosures were forthcoming about vast contributions to the Republican slush fund; further inquiry would perhaps disclose additional sums. In 1924 it was brought out that Harry F. Sinclair gave $75,000 in the course of the campaign; in 1928 it was found that he had given $185,000 additionally in Liberty Bonds to defray the campaign deficit. James Patten, wheat speculator, the 1928 disclosures showed, gave $50,000. Andrew W. Mellon gave at least $25,000 more than had previously been admitted. John T. Pratt, brother of Herbert Pratt of the Standard Oil Company, gave $50,000 more than was uncovered by the Kenyon Committee. Edward L. Doheny, contributing $34,900 to the Republicans, also gave $75,000 to the Democrats. T. Coleman du Pont gave the Republicans $25,000 over and above the Kenyon Committee's figures.

In 1928 Hays reluctantly admitted that Daniel G. Reid, member of the board of the United States Steel Corporation, chairman of the American Can Company, president of the Tobacco Products Com-
pany, and director of the Bankers Trust Company, Guaranty Trust Company, and numerous other Morgan banks and trust companies, had given $100,000 in 1920. William Boyce Thompson lent the Republicans $150,000 and gave $60,000. Perjury was rife in all the hearings. The New York Herald Tribune, organ of the Republican Mills-Reid family, gently said of Hays that his “evasion of the law and the truth has been deplorable.”

Whereas the known Republican contributions finally came close to $10,000,000, with the usual fat donations under names like Morgan, Rockefeller, and Vanderbilt suspiciously absent, the Democratic slush fund amounted to only $2,327,750.

The day before Harding’s nomination the room of George W. Harvey at the Blackstone Hotel was the scene of the notorious midnight conference that was saturated in oil, whiskey, and tobacco smoke. In the light of his earlier prediction that Harding would capture the nomination it is impossible not to see him as the bearer of the highest Wall Street sanction, for as an original deputy of Ryan, who collaborated on equal terms with Morgan, Rockefeller, and Frick, Harvey had handled confidential political missions for all the big financial clans.

Daugherty, who was a purely minor figure in the conspiracy but slated to be Harding’s Attorney General, knew enough only to tell newspaper men before the convention that “the nomination would be decided on by twelve or thirteen men ‘at two o’clock in the morning, in a smoke-filled room.’”

The political deputies of wealth in Harvey’s room were Senators Henry Cabot Lodge (Morgan), Medill McCormick (Chicago Tribune-International Harvester Company), James E. Watson of Indiana (Ku Klux Klan), Reed Smoot (Utah sugar interests), James W. Wadsworth of New York (Morgan) and Frank Brandegee of Connecticut (Morgan); the only person in the room who was not a Senator, other than Harvey, was Joseph R. Grundy, chief lobbyist of the Pennsylvania Manufacturers’ Association and personal representative of Senator Boies Penrose, who was lying in Philadelphia at the point of death but was nevertheless in constant telephonic communication with Harvey’s hotel suite.

Although not a delegate to the convention, Harvey “was second
to nobody there in influence upon its proceedings.” Others on the
ground, and in intimate association with the convention managers,

These latter, according to Senator R. F. Pettigrew of South Dakota, actually dictated what went into the hodgepodge collection of evasions that constituted the Republican platform; and “they were willing to take Lowden or Wood . . . They were holding Knox and Hoover, Harding and Senator Watson of Indiana in reserve . . .” The proceedings of the convention were determined each day in advance by the clique around Harvey.

Harding, somewhat incoherent and slightly wilted by heat and beverages, was summoned to Harvey’s room at midnight on the eve of his nomination. Solemnly asked if there was anything that would make him unfit for the presidency—a guarded reference to a whisper that Negro blood flowed in his veins—he as solemnly replied in the negative. He was thereupon assured that the finger of destiny had settled upon his shoulder, designating him a successor of Washington, Jefferson, Jackson, and Lincoln. Harding left in a daze to plead unsuccessfully with Senator Hiram Johnson to accept the vice-presidency. Johnson, in bed, haughtily declined the honor and turned his face to the wall.

After Harding’s nomination the unseen movers of the convention selected Coolidge as his running mate, a decision disappointing to Stearns but acquiesced in by Morrow and Cochran behind the scenes. Lodge, as convention chairman, adroitly moved the Morgan candidate ahead of Senator Lenroot of Wisconsin.

Like Cox, Taft, and McKinley, Harding was a product of Standard Oil’s Ohio. He was, indeed, a product of Mark Hanna’s old Standard Oil machine, of which he became a rank-and-file member in his youth while starting out as a small-town newspaper publisher. Ohio State Senator from 1900 to 1904, Lieutenant Governor from 1904 to 1906, Harding formally nominated William Howard Taft in 1912, and in 1914 was sent to the United States Senate. In 1908 Harding had boomed Standard Oil’s Joseph B. Foraker for the
J. P. Morgan's Coolidge was himself no more than a puppet. After astounding his fellow townsmen by capturing the mayoralty of Northampton, Massachusetts, from two abler candidates, he was elected to the Massachusetts Senate as the protégé of the wealthy Senator W. Murray Crane, director of the American Telephone and Telegraph Company and other J. P. Morgan enterprises. In 1913 Coolidge was elevated to the Massachusetts Senate presidency, to the astonishment of outsiders, as a climax to the forehanded intrigue of J. Otis Wardwell, attorney for Kidder, Peabody and Company, close banking associate of J. P. Morgan and Company; a collaborator in this intrigue was Arthur P. Russell, attorney for the New York, New Haven and Hartford Railroad and various other Morgan public-utilities companies. As Senate President, Coolidge exercised power second only to that of the Governor.

In 1915 he was elected Lieutenant Governor, this time with the help of funds from Dwight W. Morrow, whose classmate he had been at Amherst College. Two years later Morrow assisted Coolidge into the governorship, where he was hibernating when the Boston police strike of 1919 goaded conservatives to fury and insensate fear. Before the inept Governor dared to move, the strike fell to pieces, whereupon he issued a resolute proclamation of defiance against the strikers. Coolidge's ostensible forthright action in breaking down the forces of lawlessness, it was argued at Chicago, made him a logical presidential aspirant; but the hard-bitten, booze-soaked delegates were not convinced.

Although keeping himself in the background, the soft-spoken Morrow was present at Chicago, an aspiring President-maker. "Morrow's room at the hotel became the center of intensive lobbying. He expounded, he argued, he cajoled." When Harding was nominated Morrow wrote to Lamont that he did not relish the man, but "nevertheless I feel that there is nothing against him and that there is very much in his favor."

The decisive election victory of Harding and Coolidge at once placed Harvey in a pre-eminent political position. Harvey was, in
fact, the real President, while Harding occupied the White House. He was offered the post of Secretary of State, but declined and took the London ambassadorship. Harding and Will Hays together telephoned to Harvey in New York from the South to solicit his approval of the Cabinet members. As the names of the men who were to sit in the “Black Cabinet” were read Harvey exclaimed, “Admirable! ... Perfect! ... You could not possibly do better.”

Until his death President Harding corresponded frequently with Harvey and sought his advice. When Harvey was named to the London post John D. Rockefeller thought it fitting to congratulate him. And even after Harding died Harvey’s influence at the White House was scarcely diminished, although it was subordinate to that of Dwight W. Morrow. Harvey and Coolidge corresponded often, and Harvey, resigning his London post to be nearer the scene of action after his political creation had passed into the afterworld, was often at the White House. Harvey, indeed, constantly shuttled in and out to confer with Coolidge. At one time the President wrote to Harvey: “If you get an idea any time, let me have it.” Harvey and Coolidge, as a matter of fact, had an “exceptionally intimate and confidential friendship.”

