

HOW JAY COOKE RAISED A BILLION

Methods Employed by Clever Financier During Civil War When Credit and Funds of North Were at Lowest Ebb.

LEADING financiers of Great Britain and France have just negotiated a loan in the United States for hundreds of millions of dollars. No banker or any group of bankers has or can control this much money. Where would they get it? Whose tolling efforts have made it possible for this wealth to be accumulated? How would the loan be distributed or, more pointedly, from whose purses would the money come and through what channels would it go?

These are some of the questions being asked by the public, which for the last month has been trying to gain some understanding of such a colossal transaction. No attempt to raise such a vast sum of money has been made in this country since the days of the Civil War. Older heads in Wall Street recall the efforts which attended the successful distribution of the two large loans put out by the government—ones for five hundred millions of dollars and another for eight hundred and thirty millions—to pay the expenses incurred in the struggle to preserve the Union.

Jay Cooke, the great financier of that period, engineered the flotation of both loans, and the machinery he organized and set in motion for gathering up the savings of people and exchanging them for the government's "five-twenty" and "seven-thirty" bonds, while perhaps cruder alongside of the highly perfected system for conducting banking and investment business which exists today, was marvelous from the viewpoint of results achieved. He succeeded in speeding up his system to the point where subscriptions for the bonds came in faster than the Treasury Department could supply the engraved certificates.

It has been suggested that the bankers who have negotiated the Anglo-French loan have studied the Cooke method. The government's "five-twenty" loan was marketed in February, 1862. It remained on the market nearly a year without success, despite various efforts of Secretary Chase to negotiate it. He solicited offers in New York, but the condition of the money market at the time was such that most of the bids were at a considerable discount below par. In fact, there was not sufficient of currency in New York to absorb the loan rapidly enough to supply the wants of the Government.

It became evident that if the loan were to be taken it would only be through popularizing it, by seeking purchasers among the mass of the people in all parts of the country, and no longer merely upon the capital accumulated in the money centers. How was this to be done? The Treasury Department was not adapted to the management of business of that character. There were no officers who could be charged with the undertaking. All the bureaus were crowded with overworked employes. Besides, the laws regulating the receipts and disbursements of public moneys presented insuperable barriers to a direct negotiation of the loan between the Treasury Department and the people.

Popularizing Machine Organized.

When these difficulties became obvious Secretary Chase decided to resort to private enterprise and selected Jay Cooke of Philadelphia to organize the banking house of Jay Cooke & Co., as

special agent for the Treasury Department in disposing of the bonds. Mr. Cooke attacked the work with vigor and enthusiasm. Under his management there was organized a vast machinery that resulted in the raising of every bank and banker and almost every newspaper in the Northern States in advocating the loan. He conducted a publicity campaign which up to that time was probably without a parallel.

"The 'five-twenty' loan and its merits," said Senator John Sherman afterward, "stared in the face of the people in every household from Maine to California. The people everywhere, in all parts of the country, came with their little savings, some more and some less, and pooled them into the treasury, taking in return the pledge of the Government to repay their loans."

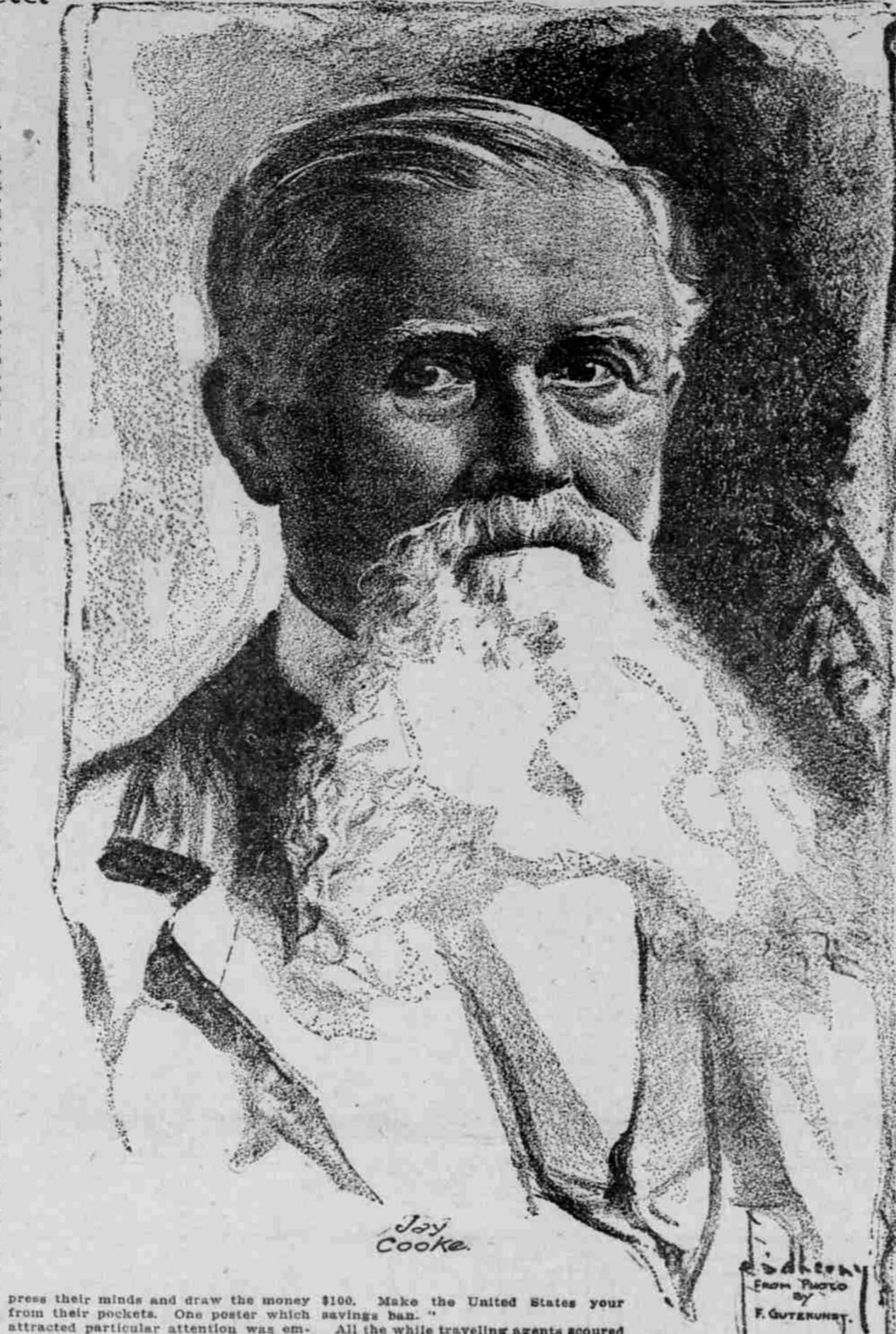
The bonds were issued in denominations of \$50, \$100, \$500 and \$1000, and were estimated that at least 3,000,000 persons subscribed for the loan in amounts ranging from \$50 to sums in six figures. Senator Sherman said: "I know that in the portion of Ohio where I live there is scarcely an independent farmer or mechanic who has not more or less of it. It has been taken by servants, laborers, mechanics, persons in every walk of life."

