

TRIUMPHANT PLUTOCRACY

The Story of
American Public Life
from 1870 to 1920

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from South Dakota



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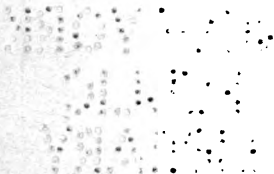
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ASTOR. LENOX AND
TILDEN FOUNDATIONS
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XX. BUSINESS AND POLITICS

At a number of points in this discussion I have suggested that business men used politicians for the advancement of their interests, and the politicians served the business interests first and the public afterward. My experience showed this to be true in a general way, but there were times when the combination of business and politics rose to the surface of public events and became a gross and scandalous plundering of the public treasury in the interest of some specially favored business group. One such instance, involving the sale of Government bonds to a New York syndicate, is especially deserving of notice.

Grover Cleveland, a New York state lawyer, was closely associated with the big business interests before he became President of the United States. During his second term as President, the gold reserve in the public treasury fell to a very low point. To meet this emergency, the President, through Carlisle, his Secretary of the Treasury, issued bonds which were to be exchanged for gold and thus keep up the Federal gold reserve.

The Wilson Tariff Bill was passed on August 14, 1894, for the purpose of saving the situation, but the mischief had been done. On November 14, 1894, the Secretary of the Treasury issued a call for \$50,000,000 five per cent, ten-year bonds under the Resumption Act.

The bonds sold in January, 1894, had been absorbed at home. The Stewart syndicate, which handled these bonds, had been treated fairly by the Government, and there was a disposition on the part of these bankers freely to subscribe for the new issue.

Mr. Stewart and Mr. J. P. Morgan visited Washington in the interest of the syndicate, and it is represented, and generally believed, that Mr. Stewart, at least, had a distinct understanding with the President and with Mr. Carlisle that nothing would be done by the administration in any way whatever to interfere

with the marketing of the bonds. These bankers, therefore, went back to New York and forwarded a bid for the whole amount of the bonds at \$117.

The total offers for these \$50,000,000 of bonds amounted to \$58,500,000. The award was made to the Stewart syndicate on the understanding that the gold to be paid for the bonds would not be taken from the treasury. Payment for the bonds was made promptly, \$20,000,000 having been turned into the Sub-Treasury by the end of November.

The syndicate immediately arranged to sell the bonds they had bought, and offered a lot of \$5,000,000 at 119. It is believed that this amount was sold at the price named, but, before they had an opportunity to dispose of any additional bonds, the President's message and the report of the Secretary of the Treasury recommending changes in the currency law effectually stopped the marketing of Government bonds.

This act, which was very apparently one of bad faith on the part of the administration, resulted in the dissolution of the syndicate and a great depression in the prices of bonds. When it came to subsequent bond issues, the administration turned over the bonds to certain financial groups in New York at a price far below their true value and thus enabled the new syndicate to make millions of dollars without taking any risk, investing any capital or importing any gold.

Senator Peffer, of Kansas, introduced a resolution to investigate the Cleveland bond sales. No sooner had this resolution appeared than David Bennett Hill, of New York, began a fight to prevent its passage. In the course of this struggle he attacked everyone that advocated it, and defended the bond sales with great vigor.

I would not mention Senator Hill in this connection were it not for the fact that his brief career is such a typical illustration of the relation between business and politics.

Hill (a Democrat) came to the Senate with the reputation of being a lawyer of decided ability, and a polit-

ical manipulator of some cunning and skill, having served as Governor of the state of New York.* He remained in the Senate only one term, for, at the end of his six years, Tom Platt—Boss Platt, as he was called—took Hill's place.

Among the private jobs which Hill undertook to put through was an amendment to the Indian Appropriation Bill, which practically confiscated the reservation of the Seneca Indians. He made the effort to rob the Indians of their homes under the guise of an old agreement of some sort with the Ogden Land Company, by offering an amendment to the Indian bill, in which it was provided that \$300,000 should be paid to the Ogden Land Company out of the sale of the land of the reservation. He was exceedingly persistent, and offered this amendment on the floor of the Senate. The amendment was clearly subject to a point of order and, after a considerable discussion, I stated in the Senate that there was present a lobby of adventurers who were interested in this claim, and that the only result would be that they would divide this money among them; and I finally told Hill that, unless he accepted my amendment which specifically provided that the lands of the Indians of New York should not be sold or any part of