On the occasion of one of Coolidge’s opaque speeches Harvey and the senior John D. Rockefeller jointly signed a message of felicitation to the President. The dual signature was, perhaps, a delicate way of reminding Coolidge for whom Harvey was the spokesman. So great a political force was Harvey known to be that the pathetically ambitious Herbert Hoover sought and was given his potent aid in the 1928 presidential campaign.

At the instance of Henry Clay Frick, who conveyed his wishes through Senator Philander C. Knox of Pennsylvania, Harding named Andrew W. Mellon Secretary of the Treasury. Until his appointment Mellon had been virtually unknown to the general public, although he was one of the five richest individuals in the country and since 1871 had been Frick’s banker. The appointment of Charles Evans Hughes, Standard Oil attorney, as Secretary of

* Some writers say Daugherty suggested Mellon, but this is highly improbable. Frick was not only the logical man to propose Mellon but George Harvey, an insider, says he did propose him.
State, was probably dictated by Harvey. According to the talkative William Boyce Thompson "Hughes was the connection with John D. Rockefeller." 28

When Philander C. Knox died, incidentally, he was replaced in the Senate by his law partner, David A. Reed, of Pittsburgh, counsel to the Mellon banks, as Knox had been. The Mellon-Frick Senatorial succession was not permitted to lapse; it was kept alive, however, only by wholesale pecuniary debasement of the electoral processes, as disclosed by a Senate committee.

Hughes and Mellon were the most significant appointees in the Harding Cabinet, the one ruling over the delicate field of foreign affairs, which involved the settlement of war debts and apportionment of postwar markets, and the other over the equally delicate field of domestic finances. It is no wonder that Lodge confided to Barron in 1923 that "Harding is very satisfactory to the financial interests." 29

As to Hughes and the debt settlement, Barron quotes Harding's Secretary of State as saying in June, 1921, "I know Mr. Rockefeller quite well and we are getting the benefit of Mr. Morgan's opinion." 20

Senator Weeks, Boston broker and Morgan connection, was named Secretary of War. Hays, Sinclair Oil attorney, became Postmaster General for a brief term, resigning to become moral arbiter for the motion-picture industry. Daugherty, a ward politician, was Harding's personal selection as Attorney General. Hoover, about whose connections more will be said later, was named Secretary of Commerce at the bidding of William Boyce Thompson, who probably spoke with the approval of his close friend, Thomas W. Lamont. The pliant Senator Albert B. Fall, protégé of E. L. Doheny, Harry F. Sinclair, and Cleveland H. Dodge, was given the portfolio of the Interior Department, which carried with it custody of the public lands. Edwin B. Denby of Michigan was named Secretary of the Navy. Henry A. Wallace of Iowa became Secretary of Agriculture.

Harding surrounded himself with a motley crew of personal advisers. His "poker Cabinet" included Mellon, Harvey, Will Hays, William Wrigley, Chicago chewing-gum manufacturer, Charles M. Schwab, Harry F. Sinclair, and Walter C. Teagle, president of the Standard Oil Company of New Jersey. 81 The President's private parties soon caused whispering in Washington, so much so that many
prominent persons were curious to see the White House room where they took place, although it was not until the Teapot Dome investigation that the mysterious "little green house on K Street" also became widely known as a haunt of the President and his poker-playing friends.

"I had heard rumors and was curious to see for myself what truth was in them," says Alice Longworth of a White House visit. "No rumor could have exceeded the reality; the study was filled with cronies, Daugherty, Jess Smith, Alex Moore, and others, the air heavy with tobacco smoke, trays with bottles, containing every imaginable brand of whiskey stood about [prohibition was a Federal law], cards and poker chips ready at hand—a general atmosphere of waist-coats unbuttoned, feet on the desk, and the spittoon alongside." 32

Immediately after the Inaugural the piratical poker-playing crew in charge of the ship of state scrambled for the strongbox with the unerring instinct of cracksmen seeking the family heirlooms. Hughes negotiated agreements for the payment of the inter-Allied debts and a general reduction in naval armaments; these were, relatively, "clean" jobs, although of tax benefit to the millionaires. Mellon cheerfully took over the job of manipulating the public exchequer. Fall and Denby, with the President's explicit consent, permitted the ravishment of the naval oil reserves by the Sinclair-Doheny-Standard Oil syndicate. Daugherty quashed prosecutions of war profiteers and other spoilsmen of Wall Street and waged vigorous warfare against labor organizations. Hoover expanded the Department of Commerce at great public expense and used it as a marketing agency for the big industries, which were given its valuable services free of charge.

But, most significantly of all, Hoover used the Department of Commerce to foster monopoly on the most complete scale ever seen outside a Fascist state. The antitrust movement had collapsed completely during the war; even the pretense of enforcing the Sherman and Clayton Acts was discarded. Under Hoover the trust movement took a new form. Approximately four hundred trade associations had come into being during the war, sponsored by the various industries and encouraged by the government.
In 1921 the Supreme Court had held that the pooling of commercial information was in restraint of trade. Daugherty, as Attorney General, contended that the distribution of information and statistics among members of trade associations violated the law. In 1923 the Supreme Court held that the Association of Linseed Oil Producers restrained trade.

"Secretary Hoover then took the final step in using the machinery of his department to circumvent the restraints of the Supreme Court and the Department of Justice. Voluntary committees within the industrial and trade groups sent statistical data to the department. This was combined with data furnished by the Bureau of Census and the Bureau of Foreign Commerce, analyzed, and returned to the associations to be distributed among members." 88

The Federal Trade Commission protested against this as arrant price-fixing, but the Supreme Court approved. Monopoly and trustification had now reached its highest form: it was carried on through the agency of the government. Up to 1927, no fewer than 243 trade agreements had been arranged through Hoover's Department of Commerce, all having the effect of jacking up prices to the ultimate consumer. It was in recognition of this notable work in improving the mechanism for extracting money from the consumer that Hoover was given general banking support for the presidency in 1928 when Andrew W. Mellon's boom collapsed.

Hoover was not above engaging in even more devious practices to channel money into the hands of the financial lords. Early in his administration of the Commerce Department, for example, he put out a false prediction of a sugar-crop shortage which made possible an increase in prices that netted the Sugar Trust a profit of $55,000,000 in three months.

Hoover's trade associations functioned behind the screen of the highest tariff yet devised, the Fordney-McCumber Tariff Act of 1922, passed by the Republican majority and approved by Harding. Illustrative of the fact that the tariff rates were not arrived at on the basis of abstract principle were the increases on aluminum houseware fixed for the benefit of Mellon's Aluminum Corporation, which in 1921 paid a dividend of one thousand per cent on its original capital and which immediately after passage of the Ford-
ney-McCumber Act declared an additional dividend of five hundred per cent. Other big companies benefited similarly.

The Aluminum Company, to digress momentarily, had been recognized as a monopoly in 1912 by the Federal courts; in 1924 the Federal Trade Commission reported it as an absolute monopoly, and although the Trade Commission filed complaints against it again in 1928 and 1930 nothing was done about it until 1937 when the government again filed suit to break it up. Mellon, in short, enjoyed the immunity reserved for those in possession of money.

But the hub of government, immediately after Harding was installed, became the Treasury Department. Mellon went to work upon the public vaults with a celerity that showed what the election had been about. Under Mellon reductions and remissions of income taxes for wealthy individuals exceeded $6,000,000,000; until he appeared in Washington wholesale tax rebates had been unheard of. The details of Mellon's tax-reduction program were worked out by Assistant Secretary of the Treasury S. Parker Gilbert, who has since become a partner of J. P. Morgan and Company. Gilbert was a protégé of Owen D. Young and Russell C. Leffingwell, Assistant Secretary of the Treasury under Wilson and subsequently a Morgan partner.

