

## Harriman's Panama Canal Profits

The New York World, which by the way, is very hostile to Theodore Roosevelt, prints the following showing about the profits in Panama securities reaped by the late E. H. Harriman. The World article follows:

Edward H. Harriman's \$50,000 contribution to the \$250,000 campaign fund that he raised in October, 1904, at the solicitation of President Roosevelt, and by which 50,000 votes were changed in the city of New York alone," represented part of the financier's profits on a single sure-thing speculation in Panama canal bonds.

Mr. Harriman's claims on this one deal had been admitted for 10,595,065.07 francs; the \$40,000,000 purchase price of the canal had been paid by the United States to the "French owners" in May and June, 1904, and Mr. Harriman was able to calculate to a nicety just what his profits would be.

The books of the banking firm of Kuhn, Loeb & Co. reveal the fact that Mr. Harriman—tipped off by someone who knew—had bought the bonds for \$166,613.09, and stood to receive more than \$250,000 in the final distribution. As a matter of fact Mr. Harriman received \$253,060.47, which left him a profit of \$86,447.38.

### Knew When to Buy

His first investments were made when these securities were at their lowest ebb, in January, 1902, after the house of representatives had passed the Hepburn bill for the construction of the Nicaragua canal with only two dissenting votes, refusing to consider the Panama Canal company's offer to sell for \$40,000,000.

But President Roosevelt, whose relations with Mr. Harriman were then most cordial, had already determined on the Panama route. He summoned the majority of the members of the Isthmian canal commission individually to the White House and insisted that they reverse their previous findings and make a supplementary report in favor of Panama.

The commission reassembled on January 16, 1902, and its final report recommending the Panama route at the \$40,000,000 price offered by the Panama Canal company was adopted. The motion to adopt this report was made by George S. Morrison, who was on intimate terms with William Nelson Cromwell, Mr. Harriman's legal adviser, the Mr. Cromwell who in speaking of Mr. Harriman had told the Wells-Fargo shareholders, "He can not be replaced, for he moves in a higher world which we can not hope to enter."

On January 27, 1902, Mr. Cromwell, whose services as general counsel had been dispensed with by the new Panama Canal company, was reinstated as American attorney through the intervention of Senator Mark Hanna and others, and the next day Senator Spooner introduced the bill which Mr. Cromwell claims to have inspired, authorizing the president to buy out the Panama Canal company.

### Bonds Were Down to 42

Between the adoption of the Nicaragua route by the house on January 9 and the introduction of the Spooner bill in the senate on January 29, Panama "sixes"—bonds of the old Panama Canal company of a face value of 500 francs, bearing 6 per cent interest—sold on the Paris bourse as low as 42 francs.

Mr. Harriman had bought at the right time! Again Mr. Harriman bought Panama bonds in January, 1903.

As far as the company was concerned the deal had then been completed by a hard and fast promise to sell to the United States government for \$40,000,000. This option expired March 4, 1903, and President Roosevelt was flourishing the big stick to force the Colombian minister in Washington to sign a treaty giving the United States sovereign power over the canal zone, which was contrary to the Colombian constitution.

### Threat Sent "Sixes" Down

The Hay-Herran treaty was finally signed on January 23, 1903, though not until Secretary Hay had threatened the Colombian minister, Senor Herran, on January 16, to break off diplomatic relations if the Colombian government persisted in its attitude.

Panama "sixes" which had risen as high as 80 dropped to 68.50 in January, 1903, but immediately after the treaty had been signed they rose again to 82.50.

Again Mr. Harriman had bought at the right moment.

Mr. Harriman bought more Panama bonds in April, 1903.

Although the Hay-Herran treaty had then been signed, Colombia was not willing to ratify it unless the Panama Canal company paid an indemnity to offset the loss to Colombia of her reversionary interest in the Panama Railroad company which the transfer of the concession to the United States entailed.

The canal company refused to negotiate with Colombia, but Mr. Cromwell "had numerous conferences with Secretary Hay, Senator Hanna, and on certain occasions with the president," and induced the government of the United States to accept his client's view that "Colombia had already pledged herself to consent and that her consent ought to be imposed on her as being exacted by international good faith."

### Some Diplomatic History

Mr. Harriman bought Panama bonds, and Mr. Cromwell collaborated with Secretary of State Hay in the preparation of instructions to Mr. Beaupre, the United States minister at Bogota, saying that the proposed action of Colombia "would be inconsistent with the agreements already made between this government and the canal company, with the act of June 28, 1902, and with the express terms of the treaty itself." Mr. Cromwell even sent a copy of these instructions—a highly confidential diplomatic document—to the new Panama Canal company in Paris which conveyed its appreciation by cable in the following terms: "We have received Mr. Hay's letter of instruction to the United States minister at Bogota, which satisfies us, and for this we thank you."

In April, 1903, Panama "sixes" which had been firm at 87 fell to 81. President Roosevelt had United States army officers on the Isthmus seeing that the work on the canal was done in accordance with the plans and purposes of his policy. The "culmination of the deal" appeared assured.

Apparently Mr. Harriman had again bought at the right time.