* Some idea of Hill's position in New York State politics may be gained from the following article appearing in a Democratic paper (The Times), February 23rd, 1896:

"Senator Hill is a Democratic statesman of high degree, as statesmen go in that party. His term as senator will close next March and, during his nearly six years in the Senate, he has been responsible for but one bill, and that has not yet become a law, although it has passed the Senate and had been favorably reported from the House Committee on Interstate and Foreign Commerce. And what think you is this great and momentous piece of legislation that is to be the only reminder to posterity—that is, if it becomes a law—that David B. Hill served six years in the Senate? It authorizes the Secretary of the Treasury to detail a revenue cutter to control excursion and other boats which attend yacht races. Now, doesn't that prove the statesmanship of Hill?"

them, or any of their property whatever appropriated for the purpose of paying this claim, I would insist upon a point of order and let it go to the House of Representatives for their consideration. He accepted the amendment and it was adopted in conference. Afterwards, the Indians in council passed a resolution thanking me for preventing Hill from plundering them from their property.†

After a careful study of the facts and an investigation of the circumstances surrounding the Cleveland bond sales, I made a series of charges against the administration. (May 5, 1896, Cong. Record.)

I charged that the President, through the Treasury officials, sold sixty-two millions of bonds at private sale for \$104¾ to his former clients, and that on the day of such sale the market price of these bonds, as quoted in the New York papers, was \$117.

† The following is a copy of the Resolution of the New York Indians:

“At a council of the Seneca Nation of New York Indians, assembled at the Council Home at Cold Springs, on the Allegheny Reservation, on the twelfth day of April, in the year one thousand eight hundred and ninety-five, the following resolution was adopted:

“RESOLVED: That we sincerely tender our thanks to the Honorable Richard F. Pettigrew, of Sioux Falls, South Dakota, United States Senator, for his valuable services rendered to our delegates while on their visit to the United States Congress at Washington, D. C., and for the deep interest he has taken in the welfare of his red brethren in opposing the passage of the amendment to the Indian Appropriation Bill relative to the claims of the so-called Ogden Land Company to the lands of the Senecas on the Cataraugus Reservations.

“A true copy.

“William C. Hoag,
President, Seneca Nation of Indians.

“Alfred L. Jimson,
Clerk, Seneca Nation of Indians.

“Great Seal of the Seneca
Nation of New York, 1876.”

I charged that the purchaser and others associated with them, the plutocrats and autocrats of New York, sold these bonds to the public in a short time at a profit of \$8,418,000.

I charged that the syndicate was to pay in gold for these bonds sixty-two million dollars, and that one-half of the gold was to be imported and that part of the contract requiring the gold to be imported was not carried out and that less than fifteen millions of gold was imported.

I charged that a secret agreement was made with the syndicate by which they were released from importing the gold and allowed to sell exchange against the gold received for the bonds in England to the great profit and advantage of the syndicate.

I charged that negotiations were completed to sell this same syndicate one hundred millions of bonds at \$104 $\frac{3}{4}$, and it would have been carried out but for the protests of the public.

I charged that after the public and the Senate had protested against the sale of any more bonds at private sale, the administration delayed action until the syndicate of bankers could get together and corner the gold so that the public could not bid, and then the President offered the bonds at a pretended public sale, and that the bonds were sold at about \$111, mostly to the syndicate, while, if there had been an honest effort before the gold had been cornered they would have brought \$117 at least.

I charged that about five millions of the bonds were not taken by the bidders and the Secretary of the Treasury could have sold these bonds for \$117, but that he gave them to Morgan & Company for \$110.68, causing a loss to the Treasury of several hundred thousand dollars.