Mellon also launched a movement to impose a Federal sales tax upon all articles in retail trade, a barefaced attempt to increase the tax burden of the lower classes. Although repeated efforts to pass the sales tax were made under Harding, Coolidge, and Hoover, with Mellon the individual driving force, it was repeatedly defeated by the Senate insurgents of both parties. The proposed sales tax was applauded by most of the big newspapers, notably by the Hearst chain.

At the time Mellon threw around himself the mantle of Alexander Hamilton the moguls of vested wealth were in danger of losing some portion of their war profits to the public Treasury, whence, indeed, they had come. Upon the declaration of war, Congress had devised an excess-profits tax based on corporation earnings of the 1911-1914 period. The tax amounted to twenty per cent on profits fifteen per cent in excess of the basing figure; to thirty-five per cent on the excess up to fifteen to twenty-five per cent; to forty-five per cent on the excess up to twenty-five to thirty-three per cent;
and to sixty per cent on the excess above thirty-three per cent. Despite these relatively punitive rates the profits taken after payment of taxes were enormous. A wartime surtax of two to three per cent was imposed on individual incomes of $8,000 to $50,000; of twelve to twenty-four per cent on incomes of $50,000 to $100,000; of twenty-seven to fifty-two per cent on incomes of $100,000 to $2,000,000; and of sixty-three to sixty-five per cent on incomes from $2,000,000 upward.

Various ways were discovered by the rich for evading these taxes. One method was to invest in tax-exempt government securities. There were not enough of these to supply the demand from wealthy families, but they were supplemented by tax-exempt securities issued by state and local governments, which the investment bankers stimulated to tap the vast surplus capital resources of Wall Street. Other ways of evading taxes were to invest money abroad; to declare stock dividends and transfer cash earnings to surplus to be held against a day of low taxes for distribution; to build unnecessary plants, hotels, and office buildings; to pay inordinately high salaries to corporation officials; and to resort to technically legal subterfuges such as personal holding companies. Although the income of the wealthy class had risen sharply, in 1922 incomes of more than $300,000 paid only $366,000,000 in income taxes, compared with nearly $1,000,000,000 in 1916 before the imposition of the emergency taxes!

Mellon failed to block any of the tax loopholes.

But on the plea of stopping tax evasion the Revenue Act of 1921, drawn by Mellon's Department, eliminated the excess profits tax entirely, saving corporation stockholders $1,500,000,000 a year at one stroke. The maximum surtax on individual incomes was reduced by Congress from sixty-five to fifty per cent, with Mellon calling for a twenty-five per cent surtax. The concession by Congress was not sufficient for the avid Mellon and his supporters, however, for late in 1923 additional measures were enacted that further eased the tax load on the rich. The proposed tax bill of 1924 reduced the maximum surtax from fifty to twenty-five per cent; this was considered so flagrant that the bill could not be stomached even by servient Congress. In the substitute bill a surtax of
and a half per cent was established and estate taxes were raised from twenty-five to forty per cent on fortunes of $10,000,000 or more. Mellon thereupon advised Coolidge to use the veto, but the President, heeding advice from other quarters, allowed the measure to become law.

Mellon argued that the tax would so operate as to confiscate estates in two or three generations, ending, as he vowed, the existence of private property. Senate liberals, however, pointed to the fact that the Guggenheim, Du Pont, Harkness, and Pratt fortunes had doubled or trebled in the hands of many heirs. Alexis I. Du Pont, who died in 1921 as a member of the fourth generation of a dynasty whose founder left $40,000,000, alone had an estate of $30,000,000; a dozen other members of the fourth generation had fortunes of equal or greater size. Edward S. Harkness left an estate of less than $50,000,000, yet his two sons left $100,000,000 and $170,000,000 respectively.

In 1926 Coolidge signed Mellon's bill that provided for a twenty per cent maximum surtax on individual income taxes; a basic tax rate of 5 per cent; reduction of the inheritance tax; repeal of the gift tax and of the tax on automobile trucks and accessories. Up to this point the Mellon tax reductions had saved wealthy individuals and corporations an officially estimated $4,000,000,000 annually, exclusive of remissions.

Had a halt been called there something might have been saved from the wreckage. But Mellon was coldly savage in his determination to obtain virtually complete tax exemption for the clans of great wealth. The Treasury Department quietly indicated, the moment Mellon took office, particularly to generous Republican Party contributors, that the Internal Revenue Bureau had adopted a policy of "liberal" interpretation of tax laws to allow remissions of taxes paid from 1917 onward. At one time more than twenty-seven thousand lawyers, accountants, and tax experts were handling tax-rebate cases in Washington.

The situation soon caused the launching of a special Senate investigation under the chairmanship of Senator James Couzens of Michigan. One of the cases cited by Couzens concerned a zinc property bought by William Boyce Thompson in 1913 for $10,000 and sold in 1918 for $600,000, upon the five thousand nine hundred per
cent profit of which transaction no taxes were collected because, it was said with absurd illogicality, the property had been really worth $600,000 from the first.

The Couzens investigation disclosed other rank favoritism if not criminal intent in the bestowal of public funds disguised as tax rebates; Mellon vindictively retaliated by filing suit against Couzens for the collection of $10,000,000 in taxes allegedly due on the sale in 1918 of Couzens' stock in the Ford Motor Company. Couzens won the case, but at great expense. Before his recent death Couzens enjoyed the distinction of being the only wealthy man ever to sit in the Senate with a keen sense of responsibility to the common welfare. A similar Senator, not so wealthy, was the late Bronson Cutting of New Mexico.

During his first four years in office Mellon gave himself a tax refund of $404,000, second only to one of $457,000 for John D. Rockefeller, Jr. The United States Steel Corporation received a refund of $27,000,000, typical of those to large corporations. It is manifestly impossible to cite all the refunds, for up to December, 1924, the list of tax refunds filled eight folio volumes of ten thousand pages. When Mellon left office the list was more than twice as large.

Mellon on one occasion overstepped the bounds of legality, when a refund of $91,472 to the Mellon banks in Pittsburgh was assailed as improper; it was promptly defended on the Senate floor by Senator David A. Reed, Mellon's lawyer. But the Treasury Department was constrained to admit, in the face of a general outcry from the Senate liberals, that the refund was illegal. It was recalled.

Mellon, of course, fought the disclosure of 1923 and 1924 tax payments brought about by Couzens and the Senate liberals, and he and Coolidge were successful in having this salutary practice discontinued. The Couzens inquiry, unfortunately, did not stop Mellon from ladling out public funds. Indeed, Couzens' committee was not equipped to unravel the tortuous details of all the tax transactions. But the committee made it glaringly evident that virtually every tax transaction of the Treasury Department under the Pittsburgh banker and aluminum monopolist is suspect. During Mellon's tenure a total of $1,271,000,000 of tax refunds were made, of which $7,000,000 were for Mellon's personal account, $14,000,000 for the
account of his corporation. In remissions, rebates, and reductions of rates more than $6,000,000,000 was siphoned from the Treasury into private pockets. The Mellon regime therefore had the effect of leaving the national debt larger by this amount than it would have been and of increasing the aggregate of war profits by at least half this amount, since it was capital gains from wartime operations that figured largely in the tax juggling.

Not satisfied with the havoc already wrought in the public finances Mellon and President Hoover in November, 1929, announced a reduction of one per cent on individual and corporation taxes for 1930, of which $100,000,000 accrued to corporations and $60,000,000 to individuals. This reduction was temporary only; since then there has been no fundamental reform in the income-tax schedules, which should never, in the interests of sound public finance, have been changed from the 1919 basis. The Franklin D. Roosevelt Administration, however, closed some tax loopholes, but while it has raised estate and income taxes it has kept a loosely drawn gift-tax law that virtually nullifies estate-tax provisions.

