Moody in his “Masters of Capital” relates :

1. *The Rockefellers were not the type of investors who were satisfied with five or six per cent. . . . They meant to make, if possible, as large profits in the investment of their surplus cash as they had been accustomed to make in their own line of business. But to make money at so rapid a pace called for the same shrewd, superior business methods. . . . To discerning men it was clear that ultimately these other enterprises into which the Standard Oil put its funds must be controlled or dominated by Standard Oil. William Rockefeller had anticipated this development to some extent years before when he had become active in the financial management of the Chicago, Milwaukee and St. Paul Railroad. But it was not until after the panic of 1893 that he and his associates began to reach out aggressively to control the destinies of many corporations.*

John D. Rockefeller at this time possessed a fortune that has been estimated at two hundred millions ; his brother William owned probably half as much, while his associates who usually moved in conjunction with him or his brother, Rogers, Flagler, Harkness, Payne, and various others combined now to form a capital of a size probably unprecedented in history. Soon the money markets felt the entrance of the Standard Oil “gang” in strange ways, as they began buying and selling pieces of capital, industries, men and material. This omnipotent group had brought a “new order of things” into the world of high finance. They had introduced into Wall Street operations, according to Henry Clews, “the same quiet, unostentatious, but resistless measures that they have always employed heretofore in their corporate affairs.” Where a Gould might sometimes face the chance of failure, or a Commodore Vanderbilt have to fight for his life, Clews continued wonderingly, these men seemed to have removed the element of chance :

Their resources are so vast that they need only to concentrate on any given property in order to do with it what they please . . . that they have thus concentrated . . . is a fact well known. . . . They are the greatest operators the world has ever seen, and the beauty of their method is the quiet and lack of ostentation . . . no gallery plays . . . no scare heads in the newspapers . . . no wild scramble or excitement. With them the process is gradual, thorough, and steady, with never a waver or break.

In the conduct of these far-flung undertakings the Standard Oil family had always the loyal coöperation of the captains and lieutenants who wore their “collar” so contentedly, and who sent confidential news every day from all parts of the world. The “master mind” in these investment operations nowadays would seem to have been Henry Rogers ; while important alliances, as we have seen, were effected with Stillman, the astute commander of the National City Bank, and Harriman, the rising giant of railroads.

After the headquarters of Standard Oil had been removed from Pearl Street to the high building at 26 Broadway, the active leaders of The System, as Thomas W. Lawson termed it, would go upstairs every day at eleven o’clock, to the fifteenth floor, and gather together around a large table. It was the high council of a dynasty of money, and men everywhere now spoke with bated breath of the commands which went forth from this council, and of the power and relentlessness of The System. In his romantic history, “Frenzied Finance,” the stock-market plunger Lawson seems to blubber at the stupendous holdings of the Standard Oil “gang” toward 1900—“its countless miles of railroads . . . in every state and city in America, and its never-ended twistings of snaky pipe lines . . . its manufactories in the East, its colleges in the South, and its churches in the North." The guarded headquarters of Standard Oil aroused and have always aroused an awe which Lawson accurately reflects :

At the lower end of the greatest thoroughfare in the greatest city of the New World is a huge structure of plain gray-stone. Solid as a prison, towering as a steeple, its cold and forbidding façade. . . . Men point to its stern portals, glance quickly up at the rows of unwinking windows, nudge each other, and hurry onward, as the Spaniards used to do when going by the offices of the Inquisition. The building is No. 26 Broadway.

John D. Rockefeller, with the aid of Stillman, had been making strategic investments in many banks, insurance companies, railroads, and public utilities ; but most of all his tastes led him to accumulate underground wealth in iron and coal mines as well as oil.

Far to the North in Minnesota, the Merritt brothers toward 1890 had stumbled upon the Mesabi iron range, gambled all the money they possessed to exploit it and connect it with civilization by a short railroad. Through Rockefeller's clerical adviser, the Reverend F.T. Gates, a small loan was at first extended them and the bonds of the Merritts' railroad spur passed into his hands. (His agents were early on the scene—even before those of Carnegie and the steel barons.) In the panic of 1893, the adventurers who had discovered the iron ore fields appealed to Rockefeller for further aid ; but with each negotiation, the grip of the oil baron upon the Mesabi deposits tightened, until the Merritts, ruined, must relinquish their hold and sink out of sight. Thus for a sum that the Merritts claim to have been only $420,000 Rockefeller acquired the largest iron deposits in the world, forming thereof the Lake Superior Consolidated Ore Mines, which he sold in 1902 to the United States Steel Corporation.