I had summarized the matter, as I understood it, in the following words (April 29, 1896, Cong. Record, p. 5004):

“Mr. President, the plain statement of the facts con-

nected with the several bond issues by the present administration constitutes an arraignment which no eloquence could make stronger. First, there was the attack upon the credit of the United States by the inspired object lesson from the banks of New York; then the extra session of the Fifty-third Congress; then the passage of the Wilson tariff for a deficit; the further depreciation of the national credit by the demonstration that the revenues were not equal to the necessary expenditures of the Government; then the endless chain—the first bond issue of \$50,000,000 of five per cent ten-year bonds at a fixed price of \$117.077; the depreciation of the market value of these bonds by the recommendation to Congress that a bill be passed discontinuing the use of them as a basis of bank-note circulation; then the secret contract with the Belmont-Morgan syndicate for the sale of \$62,000,000 of thirty-year four per cent bonds at \$104¾, which bonds were quoted last December at 121; finally the attempt to give to the Morgan syndicate the last loan of \$100,000,000 at the same figure, and the actual award to them at their bid of \$110.6877 of about \$5,000,000 upon which default was made in payment, for which other parties offered 116, and which were quoted in open market at a higher price.

“Upon this record, Mr. President, the administration and the Democratic party must go before the people next November, and the verdict of the people will be even more emphatic in condemnation than it was in 1894 and in 1895.”

Nor was I alone in making a fight to have the facts regarding this infamous transaction brought to light. A number of western senators, backed by Populist constituencies, were as eager as I was to have the facts placed before the country. And in their case, as well as in mine, it was David Bennett Hill that “talked back.”

In the debate over the Seneca Indian Reservation I had characterized the claim which Hill was supporting as robbery. This had very much offended Mr. Hill,

who waited about three months and, in the meantime, having sent to Dakota for information, he secured some Sioux Falls newspapers containing editorials by J. Tomlinson, Jr., attacking me personally and politically in the most outrageous manner. In the course of a speech on the Cleveland bond sales Hill read these editorials into the record. After reading several of the editorials himself, he asked the clerk to do the reading. As the clerk read, Hill stopped him frequently with such exclamations as "What's that? Read that over." By this trick he had each abusive statement read twice. Throughout the episode he behaved like an endman in a minstrel show.

I had said in my speech in regard to the bond sales that the President and the Secretary of the Treasury were evidently enriching their favorites, for the purchasers of these bonds were all prominent New York people, and they cornered all the gold there was in the country, and were giving for the bonds from ten to fifteen per cent less on the dollar than they would sell for in the open market, and I charged that they had thus made about eighteen millions of dollars, and that it looked like a very disreputable and dishonest job. And so, when Hill had finished his attack upon me by reading these editorials, I simply arose and said that I had charged the administration and the financiers of New York with acting in collusion to plunder the people of the United States in connection with this bond transaction, and that Mr. Hill seemed to think that the complete answer to charges was to read scurrilous political editorials with regard to myself. I said if he was satisfied with the answer I was entirely satisfied, and that Hill had honored me by this attack in the only way he could honor anybody—he had convinced the Senate and the country that we had nothing in common.

Senator Peffer's resolution to appoint a special committee to investigate the bond sale was finally amended to request the Committee on Finance of the Senate to make the investigation through a sub-committee of

four senators, that is, Harris of Tennessee, Walthall of Mississippi, Vest of Missouri and Platt of Connecticut, all lawyers, three of them Democrats and in sympathy with the administration. This committee made some investigation, but never made a report to the Senate.

Who were the chief actors in this scandalous bond transaction? First, the President of the United States, Grover Cleveland, a Buffalo lawyer; second, John Carlisle, a lawyer from Kentucky, who had been a great advocate of bi-metallism and who sold his convictions in order to get Cleveland to appoint him Secretary of the Treasury; David Bennett Hill, a lawyer from New York, who was the champion on the floor of the Senate; John Sherman, a Republican and a lawyer from Ohio. During the twelve years that I was in the Senate, two-thirds of both Houses of Congress were lawyers and the Presidents were all lawyers—Harrison, Cleveland and McKinley. The consequence was that all legislation was framed in the interests of the exploiters of the people of the United States, whether it dealt with bond sales, armor-plate, railway mail pay, land grants of the public domain, ship bounties—the rights and interests of the people of the United States were never considered. In fact, we have become a government administered by lawyers who were acting as the attorneys and representatives of the great exploiting combinations of banks, railroads and industries.

I have gone into the question of these bond sales because they illustrate one of the methods by which the people of the United States are exploited in the interests of the capitalists. Several millionaires were made as the result of the transaction and the American people footed the bill. It was a comparatively small deal—probably thirty millions were made out of it—but it illustrates very well the operations of the system, and the way the machinery of government is manipulated to accumulate the wealth of the country in the hands of the few.