Mellon played politics in many ways with the Treasury Department. During his incumbency he predicted, from time to time, heavy deficits. These predictions had the effect of deterring war veterans and farmers from demanding Federal assistance. In 1921, 1922, and 1924 Mellon predicted deficits in the face of the bonus agitation, and each year there was a substantial surplus. But after 1929, when deficits became the rule, Mellon took to predicting surpluses so that income and inheritance taxes would not be increased by Congress.

As the nation writhed after 1929 in the grip of the crisis, economists criticized the Secretary of the Treasury for having reduced taxes in prosperous years when they might have liquidated the national debt and so left the Treasury in a position to shoulder its proper responsibility to the people as a whole. The conservative Dr. E. R. A. Seligman, McVickar Professor Emeritus of Political Economy at Columbia University, lashed out at Mellon for the “absurdly inadequate” revenues received from the meager inheritance taxes.

The Treasury Department under Mellon was shot through with
scandals, of which the Barco concession deal was outstanding.* The Mellon tax policies were scandal enough, however; they played a big part in fueling the speculative boom of 1924-1929, for the funds released for private use could in many cases find no constructive economic outlet. They were therefore directed into the stock market, into the proliferation of holding companies and investment trusts, and into wild personal extravagances that stimulated luxury trades which later collapsed.

II

The untimely death of Harding on August 2, 1923, brought no change in government policies. The merry game of plundering continued under Coolidge. The first Teapot Dome revelations in 1924 acted as a slight deterrent upon the process but, on the whole, no change was visible to the naked eye. Coolidge's running mate in 1924 was Charles G. Dawes, Chicago banker and Comptroller of the Currency under McKinley.

*The Carib Syndicate, controlled by Henry L. Doherty and J. P. Morgan, in 1917 bought a Colombian oil concession known as the Barco Concession. It had not been developed owing to high costs, and in 1926 the Colombian government proposed to cancel it. The Mellon's Gulf Oil Company, however, although knowing the facts, on January 5, 1926, paid Doherty $1,500,000 for the concession. Gulf Oil argued against cancellation of the undeveloped concession, and its contentions were upheld by the State Department. American banks instituted an embargo against Colombia, and thus brought about a severe internal political and economic crisis. The National City Bank of New York, appealed to by Dr. Enrique Olaya Herrera, Colombian Minister to Washington, said that nothing could be done about Colombian financing until the confidence of investors was restored. To assist in restoring confidence Herrera was given H. Freeman Matthews, assistant chief of the Latin-American division of the State Department and Jefferson Caffrey, American Minister to Colombia. They recommended the engagement by Colombia of Dr. Edwin Kemmerer, of Princeton University, to revise Colombia's fiscal policies, and of George Rublee, Dwight W. Morrow's aide in Mexico, to advise on legislation. Colombia adopted the petroleum code recommended by these Americans, but only after stormy debate. The new petroleum law gave the Gulf Oil Company a fifty-year concession. Ten days after the law's adoption, the National City Bank advanced to Colombia the final $4,000,000 installment of a $20,000,000 credit earlier contracted for. The New Republic expressed astonishment that "an American Secretary of State had used his high office to persuade the National City Bank of New York to grant an unsound bank credit to the government of Colombia as a means of obtaining one of the world's largest oil concessions for a company controlled by the interests of Mr. Mellon, our Secretary of Treasury."
The nomination of Dawes preserved the general low tone and artistic consistency of the Republican ticket. Dawes was a protégé of Mark Hanna, and this was not unknown; but in view of the fact that Davis, in the parlance of the prize-fighting ring, was to "lay down," it made no difference what weakling accompanied the incredible Coolidge. Dawes' chief claim to fame, other than his ostensible authorship of the Dawes Plan of Reparation Settlements, arose from his participation in the William E. Lorimer bank scandal in Chicago before the war.

Lorimer had been elected United States Senator from Illinois in 1910 with the help of a slush fund supplied by Edward Hines, wealthy lumber man. Because Hines was at odds with the Republican faction dominated by the McCormicks, the deal was exposed in the Chicago Tribune and Lorimer was refused his seat by the Senate, most of whose members had arrived at their eminence over the very road traveled by Lorimer.

Although a Republican political boss, Lorimer controlled a national bank in Chicago which became involved in difficulties soon after the rejection of its proprietor by the Senate. To avoid a Federal bank examination Lorimer decided to have his national bank charter changed to a state charter. But to get a state charter he had to prove to the State Auditor of Public Accounts that the bank actually possessed $1,250,000 cash as claimed. Unfortunately, Lorimer was even then insolvent. Dawes, head of the Central Trust Company (which he had started after the turn of the century with money obtained from his friend, Frank O. Lowden), without informing his fellow officers or directors, made out to Lorimer's bank a check for $1,250,000 with which Lorimer was to deceive the State Auditor. As soon as a state charter had been issued, the check was returned, uncashed. For his part in the deal Dawes was soundly rebuked by the Supreme Court of Illinois. This court held Dawes' Central Trust Company liable for $110,457.51 in the failure of Lorimer's institution, paring down a liability set at $1,400,000 by the lower courts.

Although thousands of depositors lost money in the Lorimer crash, action against Dawes went no further than the litigation cited, for Dawes was a power in Illinois politics. Moreover, Dawes'
bank did not satisfy the judgment against it until after Dawes' nomination for the vice-presidency in 1924.

The Democratic contender was John W. Davis, former Congressman and Solicitor General, Harvey's predecessor in the London ambassadorship, and, above all, attorney for J. P. Morgan and Company. Davis was chosen by the Democrats as a compromise after a convention deadlock between the Ku Klux Klan, which backed William G. McAdoo, and the Roman Catholic Church, which backed Alfred E. Smith. Davis' running mate was Charles Bryan, brother of William Jennings Bryan.

With Davis and Coolidge in the field, J. P. Morgan and Company had the unprecedented distinction of controlling both candidates. A third ticket was headed by Senator Robert M. LaFollette, with Burton K. Wheeler of Montana, one of the active figures in exposing the Teapot Dome swindle, as his running mate. LaFollette polled five million votes, the most ever garnered by an independent candidate, but Coolidge, supported by a mountain of money, won handily.

Behind the financial arrangements of the Coolidge campaign stood Dwight W. Morrow. Thomas Fortune Ryan, as usual, took the lead for the Democrats. Frank P. Walsh, attorney for the LaFollette committee, estimated total Republican collections at $15,000,000 and, considering various special Senatorial contests wherein private stakes were great, the aggregate may easily have been around this figure. But the Republican National Committee collected only $4,370,409 as far as a special Senate committee under William E. Borah could determine. The Democratic National Committee spent only $903,908 for its shadowboxer. The LaFollette campaign cost $221,937.

As in 1904 J. P. Morgan and Company in 1924 took the lead in scaring up Republican contributions. E. T. Stotesbury collected $50,000 in Philadelphia; Guy Emerson, now vice-president of the Bankers Trust Company, did most of the collecting in New York, although George Murnane, vice-president of the New York Trust Company (Morgan) collected $77,000. William Wrigley, James A. Patten, William H. Woodin, and Frederick H. Prince each gave $25,000; Eldridge M. Johnson, president of the Victor Talking Machine Company, Mortimer L. Schiff, Arthur Curtiss James, and

Thomas Fortune Ryan gave the Democrats $55,000, the largest single contribution brought to light. Contributions of $25,000 each were made by Bernard M. Baruch and Jesse H. Jones, Texas banker and land promoter. Henry Morgenthau put up $23,500. Thomas L. Chadbourne, Cuban sugar investor, gave $20,000. Contributions of $10,000 each were made by Norman H. Davis, banker and diplomat, Francis P. Garvan and S. D. Camden. Contributions of $5,000 each were made by Mrs. Jesse H. Jones, John D. Ryan, Percy S. Straus, John W. Davis, Cleveland H. Dodge, Frank L. Polk, Allen Wardwell, Cyrus H. McCormick, Charles R. Crane, and Jesse I. Straus. Smaller contributions came from Ralph Pulitzer, F. B. Keech, Gerard Swope, Edward A. Filene, Richard Crane, and various corporation executives.