While the oil monopoly functioned automatically under the command of technicians and experts and smoothly extended its gains, all of the Standard Oil captains now practiced the arts of large-scale investment. Henry Rogers, often with the collaboration of one or the other Rockefeller, acquired possession of the new gas companies which offered such serious competition to the Standard's kerosene business. Here he worked by preference with reputedly shady characters of the stamp of Addicks, a Boston gas-company promoter and debaucher of town councils, Lawson the manipulator of stock markets, and a shifty agent or spy named Burrage.[1]

Under Rogers the "money machine" of The System reached its highest perfection. Many feats of Wall Street magic were performed by him and his aides, in order to "have a little fun," as he would say. The most notable example of all these ventures in investment banking was that of Amalgamated Copper, in which the Standard Oil men and the National City Bank collaborated. Through Thomas Lawson acting as broker, Rogers brought together several copper properties owned by the old prospector Marcus Daly. They included the Anaconda Copper Company costing $24,000,000 and certain others purchased for $15,000,000. Of this famous deal, John T. Flynn gives an excellent resume of the initial transactions :

First he [Rogers] and William Rockefeller took title to the mine properties, giving to Marcus Daly a check on the National City Bank for $39,000,000, with the understanding that the check was to be deposited in the bank and remain there for a definite time.

At the same time Rogers organized the Amalgamated Copper Company with a lot of clerks as dummy directors. Next he transferred all the mines to this Amalgamated for $75,000,000. The Amalgamated gave him not cash, but all of its capital stock. Then he took this $75,000,000 of stock to the National City Bank and borrowed $39,000,000 on it. This took care of the check to Daly and his friends.

Rogers and his party have the copper trust in their possession ; but they owe the friendly National City Bank $39,000,000 ; and besides nothing is further from their thoughts than to mine copper. That may be well enough for “captains of industry” of yesterday who like to own and oversee their business. But Rogers now engages the flamboyant Lawson and the shifty A.C. Burrage to stir up a market for Amalgamated shares at 100 to 125, and the whole $75,000,000 of stock is landed upon a public, largely in Boston, which is now frenzied for “coppers.” The bank is repaid its $39,000,000 and Rogers and company pocket $36,000,000 profit, without having used a dollar of their own. This was “The System” Rogers used, according to Lawson’s impassioned confessions, which tumbled ministers, doctors, lawyers and shopkeepers throughout the country to ruin, and sent “their innocent daughters out to walk the streets.”[2]

Such a “money machine” was unbelievably good. It is Flynn’s supposition that John D. Rockefeller himself refrained in great measure from the more audacious expeditions of his brother William, and of Rogers. But Barron’s journal refers frequently to the same procedure on John’s part. The broker F.H. Prince tells him :

John D. Rockefeller is worth a billion. He makes his money by simply tipping out $500,000,000 of securities, then the market goes down and he takes them back at his leisure. Of course the market cannot stand the weight of his selling. He is the one man who knows what everybody else is doing, and nobody knows what he is doing.

As a member of the board of directors of the Chicago, Milwaukee & St. Paul Railroad, William Rockefeller had long ago struck up a warm friendship with James Stillman, the president of the National City Bank. The latter, stirred at all he learned of the efficiency of the Standard Oil management, and of its hierarchic and centralized government, so much like that of the Roman Catholic Church, modeled his own bank after it. He bought Standard Oil stock and became one of the family. Sphinxlike, autocratic, silent, he came closer always to the Rockefellers whom he so much resembled. The Standard Oil Company, which had been up to now acting largely as its own banker, found an astute and discreet counselor in Stillman. Through him their money flowed to the new gas, copper and steel companies ; through him, finally, into the spectacular railroad operations of Harriman, whose rising star Stillman also perceived from the start. At any rate “the City Bank . . . from now on, in certain circles, became known as the ‘Standard Oil bank.’” It was the machine through which their greatest exploits were carried out.

Soon, John Moody relates, “the fifteen directors of the Standard Oil Company of New Jersey held directorships in innumerable banks, insurance companies, traction companies, electric light, gas and industrial concerns of every sort.” Through Stillman they dominated a constellation of banks : the National City, Hanover, Farmers’ Loan and Trust, Second National, United States Trust ; they were involved in the new American Smelting and Refining combination, in the copper mines of Montana and the iron deposits of Minnesota ; in United Gas Improvement, Interborough Rapid

Transit (with Belmont), Brooklyn Rapid Transit, and Metropolitan Securities (with Whitney and Ryan). Finally, according to John Moody, Rockefeller even approached Carnegie, and "tried to buy him out." It was Rockefeller's desire to solidify his interests in his ore lands, his ore railway in Minnesota, as well as his fleet of freight vessels on the Great Lakes. But Carnegie, who had been offered $157,950,000 for his business by the Moore brothers in 1898, now demanded nearly twice as much. John D. retired, and bided his chance.

The banker Stillman had "gone right after Harriman, regarding him as the next great promoter after the Standard Oil group," by his own account. After 1896, the flow of Standard Oil gold and credits into the little stockbroker's railroad projects became a Niagara. For Harriman, as Stillman convinced the others, was a man after their own heart. The boldness of his schemes for combination, his ingenious devices for reciprocal purchases of stock in related railroads, and for interlocking directorates through "working majorities" (which were actually aggressive minorities dominating passive investors) and the quick, ripe fruits gathered from his undertakings—all this appealed to the Rockefellers strongly. Armed with such credits, Harriman now climbed swiftly over the heads of other railroad captains during the closing years of the century, to reign as a "Napoleon" of the national railway system during a brief, dazzling career which was ended suddenly by the complete exhaustion of his health and his early death.

