

How Wall Street Made the 1907 Panic

Back in the early months of 1907, when prosperity was universal in this country, John D. Rockefeller gave to the American press a statement predicting that financial disaster would soon overtake the country's industry and commerce. From time to time, following his startling announcement, other Wall street financiers voiced the same view.

So great was the prosperity of the country that even this sinister warning did not immediately slacken the activities of honest business. Stranger still, it soon came to be regarded by men who usually possessed acute business judgment as meaningless, save perhaps as a threat against the Roosevelt administration. With basic conditions sound, bumper crops and every forge and mill and factory so busy that unemployment was practically nonexistent, the pessimistic prophecy seemed incredible.

Our readers will recall how often then we asserted our belief that, owing to the vicious national currency system, Wall street had the power to turn off the credit essential to legitimate business to such an extent that a panic could be artificially produced.

We reasoned also that Wall street, controlled by the Standard Oil and Morgan groups of banks and trust companies, could make great profits out of a money panic. The history of speculative banking gives overwhelming proof that banks with vast sums of money at command make their biggest profits when legitimate business is being threatened or wrecked, for lack of usual accommodations.

We pointed out then that prosperity had become so widely diffused throughout every section of the country that large profits were going into too many hands outside of the charmed Wall street circle to please the men who controlled the credit.

If a money panic could be precipitated, inevitably would the checking of legitimate business in various communities cause the accumulations of the many to come back into the hands of the few. It seemed to us that, viewed from the standpoint of Standard Oil and Wall street generally, a money panic was by far the most profitable line of freebooting which could be indulged in at that particular time.

We recorded the movements of the artificially made panic as the plot unfolded day by day. Despite all warnings, the insiders continued to unload stocks upon the public at only gradually lessening prices, thus continuing to add to their war fund, after the death sentence of prosperity had been read to all the world.

Soon after the Rockefeller prophecy of evil it became known to the New York inside business world that war had been declared against F. Augustus Heinze and Charles W. Morse.

Heinze was an ancient, picturesque and expensive enemy of Standard Oil's Almagamated Copper company. He never had been punctilious in his financial methods or morals—otherwise never would have seen New York. In Montana he fought the devil with fire and won. The winning was his offense. Standard Oil was forced to a compromise that left Heinze with a dozen millions. Thereupon Standard Oil marked Heinze for destruction and bided its time. The time came in 1907.

Charles Morse had made the mistake of failing to content himself with mastery of the ice market. He had become a possible impediment to J. P. Morgan. He had made a merger of Atlantic coastwise steamer lines. Morgan was just about ready to perfect the railroad-trolley-water monopoly of New England transportation. Morse's boats provided undesirable competition. Morse became a marked man.

And both Heinze and Morse had come to New York and were dabbling in finance.

The public was misled as to the real situation by skillful press agents keeping alive the fiction that the old business enmity between the Rockefeller-Harriman group and the Morgan interests still existed.

Persistent, secret, united work led only to the finding that the intruders from Montana and New England were better fortified than the masters of Wall street had supposed. After withstanding months of warfare they still had at their back financial institutions which were able to give them protection.

Just when, how or by whom the decision was reached to wreck the Heinze and Morse banks we do not know. But it now is history that those banks were wrecked, the first victim being

the Knickerbocker Trust company, subsequently proved thoroughly solvent.

Of course, it must be borne in mind that Heinze and Morse had been conducting their fight on illegitimate banking lines, although it is believed they differed little from the general methods of other Wall street promoter-bankers.

It was not until it was found necessary to wreck banks, by withholding from them clearing-house sanction, that the scheme of the steel trust to pillage the Tennessee Coal and Iron company became known.

Tennessee Coal and Iron long had been the Naboth's vineyard coveted by the steel trust. Its property, developed and undeveloped, was well high equal in value to that of the steel corporation itself. It was better equipped than its more powerful rival with the modern open-hearth process. It owned a wealth of high-grade ore, almost at the doors of its furnaces, needing no such long shipments as from the northern lakes to Pittsburg or Gary. Right at hand was abundance of coking coal. Labor was plentiful and conditions of living in the mild climate cheap. And there was competition in transportation. It was a potentially formidable competitor of Morgan's pet "billion-dollar trust."

Therefore in the most fevered period of the 1907 panic it happened that the powerful New York banks refused suddenly and utterly to continue loans unless United States Steel bonds were substituted for Tennessee Coal and Iron securities as collateral.

It was believed that the trust company of America was a heavy holder of the stock as collateral, and was really the strong financial power which had enabled a Tennessee Coal and Iron syndicate to withstand so long the subtle attacks made upon it.

Not until the trust company was forced to ask for mercy, after a wrecking run which the president now testifies was started by a statement of George W. Perkins, then a partner of Morgan, and after it had disclosed its assets, which included less than \$500,000 worth of Tennessee coal and iron stock, behind loans otherwise amply protected, did other banks dare to come to its assistance.