A tangle of special interests, analysis shows, was concerned with financing the campaign. Stotesbury, a leading spirit in the United Gas Improvement Company of Philadelphia, was under indictment along with his company; the United States Attorney General dismissed the indictment. More than a score of officials of sugar companies that were under investigation by the United States Tariff Commission contributed; textile men interested in a higher tariff made heavy donations; Charles Hayden, old partner of William Boyce Thompson and special backer of Herbert Hoover, contributed $5,000 and was currently resisting a government claim for a wartime overpayment of $5,267,476 to the Wright-Martin Aircraft Company, of which he was a director. The government soon afterward
renounced this claim. Harry M. Blackmer, chairman of the Midwest Refining Company, deeply involved in the Teapot Dome scandal, made a sizable contribution, as did other Teapot Dome defendants. Julius Fleischmann, yeast king, and many others, had pending huge tax claims against the government. Beman G. Dawes, brother of the vice-presidential candidate and president of the Pure Oil Company, gave $5,000; his wife gave the same amount. The Pure Oil Company had a tax-refund claim pending and was a defendant in a suit brought by the government, which charged a conspiracy to control oil and gasoline prices in Ohio. The tax refund was granted, the suit was quashed.

In other words, the old game of purchasing immunity was played. The chairman of the Republican Ways and Means Committee, successor to Thompson, was Joseph R. Grundy, president of the Pennsylvania Manufacturers' Association and one of the Harding conspirators of 1920. Grundy on his own hook collected $300,000 in Pennsylvania.

Harding's "Black Cabinet" had to be reconstituted before the election, but Coolidge was afraid to make a move that would disturb the Republican machine. Against great pressure he held off for some time asking Daugherty for his resignation, and actually commended this arrant spoilsman and expressed regret when he did resign. Coolidge also obtained the resignation of Secretary Denby, who had acquiesced in the alienation of the naval oil reserves. Hughes, his work done, resigned in 1925 to resume his Standard Oil practice; he was replaced by Senator Frank B. Kellogg of Minnesota. There were other new appointments, all dictated by local politicos, but Mellon remained in the Treasury, the central figure of the Republican regime; Hoover remained in the Department of Commerce.

Reaction gripped the nation. As the result of extensive postwar plotting both houses of Congress were under Wall Street control. William Boyce Thompson in 1922 had said, "The Senate must be controlled and there are Senators from different states who must be looked after." Thompson and Harvey had, events in the Senate showed, wrought well. No bill of any tangible value to persons without wealth was to be passed and signed by a President for many years.
The outstanding new development of the Coolidge Administration was the rise of Dwight W. Morrow to national prominence, giving J. P. Morgan and Company virtually unchallenged jurisdiction over the White House for the first time since 1908. During Harding's incumbency Morrow had been occupied with problems of international finance. In 1921 he made an intensive study of French finances with a view to floating a loan through J. P. Morgan and Company; in the same year he reorganized the Cuban finances on a basis that led to the establishment of the bloody Machado dictatorship and the equally bloody revolt against it. In 1922 he was occupied with floating the Austrian reconstruction loan. Through a misunderstanding, Morrow failed to obtain a desired post on the Reparations Commission, but he succeeded in placing Owen D. Young, head of the General Electric Company, and a nominal Democrat, in his stead. S. Parker Gilbert was appointed Agent-General of Reparations upon the recommendation of J. P. Morgan and Company, which recognized his able services in working out the details of the tax-reduction program.

In 1925 Coolidge appointed Morrow to the Aviation Board; but in 1927 came the most crucial appointment of all. Morrow was named Ambassador to Mexico. This post, at the moment, was of vital interest to Wall Street and Washington; it was, indeed, the most important ambassadorship in the entire diplomatic service at the time, for relations with Mexico, where wealthy Americans owned mineral property worth more than $1,000,000,000, had gone from bad to worse since the first Wilson regime.

Despite close liaison with the overlords of wealth the State Department, its embassy in Mexico City the personal gift of E. L. Doheny, had been unable to obtain substantial concessions for the American millionaires. In 1919 the Rockefellers, the Guggenheims, the Anaconda Copper Mining Company, and E. L. Doheny took matters into their own hands by forming the Association for the Protection of American Rights in Mexico. This organization unloosed wild propaganda for intervention. Prodded by Senator Fall, a Senate committee sat from August, 1918, to May, 1920, hearing about alleged mistreatment of Americans in Mexico and thereby providing an
official background for the interventionist propaganda. Wilson, upon
listening to representations from Fall, agent in the Senate for the
interventionists, reversed Lansing’s relatively conciliatory policy and
in the closing phases of his term adopted a strong tone toward Mexico.
But he refused to accede to the open demands for war.

Harding and Coolidge experimented with Wilson’s earlier policy
of bullying, and in 1923 Coolidge recognized Obregon, who had
ousted Carranza two years before, and agreed to sell him munitions.
But after apparent improvement, relations again became very strained
with the promulgation of the Mexican land law by the Calles gov-
ernment in 1925. This law replaced perpetual tenure of Mexican
mineral and petroleum lands with fifty-year concessions, and so
intensified the conflict that in 1927 the Hearst newspapers, their
proprietor an owner of Mexican mineral lands, published a series of
forgeries involving liberal United States Senators in alleged Mexican
radical intrigue and corruption.

Morrow’s appointment took effect at this crucial point. The former
Morgan partner went to Mexico with conciliatory intentions and
succeeded in obtaining a modification, satisfactory to the American
interests, of the Petroleum Law. Morrow remained in Mexico until
informed during the Hoover regime that he was to be a member of
the United States delegation to the London Naval Conference of 1930
which ended in a stalemate. At the same time a movement got under
way to make him United States Senator from New Jersey.

Coolidge, like Harding and unlike Theodore Roosevelt, exercised
little discretion in catering to organized wealth. He had appointed
Harlan F. Stone, Dean of the Columbia Law School and a student at
Amherst with Morrow and himself, Attorney General to succeed
Daugherty; but when Stone prepared to file an antitrust suit against
Mellon’s Aluminum Company, he was abruptly elevated to the
Supreme Court; the suit was, of course, not brought.

Charles Beecher Warren, for many years an expert in the forma-
tion of trusts, was named to succeed Stone as Attorney General;
but the Senate could not digest this appointment. Coolidge then ap-
pointed John G. Sargent, of Vermont, whose imagination did not
encompass suits against great companies. An official of the Pennsyl-
vania Railroad was appointed by Coolidge to the Interstate Commerce Commission to sit in judgment upon the railroads. A prominent sugar lobbyist, Edgar Brossard, who was primarily interested in sugar tariffs, was made a member of the Tariff Commission, which had been transformed into an agency for increasing tariffs instead of reducing them. The Tariff Commission had been empowered by the Fordney-McCumber Act to bring about tariff reforms; on its recommendation the President could raise or lower rates by as much as fifty per cent. In six years Coolidge reduced rates on paintbrush handles, phenol and cresylic acid, millfeed, and bobwhite quail, and increased rates to the maximum on eighteen items, including iron ore (Morgan). In 1928, Edward P. Costigan, later Senator from Colorado, resigned from the Tariff Commission, charging that Coolidge had packed the body and thwarted it in its work.

All effective veterans' legislation was vetoed by Coolidge as by Harding; whatever passed overrode the presidential veto. Both Coolidge and Harding temporized with the pressing farm problem by killing effective bills and approving only joker legislation. Coolidge sabotaged all efforts of liberal Senators to regulate the rampant electric power industry. In short, whatever brought benefit to the nonwealthy was scotched; whatever benefited the wealthy was passed. And the full meaning of it all becomes clear only in the light of the roles Morrow and Harvey, invisible behind the scenes, played as Coolidge's closest advisers. It was no wonder that William Boyce Thompson could say in 1927 that he would be content to have Coolidge for king and Mellon for queen to the end of his days.