But Colombia, willing to waive pecuniary advantages, willing even to forego the indemnity which in all justice and equity she had a right to exact from the French company, wanted to amend the treaty so as to avoid a direct violation of the Colombian constitution.

President Roosevelt, who was never a respecter of constitutions, would have no amendment. He had an interview with Mr. Cromwell, and as a result Secretary Hay sent an ultimatum on June 9, 1903, to the Colombian government threatening reprisals if the treaty were rejected or its ratification unduly delayed.

### Prepared for the Emergency

Mr. Cromwell who had proposed this step knew that it could have but one result, the rejection of the treaty. But he was prepared for this emergency. Preparations had already been made for the Panama revolution both in Washington and New York.

When the treaty was finally rejected by an unanimous vote of the Colombian senate on August 12, 1903, Panama "sixes" fell to 62.50 and then dropped as low as 54. They reached their lowest point on October 15, the day on which President Roosevelt gave orders to the navy department to hold war vessels within striking distance of the Isthmus, and Mr. Cromwell left for Paris to obtain the official sanction of the board of directors of the new Panama Canal company to the understanding at which he had arrived with President Roosevelt.

On November 4, the day after the revolution, Panama "sixes" jumped to 114 on the Paris bourse. Just double the price at which they stood when Mr. Harriman made his first purchase.

### When Roosevelt Sent for Harriman

From then on the bonds of the old Panama Canal company and the shares of the new Panama Canal company rose steadily, and in October, 1904, "when it looked certain that the state ticket would go democratic and was doubtful as to Roosevelt himself;" when President Roosevelt sent for Mr. Harriman and begged him to raise the necessary funds; and when Mr. Harriman saved the day by collecting \$260,000, of which \$50,000 was his personal donation, Panama "sixes" had gone up to 93.50 and Mr. Har-

riman knew that he was only letting go part only of his profits on this particular deal in Panama bonds.

Mr. Harriman was not the only American citizen who profited by inside information on the Panama Canal deal.

Even in this instance Mr. Harriman was the only one of those operating through Kuhn, Loeb & Co. Among the others who were let in on the ground floor with him were S. Loeb, Jacob H. Schiff, Albert Hahn, I. N. Seligman, M. M. Warburg and Otto H. Kahn.

### Mr. Cromwell's Sweeping Denial

President Roosevelt transmitted to congress with his message of December, 1908, and as part of that message, a statement from Mr. Cromwell, who had just asserted:

"Neither I nor any of my law firm nor any one connected with me ever owned, directly or indirectly, any share of stock in the new Panama Canal company, nor any of the obligations or securities of the old Panama Canal company, nor ever bought or sold any of the shares or securities of either of the said companies, nor were directly or indirectly interested in them. I am also positive that not a man in public life in America, in or out of congress, ever had the least pecuniary interest in the Panama canal. I do not know, and never have known, of any American citizen who has ever dealt in any of the shares of the new Panama Canal company or the shares or bonds of the old company."

This statement by Mr. Cromwell was originally published in the World October 3, 1908, when Mr. Cromwell, to quote his own words, made his denial "the most sweeping statement that language can convey."

And the president said in his message to congress of December 15, 1908, and as part of that message, President Roosevelt also transmitted a letter that he wrote to William Dudley Foulke on December 1, 1908, in which he says: "The United States did not pay a cent of the \$40,000,000 to any American citizen. \* \* \* It is an abominable falsehood, it is a slander."

### THAT BALTIMORE CONFERENCE

The following telegraphic correspondence explains itself:

"Baltimore, Md., November 13, 1910.—"Hon. William Jennings Bryan, Lincoln, Neb.—The Sun suggests a national conference of democratic leaders, to be held in Baltimore within the next six weeks, to outline the proper policy of the party. The leaders to consist not only of prominent democratic members of congress, but also other prominent democrats throughout the country. Please wire us one hundred words of your views. THE SUN."

Lincoln, Neb., November 13, 1910.—The Sun, Baltimore, Md.—I doubt the practicability of the suggestion. Everything would depend upon the personnel of the unofficial members of the conference and that would depend upon the person or committee making the selection. I think it better to trust the democratic senators and members of congress. They are selected by the people and must bear the responsibility. Individuals desiring to advise can do so without a conference, and the senators and congressmen are always at liberty to consult whom they please. W. J. BRYAN.

### CIRCUMSTANCES SOMETIMES CONTROL

Circumstances play an important part in politics, at least in determining the fate of individuals. The congressional elections of 1890, 1894 and 1910 illustrate this. In each of these campaigns the result surprised even the victors and in each campaign men were elected to congress who, at the time of their nomination, were supposed to have no chance. The efforts of the individual count for much, but a general movement often buries (temporarily, of course) men who have earned re-election, and sometimes re-elects men who ought to be buried. But potent as circumstances are their influence is temporary—they can not be relied upon to permanently suspend the law of merit.

So with parties. One party may profit for a time because of the mistakes of the other, but in the long run the party must stand or fall according to its deserts. The democratic victory won this year is partly due to the fight which the party has been making for reforms, partly to the fact that the republican party proved false to the promises made during the last presidential campaign. Now that the democrats control congress they must make a record satisfactory or suffer defeat in 1912.