But the panic was forced harder and harder until the really vulnerable spot was reached. And what followed is told by John W. Gates, who, like Thomas Lawson, has done a public service, just once in his life by turning state's evidence against one-time accomplices who plucked him. Gates testifies that the result was "a forced sale, in which the purchasers got all the best of the bargain."

Not a dollar changed hands in the transaction, the absorbed company being paid for by securities issued by the steel trust, and not a dollar was added to the funds of the New York banks to check the progress of the panic. It was all but so much manipulation for the direct profit of the financial combination headed by J. Pierpont Morgan, and the losses were all borne by the general public, including the legitimate business men of America, who are still paying the price.

Meanwhile, in the most acute days of the panic, Theodore Roosevelt had been deluded into making the worst mistake of his career, with the best possible intentions. He trusted Morgan's subservient tool, George B. Cortelyou. And through that stenographic taker of Wall street dictation he was persuaded to listen to the tales of woe of Frick and Gary, of the steel trust, and sanction that iniquitous merger, to prevent a predicted crash of credit and values that he was warned would wreck or cripple every legitimate enterprise in the land.

Once Tennessee Coal and Iron had fallen into the grasp of the panic-makers, following the crushing of Heinze and Morse, it was to their interest to stop the panic. By that time all the money in Wall street had been absorbed by Morgan and Standard Oil. Morgan sent for his handy man, George B. Cortelyou, unhappily for the country, secretary of the treasury, and Cortelyou promptly dumped into wall street \$25,000,000 of the government's money.

Morgan appeared in Wall street with his and the treasury's millions, stopped the panic and was acclaimed hysterically by Tories and fools as a savior and a benefactor.

All these truths the North American told from each dark day to day during all the deviltry of that needless distress to every honest American business man. Earnest as was our support of Roosevelt's policies and patriotic achievements,

our readers must recall that our criticism of him at that time was unsparing in our declarations that with the purest purposes he was being "gold-bricked" and deluded to his own and the country's hurt by unscrupulous conspirators.

We believe that the North American was virtually alone in showing with daily persistence that it was an artificial panic and that national prosperity was being wrecked in cold blood for the exclusive gain of two Wall street groups.

We retell history today simply to cite the latest proofs of a crime that resulted in disaster to life, character and honest property—proof provided in the sworn testimony of John W. Gates, of the Tennessee Coal and Iron company; Oakleigh Thorne, president of the Trust company of America, and Justice Gerard, of the supreme court of New York, former director of the Knickerbocker trust.—Philadelphia North American (rep.)

JUDGE WALTER CLARK OF NORTH CAROLINA

William Lindsey, Los Angeles California: In your editorial, "Available Candidates for Democratic Nomination in 1912," a remarkable knowledge and insight of the "top cream" of the party is shown. What an array of splendid men, men of rare ability and integrity; men who stand for the people, as did Abraham Lincoln. Why is it that some such man can not be elected to the presidency?

In the light of past events, the merging of the last administration into the present, the political intrigue, insincerity and total disregard for the interests of the masses of our population; surely he can be. The sweat and blood of humanity will cry out from the ground for a real man—a true man. The people were fooled by the voice of a Roosevelt, outwardly clothed with the policies of a Bryan, delivering the same into the hands of a Taft, for non-execution. A wise and safe delivery. The people now see it. The graduating of a twenty years' schooling. The culmination is at hand.

The man who wins in 1912, regardless of party, must not only be an advocate of the Bryan policies, to which the people have been educated, (though a part of the people call said policies by another name), but he must be an embodiment of the same. A recommended candidate will not do next time.) No doubt many, if not all of The Commoner's list of "available," will meet this requirement, one of the number we happen to know, most assuredly does, viz., Judge Walter Clark of North Carolina.

What a memorable fight for the cause of the people, when he was a candidate for supreme court judge in his state. Arrayed against him was the Simmons—Southern Railway element, at that time, in the democratic party, the American Tobacco company element in the republican party, but the people of all parties were for him, and a sweeping victory was achieved. He has made a great judge. He would make a great president. All classes look alike to him, but the trust barons and protected corporations know this too well, and when he, or any other true representative of the people is nominated, a life and death struggle by such "special interests," will be on, as in the memorable Bryan campaigns.

AS THE STANDPATTERS SEE IT

The Washington Post regards the election of Mr. Vardaman to the United States senate from Mississippi as a sure indication that the republic is tottering to its fall under the baneful influence of the primary election law.

"Does not the defeat of Senator Percy indicate," demands the Post, "that not even John Sharp Williams could have turned the tide against Vardaman?"

And does not the overwhelming victory for Vardaman indicate that the people of Mississippi wanted Vardaman to represent them in the senate? A condition which the esteemed Post and the rest of the standpatters would remedy by refusing to allow the people to choose their own representatives.

The way to preserve the sacred institution of representative government for the people is to keep the people from naming their representatives. That ought to be as plain as the nose on your face.—Kansas City Star.

"THE PEOPLE ARE BRYANIZING"

To the Editor of The World: Yes, indeed, Woodrow Wilson is Bryanizing. But the people will forgive him, for they too are Bryanizing.

S. W. ROGERS.

Washington, Aug. 8.