Coolidge, a faithful servant, received his pay. Upon his retirement he was elected a director of the New York Life Insurance Company (Morgan) and was made a contributor at the rate of $1 a word to the New York Herald Tribune (Mills-Reid) even though what he wrote usually failed to make sense. In 1933 the Senate Banking and Currency Committee brought out that J. P. Morgan and Company in 1929 had Coolidge on its "favor" list. Coolidge was one of those permitted to buy stock far below the market price, the $30,000 difference between the market price and the purchase price representing a flat gift from J. P. Morgan and Company.
The Administration of Herbert Hoover was, in all fundamental aspects, a regime of scandal, like its two predecessors. Hoover's strategy was to do nothing, hoping that the country would remain on an even keel. The economic debacle which overtook the nation under his rule cannot, it is true, be laid to him alone. He did nothing to the situation; rather did the situation catch up with the policy of drift and expediency which had marked all the administrations since 1896. The culmination was poetically logical: Hoover reaped what McKinley and Hanna, Roosevelt and Perkins, Wilson and Dodge, Coolidge and Mellon had sown.

The most serious obstacle to the nomination of Hoover was Andrew W. Mellon who, when Coolidge renounced another term, craftily reached out for the presidency. Mellon was outmaneuvered at the Kansas City Republican convention by the Philadelphia machine of William S. Vare, under control of E. T. Stotesbury and Morgan, Drexel and Company. Hoover had long been a Morgan puppet, and the Republican convention contest was strictly one between Morgan finance capital and Mellon finance capital. Thomas Cochrane, partner of J. P. Morgan and Company, was on the ground at Kansas City as Hoover's invisible field marshal.

Long before he became wartime Food Administrator the ambitious Hoover had moved in the Morgan orbit. For more than twenty years he had promoted British mining enterprises in Africa, Australia, and Asia, working in association with British banks that were attuned with Morgan, Grenfell and Company of London; Hoover, according to contracts on the record, drew $95,000 a year salary for his promotional work and $5,000 a year for his engineering advice. In 1909 Hoover reached the turning point in his career when he met in London William Boyce Thompson, then a partner of Hayden, Stone and Company, New York investment bankers. Thompson, a stock-market crony of Thomas W. Lamont of J. P. Morgan and Company, was also primarily interested in mining promotions. He brought Hoover into a number of Hayden, Stone and Company enterprises.

There has been some mystery made of the way in which Hoover
came to the fore as Food Administrator in the Wilson Administration; but there is really no mystery. It was the influential Thompson who introduced Hoover, long absent in foreign lands, to the leading figures of American finance and politics. The Wilson Administration, as we have seen, was in the grip of the "copper crowd," and with the members of this group Thompson was on intimate terms.

Hoover, unknown to the world at large, became Food Administrator after having served as head of the Belgian relief group. In 1920 it was Thompson, when the presidential bee was buzzing seductively around Hoover's head, who turned him into the Republican Party and helped him make valuable political connections in New York, Colorado, and California. Thompson, through his work for the Guggenheims, enjoyed a wide acquaintanceship among politicians, newspaper publishers, and businessmen in the western states; as chairman of the Republican Ways and Means Committee he brought Hoover into close touch with such figures as Charles Hayden, Albert H. Wiggin, Harry F. Sinclair, E. L. Doheny, and Thomas W. Lamont. In 1928 Hayden, Thompson's old partner, was placed in charge of Hoover's campaign finances.

The contest between Republicans and Democrats in 1928 was embittered by the attempts of a young ambitious group gathered around the Du Ponts and Anaconda Copper, to capture the presidency with Alfred E. Smith, Tammany Governor of New York. This group, largely Catholic in composition, introduced a new note in American politics, for it marked the beginning of the functioning of the Roman Catholic Church on a national scale through the political apparatus of financial capital. In the United States the Catholic Church had hitherto concerned itself only with local politics in the large cities.

No fundamental policies were at issue between the two parties. Indeed, the Democratic Party under the leadership of Smith came to resemble more nearly than ever before the Republican Party. It threw overboard, for example, its historic tariff policy. The ostensible issue was Prohibition, with Hoover supporting the drys and thereby gaining the support of the Methodist Anti-Saloon League of America. But not until 1932, under the leadership of the wilful Du Ponts,
was Prohibition to become a full-fledged economic issue in national politics.

Smith talked about Teapot Dome and other Republican scandals, but was careful neither to indict the Mellon tax infamies nor the speculative boom nourished by Washington. Yet he attracted the support of certain liberals who were undismayed by his uncouth East Side accent or his Tammany connections. Smith’s ostensible liberalism, however, merely reflected the shrewd advice of Mrs. Henry Moskowitz, a social worker who labored in close collaboration with him while he, as Governor of New York, introduced a number of reforms of limited character. When Mrs. Moskowitz later died, Smith’s political brain died.

William F. Kenny, Smith’s personal friend and president of the W. F. Kenny Contracting Company, who operated, in collaboration with the wealthy Bradys, as a contractor for the New York Edison Company, Brooklyn Edison Company, and Consolidated Gas Company of New York, made the largest individual contribution to the 1928 Democratic slush fund—$125,000. Thomas Fortune Ryan, John J. Raskob, Du Pont deputy and chairman of the finance committee of General Motors Company as well as of the Democratic National Committee, and Herbert H. Lehman of the banking firm of Lehman Brothers, each put $110,000 on the table for the Oliver Street Lincoln. Lehman, who, incidentally, has spent more than $1,000,000 on the various Smith candidacies, in 1932 became Governor of New York. Jesse H. Jones, Texas banker, gave Smith’s fund $75,000, and was the moving spirit in bringing the 1928 Democratic convention to Houston.

Smith contributions of $50,000 each were made by Harry Payne Whitney (Standard Oil), M. J. Meehan, Wall Street stock-market manipulator, W. A. Clark, president of the United Verde Copper Company, and Pierre S. du Pont. Bernard M. Baruch put up $37,590. Robert Sterling Clark put up $35,000; William H. Todd, shipbuilder, made an equal contribution. John D. Ryan, chairman of the Anaconda Copper Mining Company, and a director of the National City Bank, put up $27,000. Contributions of $25,000 each were made by Nicholas Brady, Francis P. Garvan, Peter O. Gerry of Rhode Island; Oliver Cabana, president of the Liquid Veneer Cor-
poration and a director in mining companies; Arthur Curtiss James of the National City Bank and Phelps Dodge Corporation; Edith A. Lehman, wife of Herbert H. Lehman; George W. Loft, candy manufacturer and stock-market operator; George MacDonald, corporation attorney; Nicholas M. Schenck, theater and film magnate; B. E. Smith, president of the Dusenberg Motor Sales Company; Samuel Untermeyer, and William H. Woodin, director of General Motors and president of the American Car and Foundry Company. These individuals contributed $1,164,590 of the total Smith fund.


These figures by no means exhaust the political contributions of the wealthy families since 1924. Vast funds were spent during the 1920's in senatorial and gubernatorial contests, because the struggle for special privileges was intense. Nor do these figures exhaust the contributions to the national committees; the campaign between the two parties—to determine who was to enjoy the lucrative privilege of determining governmental policies—began as early as 1926.
The Democratic National Committee had a deficit of $400,000 from 1924 which had to be paid before 1928. The payments to defray the 1924 deficit consisted of $75,000 from Thomas Fortune Ryan; $60,000 from Jesse H. Jones; $30,000 from Thomas L. Chadbourne; $25,000 each from Norman H. Davis and William F. Kenny; $20,000 from John Henry Kirby; $15,000 each from Francis P. Garvan and John W. Davis; $10,000 each from Percy S. Straus and Ralph Pulitzer; $7,500 from Cyrus H. McCormick; $5,000 from Jesse I. Straus; $2,000 each from John D. Ryan and Owen D. Young; $1,000 each from Melvin A. Traylor, Chicago banker, Silas Strawn, Chicago corporation lawyer, and Gerard Swope. Although Strawn was a contributor to the Democratic deficit fund he was chairman of the Illinois Republican Finance Committee, with Julius Rosenwald and James A. Patten, the wheat speculator, as his colleagues.