This "human dynamo," as his associates began to call him, had supreme confidence in himself. "When he started on a course, nobody could swerve him from it. He would go right through despite all opposition and carry the situation alone," says a Union Pacific man. "He would not understand public sentiment or why he had public opposition in many cases." With his gift for swift and elaborate calculation, he was instinctively impatient or scornful of the criticism of slower-witted folk surrounding him ; he feared neither God nor Morgan nor the pangs and scruples of conscience. An obituary notice of him declared that the secret of his victorious career was his utter lack of moral scruples. Had he not cast these overboard, he would have stumbled at the very first step he took. One of his last steps was that of breaking the man who had opened the gates of the railway paradise for him—Stuyvesant Fish. Fish himself was a fellow of smaller knavery ; and when Harriman found that his old friend could not be trusted with railroad treasury funds, he flung him aside without mercy or gratitude.

As he had once clashed with Morgan in 1887 over a small Middle Western feeder railroad, so he opposed him again in the "reorganization" of the Erie which Morgan initiated after its renewed failure in 1893. Acquiring some of the Erie bonds, he led a protective committee in vigorous opposition to the Morgan plan, and within six months he had been able to balk the great banker and force a change of capitalization. At the outset Harriman had distinguished himself among men by practicing a form of economic terrorism ; but soon he made bolder strokes.

Among the 156 railroads which collapsed in the depression of 1893-96 was the Union Pacific, whose history was as malodorous as that of Erie and which had also never completely recovered from the ministrations of Jay Gould. When it fell finally in 1895, its limbs and branches—the Oregon ship and rail lines united with it after Villard's crash—were torn away, and its condition was so woeful that Pierpont Morgan, being appealed to, refused to assume charge of its affairs.

This would seem to be the great banker's chief tactical error. With Morgan's tacit consent, Jacob Schiff of the esteemed banking house of Kuhn, Loeb & Co. attempted the reorganization of the

Western trunk line and induced the Vanderbilts to take part in his plan.

"But in the latter part of 1896, Mr. Schiff and his associates became conscious that some secret but powerful influence was working against them." Schiff assumed that it was concealed sniping from the house at 23 Wall Street ; but at Morgan's he heard : "It's that little fellow Harriman, and you want to look out for him."

"I am the man," Harriman admitted when Schiff confronted him. What did he propose ? To issue $100,000,000 in bonds at 3 per cent, against the credit of Illinois Central which he controlled. Schiff could not get money under 4½ per cent. "I am stronger than you are," Harriman wound up.

Schiff asked : "What is your price ?"

Harriman replied : "There is no price. I am determined to get possession of the road."

After long delays, skirmishes and masked thrusts, Schiff returned finally to yield to Harriman, on behalf of his faction, chairmanship of the Union Pacific's directors "if you prove the strongest man. . . ." The bargain was struck. Within a year, the defunct railroad was sold to the new interests according to the Harriman-Schiff plan ; $81,000,000 were easily raised to meet immediate government loans and other obligations. Then, under Harriman's leadership, in anticipation of a boom which he forecast, $25,000,000 more capital was raised for the road. Schiff "walked the floor at night" in these days, while Harriman captured the old Oregon rail and ship lines of Villard, pushed new construction, built tunnels and great cut-offs with furious speed, with an amazing expenditure of energy. Thus, this new dictator of railroads saw his and the Rockefeller investments, according to his official biographer, increase in value 1,400 per cent within eight years ! In 1901, five years after the entrance of Harriman, John W. Gates commented that the Union Pacific was indeed "the most magnificent railroad property in the world."

Harriman was not merely a bold and gifted administrator ; he had, to a degree which Morgan might keenly envy, skill in carrying out "reorganization parties" such as the notorious Chicago & Alton affair. According to Professor Ripley, the "reorganization" of this bankrupt road by the Harriman-Rockefeller-Stillman group was attended with the injection of $23,000,000 of water into its bonds and stocks. Then the new managers had paid themselves liberally, and sold their Alton stocks and bonds. Harriman was also not above selling railroad and other properties which he and his associates personally acquired to be merged into the larger Union Pacific system at a fine price, in the classic manner of Jay Gould. In the seven years following 1893, he accumulated one of the first fortunes in the country.

Yet these feats alone would not have offered so much menace to the system of "community of interest" which Morgan and his associates laboriously erected day by day over the economic life of the country. It was the spreading network of the Harriman Rockefeller railway and industrial investments that caused alarm. The Union Pacific itself had now become a mighty money-chest, its interlocking controls reached the middle roads, such as the Illinois Central Railroad of which Harriman still remained a director, and great Eastern systems such as the Baltimore & Ohio. But in 1900, when Collis P. Huntington died, Harriman and his band of multimillionaires were able to buy from Huntington's widow the whole railroad empire he had built up : the Southern Pacific, with its direct line to San Francisco. For this transaction Harriman promptly raised over

$50,000,000, which brought a majority stock control.