Most of the 1928 Republican and Democratic contributions of $1,000 to $25,000 came from the wealthy families, as usual, but the special flavor of the contest brought out more money than in 1924. Marshall Field gave the Republicans $15,000. Ogden L. Mills and Ogden Mills, the former's father, gave $12,500 each. F. Edson White, head of Armour and Company, gave $20,000. Republican contributors of at least $10,000 were Edward W. Bok, Philadelphia publisher, Eugene G. Grace, Percy A. Rockefeller, H. B. Rust (Mellon executive), James Simpson, chairman of Marshall Field and Company, Lammot du Pont, T. Coleman du Pont, William H. Crocker, Harold I. Pratt (Standard Oil), J. P. Graham (automobiles), George M. Moffett, Rufus L. Patterson (tobacco), Cornelius Vanderbilt, Murry Guggenheim, Orlando F. Weber (Allied Chemical and Dye), E. T. Bedford (Standard Oil), Dunlevy Milbank, and Ira Nelson Morris. There were, it is clear, Republicans as well as Democrats among the Du Ponts in this as in other years.

Contributors of $5,000 each included Frederic A. Juilliard (insurance), Jules S. Bache (stock broker), Archer M. Huntington (railroads), Mrs. Whitelaw Reid (nbc Mills), H. L. Stuart (investment banker and backer of Samuel Insull), Sidney Z. Mitchell (Electric Bond and Share Company), Jerome Hanauer (Kuhn, Loeb & Co.), Samuel and Adolph Lewisohn (copper), Mrs. Daniel Guggenheim, Thomas W. Lamont, Thomas Cochran, Mrs. Mary H.
Harkness, J. P. Morgan, Clarence H. Mackay, Dwight W. Morrow, Louis E. Pierson (Irving Trust Company), Mathew C. Brush (stock-market operator), Charles G. Dawes, Harold S. Vanderbilt, Edward J. Berwind, Helen Clay Frick, Mrs. Herbert L. Pratt (Standard Oil), Seward Prosser (Bankers Trust Company), Ogden Reid (Mills-Reid), E. P. Swenson (National City Bank and Texas Gulf Sulphur Company), Mrs. John D. Rockefeller, Jr., and Philip D. Wagoner. G. M. Laughlin, Jr., Irwin B. Laughlin, and J. P. Laughlin, all of the Jones and Laughlin steel dynasty, each gave $4,000; Alexander Laughlin gave $2,000 and his wife gave $5,000. George Whitney, Morgan partner and looked upon in Wall Street as Lamont's understudy as the "brains" of the firm, gave $2,750. Edith Rockefeller McCormick gave $2,000.


Contributions of less than $25,000 from the wealthy families to the Democrats included $15,000 each from Henry Morgenthau and Rudolph Spreckels (sugar); $10,000 each from Edward S. Harkness and Vincent Astor; $5,000 from John W. Davis; $4,000 from Norman H. Davis; $3,000 each from W. N. Reynolds (tobacco) and Ralph Pulitzer; and smaller amounts from scores of corporation executives. Harry Harkness Flagler gave $5,000.

Not including primary or local expenditures the Republicans spent $9,433,604 and the Democrats $7,152,511 that was admitted to a special Senate investigating committee. Both parties together spent $16,586,115 nationally. The Democrats were left with a large deficit, and to erase it Raskob, Lehman, Kenny, and August Heckscher, New York realty millionaire, each gave $150,000. William H. Todd, Baruch, T. J. Mara, a partner of M. J. Meehan, James J. Riordan of the County Trust Company of New York, and John F. Gilchrist, each gave $50,000. Pierre du Pont and Daniel L. Riordan each gave $25,000. D. J. Mooney gave $10,000.

In the early days of Hoover's administration preparations were
made to continue the swift, silent plundering as of old. The public was still bemused by his campaign references to "a chicken in every pot" and "two cars in every garage," which were soon proved to be as fraudulent as his pretensions to being an engineer (he held no engineering degree) or to being a humanitarian merely because he had administered the disposition of materials to civilian refugees in the World War. Hoover, by his indifference to human misery while in the White House, forever belied his claim to humanitarianism.

Hoover's Cabinet reflected his backing. His choice for Secretary of State was Henry L. Stimson, a relic of the Roosevelt-Taft regime and first cousin of two partners of Bonbright and Company, the public-utility arm of J. P. Morgan and Company. Additional public-utility flavoring was given by the admission of Ray Lyman Wilbur, president of Leland Stanford University, as Secretary of the Interior; Leland Stanford University was distinguished for its big endowment of public-utilities securities. Hoover's Secretary of the Navy was Charles Francis Adams, a director of the American Telephone and Telegraph Company and thirty-two other Morgan corporations, for many years in charge of Harvard University's huge endowment fund, and father-in-law of Henry Sturgis Morgan, son of the present J. P. Morgan.

When Andrew W. Mellon reluctantly relinquished the Treasury portfolio after having his impeachment demanded on the floor of Congress, his place was taken by Assistant Secretary of the Treasury Ogden L. Mills, grandson of Darius O. Mills, gold and silver magnate of the old West, and part owner of the New York Herald Tribune. Hoover's Secretary of Commerce was Robert P. Lamont, president of the American Steel Foundries and director of several Morgan corporations; in 1932 he was succeeded by Roy D. Chapin, president of the Hudson Motor Car Company. Upon his resignation Lamont, no relation to the Morgan partner, became president of the American Iron and Steel Institute, protective association of the steelmasters. Walter F. Brown, of the Ohio machine, became Postmaster General, and was to figure prominently in the airplane mail-subsidy scandals of the Hoover regime.

Dawes, supplanted in the vice-presidency by Charles Curtis, former Senator from Kansas and race-horse enthusiast, was sent by Hoover
to London as American ambassador, where he remained until Mellon relieved him. The English Ambassadorship had since the 1890’s never been out of the grasp of the banking fraternity. John Hay succeeded Joseph Choate (Standard Oil); Whitelaw Reid (Mills) succeeded Hay; Walter Hines Page (National City Bank) succeeded Reid; John W. Davis (Morgan) succeeded Page, and was himself succeeded by George Harvey (Morgan-Rockefeller-Ryan). Hoover’s Ambassador to France was Senator Walter E. Edge of New Jersey, brother-in-law of Walter C. Teagle of Standard Oil. Serving as Ambassador to Turkey was Joseph Clark Grew, J. P. Morgan’s cousin, who was transferred to the important Tokyo post. John N. Willys, the automobile manufacturer, became minister to Poland; W. Cameron Forbes, a director of the American Telephone and Telegraph Company, gave up the Tokyo post to Grew. Irwin B. Laughlin, of the Pittsburgh steel family, had been Ambassador to Spain since 1928 and was replaced in 1931 by Alexander P. Moore, a Mellon-controlled Pittsburgh newspaper publisher. Hoover’s ambassador to Berlin was Frederic M. Sackett, public-utilities operator. Harry F. Guggenheim was sent to Cuba, to co-operate on behalf of finance capital with the repressive Machado regime.

Morrow and Lamont were Hoover’s two principal advisers, and shaped the policies of his administration. The essence of Hoover’s policy after the stock market tumbled and economic famine stalked the land was to “let the depression take its course.” This was also, by a curious coincidence, the policy of J. P. Morgan and Company and its newspapers, for the Morgan banks, alone of the nation’s banking institutions, were almost one hundred per cent liquid, i. e., had all their resources in cash or government securities. Every downswing in commodity prices, real-estate values, and securities quotations, enhanced the value of the liquid funds at the disposal of J. P. Morgan and Company, which grew more powerful every day that the nation as a whole became poorer. It was unquestionably the Morgan objective to begin investing at cheap price levels, but the situation passed completely out of Hoover’s control in 1932.

In the meantime Morrow and Lamont shuttled in and out of the White House with the regularity of confirmed tipplers visiting their favorite tavern. When Lamont was not in Washington the telephone
wire between the White House and 23 Wall Street was in almost constant use.* President Franklin D. Roosevelt was later to refer critically to this arrangement.

Morrow was appointed to the Senate in 1930 by the Governor of New Jersey, to replace Walter E. Edge, who resigned to escape a deserved drubbing at the polls. Morrow was subsequently re-elected by the efficient New Jersey Republican machine of J. P. Morgan and Company, which already had Hamilton Fish Kean, investment banker worth nearly $50,000,000, in the other Senate seat from the state; Kean succeeded his brother, James Hamilton Kean, in the hereditary office.

Morrow, as United States Senator from New Jersey, upheld the best traditions of the Keans and of J. P. Morgan and Company. His conciliatory manners (he would agree to anything verbally) won him the reputation of being a liberal. He voted against the Norris Bill providing for public operation of Muscle Shoals, and on every other measure dealing with the power question he invariably favored the public-utility trust; he sought to block confirmation of three Federal Power Commissioners who had replaced Commissioners friendly to the power trust; he voted to confirm the appointment of a reactionary to the Tariff Commission; he voted against all Federal relief bills for the unemployed; he voted against the veterans' bonus; he voted for all big naval appropriations; and he voted in favor of appropriating War Department funds to foster military training in the schools and colleges. Morrow, in fine, was a typical Morgan partner.

Morrow and Lamont, it is known in Wall Street, put the fearful Hoover up to declaring the moratorium on war debts; Lamont also conferred with Hoover just before Hoover announced the extension of time limits on New York bank credits to Germany. As economic conditions grew steadily worse Hoover resisted all pressure that

* The author was present at a press conference in the offices of J. P. Morgan and Company the day after England suspended the gold standard in September, 1931. Thomas W. Lamont had carefully explained why he thought England's action meant further deflation in the United States. Toward the end of his interview he was interrupted by a page, who slipped a note into his hand. Lamont left the room. Upon returning twenty minutes later, the ghost of a smile flitting over his face, he said drily, "I've just been talking over the telephone with President Hoover. He believes England's action will give prices an upward fillip over here."
he do something; instead, he adopted the Mellon method of issuing false statements to the effect that conditions were improving.

There was more than a breakdown of the capitalistic economy in the Hoover regime; there was a breakdown of common sense. Hoover inherited a situation that not only went back to the war, but to the days of Mark Hanna. The nation's industry was now largely trustified; monopoly ruled through the big commercial and private banks. International trade had gradually been strangled by tariffs set up all over Europe in retaliation against the new American tariff. In 1930 Hoover signed the Smoot-Hawley Tariff Bill, which set duties at the highest level ever seen; it was denounced by hundreds of economists, but was allowed to stand as international trade virtually disappeared and economic crisis, following hard upon the general boosting of tariffs, gripped one nation after the other.

In 1930, just after Hoover had convened a conference of bankers and industrialists for the duly advertised purpose of keeping wages and salaries unchanged, wholesale slashings of pay rates became the rule. They were supplemented by wholesale firings of workers throughout industry in a centrally planned attempt to bring down wages. Formal expression was given to the desire of the rich for the "liquidation of wages" in the annual report of the Chase National Bank for 1930, signed by Albert H. Wiggin, chairman of the board. The biggest corporations led the way, the distinction of instituting nearly two hundred thousand dismissals from 1929 to 1936 going, according to its own annual reports, to the American Telephone and Telegraph Company (Morgan).

Hoover, throughout his term, fought against any governmental action which would benefit the nonwealthy groups, labor in particular. In this he resembled Coolidge and Harding. Like his two predecessors he sought to put over a general sales tax and to increase excise taxes; like his predecessors he reduced income-tax rates; like them he fought war veterans' benefits and saw measures passed over his head by a Congress afraid of the veterans' vote; he temporized with the farm problem, as his predecessors had; and like them he scotched all legislation that would regulate the electric light and power companies.

But the crisis forced Hoover into a position where he seemed much
harsher than had either Harding or Coolidge, although Harding and Coolidge would unquestionably have acted as he did. Coolidge from his retirement, indeed, would from time to time step forward to approve some particularly callous action by Hoover. He endorsed Hoover’s opposition to Federal unemployment relief.

Two typical Hoover performances served to dramatize for the country the real outlook of the Republican Party. The first was his brutal handling of the veterans’ “bonus army,” which was driven out of Washington with fire and sword; the second was his evasion of the problem of unemployment relief. Hoover consistently refused to accede to Congressional demands for public funds to aid the millions thrown out on the streets by the industrialists and bankers when it became evident that to retain them on the pay rolls would necessitate tapping swollen corporate surpluses. It was whispered at Washington tea tables after Hoover began ladling out funds to banks and railroads while he continued denying them to the unemployed that his private motto was, “No one who is in actual distress shall be helped by the Federal government.” J. P. Morgan and Company co-operated by having the American Red Cross, still very much under its domination, make ineffective gestures, and by sponsoring the ridiculous block-aid program whereby the rich would help the rich and the poor would help the poor.

To seem to be doing something positive Hoover advocated local unemployment relief by states, cloaking his real designs with the invocation of the states’ rights shibboleth. Most of the nation’s funds had been drawn by absentee owners into a few eastern cities like New York, Boston, and Philadelphia, while in great industrial states like Michigan, Ohio, and Illinois, as well as in lesser states, there were actually no liquid resources available. Local aid therefore meant—no aid.

But in pursuing his Morgan-designed policy Hoover unwittingly incurred the ire of the Rockefellers. Although they remained Republican, the Rockefellers in 1932 gave only nominal support to the Republican Party. But other Standard Oil clans conspicuously backed the Democrats. The policy of allowing matters to take their course was turning out to be disastrous to the Rockefellers, for every decline in the price of oil compromised their position. The Rockefellers had
also plunged heavily on their real-estate development at Rockefeller Center, New York, and were seriously embarrassed by the decline in real-estate values. In addition to this, the great Chase National Bank was seriously implicated in various speculative ventures, among which were the Fox Film Corporation, the General Theaters Equipment Corporation, and German credits.

In 1930 Hoover, seeking to placate the Rockefellers, appointed Colonel Arthur Woods to tackle the unemployment problem. Woods, a trustee of the Rockefeller Foundation, had been Police Commissioner of New York City under John Purroy Mitchel, and later became president of the Rockefeller Center Corporation. After conferring with economists Woods reported that a billion-dollar public works program was required, and urged Hoover to recommend such a program. Hoover refused, although Woods reported that at least five million men were unemployed. When Hoover vetoed the Wagner bill providing for a Federal employment agency Woods resigned in anger, and the Rockefellers turned definitely hostile to the President. Hoover then appointed Walter S. Gifford, president of the American Telephone and Telegraph Company (Morgan), to devise a program of community unemployment relief, and until the closing months of Hoover’s term Gifford valiantly strove to give the impression that something was being done for the starving millions. In 1932 the Democratic and Progressive congressional blocs laid out a relief program calling for twice the amount of money that Woods had recommended, and passed it over Hoover’s head.