Farmers' Support Sought. The Cooke advertisements were spirited and confident, reflecting the vigorous character of the man who wrote them. He kept the loan before the people constantly. His newspaper "broadsides" were characterized by both originality and ingenuity. One of his most effective efforts in the line of publicity appeared as a kind of farmers' and mechanics' catechism, entitled "The Best Way to Put Money Out at Interest." One of his favorite ways in gaining desired publicity was to present a series of questions supposed to have been propounded by a farmer or laborer, which he would answer lucidly, all of which would be sent out to the newspapers throughout the country for publication in full. He believed thoroughly in the power of the press.

Mr. Cooke personally called upon the editors in Philadelphia and New York to indoctrinate them with his views. His brother, Henry Cooke, was on terms of intimacy and friendship with the correspondents congregated at Washington and, as was often said, invited them individually and in parties to partake of the hospitalities of his splendid home in Georgetown to be "filled full to the brim, not only with edibles and bibbles, but with the glorious financial prospects of the future."

In all parts of the country the newspapers would frequently commend Secretary Chase and Jay Cooke, for their financial sagacity, advise the people to invest in the loan, record the amount daily received from subscriptions and, like the managers of famous singers in those days, vociferously retort that the "last chance to see, hear and get so much for so little money" was near at hand.

Besides the country-wide publicity carried on in the newspapers and magazines Cooke illustrated showed the Nation with show cards, posters, circulars, pamphlets and handbills, a marvelous variety of devices of the type to catch the eyes of the people, im-



be spoken by one of his solicitors to draw the carefully hoarded savings from their hidden recesses as if by magic. Hundreds of timid persons who would not intrust their hard won savings to agents traveling by train to Philadelphia, not infrequently, from points far distant, that they might hand their money over to Cooke personally and received from him the coveted certificates.

Night agencies at which mechanics, mill workers and factory employes could subscribe for the bonds were established in all the large cities shortly after Cooke received his appointment for the "seven-thirty" loan, in January, 1865. Accessibility rather than outward appearances determined the location of these impromptu "banking quarters."

The office of a coal and wood concern, a real estate shop, and even the front part of a corner saloon, answered the purpose, so long as it gave the wearer an easy opportunity to invest his surplus earnings in United States bonds.

Nearly a score of these night agencies were opened up in New York City, Brooklyn and nearby New Jersey factory centers, and for weeks the "seven-thirty" government furor continued at a high pitch. Some idea of the excitement and interest which attended the sale of bonds by lamplight may be had from the following extract from an article which appeared in a leading New York newspaper at the time:

"All sorts of people, all varieties of race and character, flock to the night agencies. Thousands are accommodated in a night and sums represented by bonds varying from the small \$50, which places the loan within the reach of the poorest savings, to the more enviable \$1000 note are taken with republican simplicity into the vast receptacle of the United States exchequer.

"A glance at the characters ordinarily encountered in a single night of the 'seven-thirty' will give some idea of the universality of this impartial money distribution.

"Out of 100 bond buyers who crowd the office at Bleecker street, each waiting in turn to lend his money out at interest, at least 60 are mechanics or laborers, 20 are saloonkeepers, small dealers and soldiers, and the rest are an almost nondescript condition of vendors, clerks and even boys, mixed in with women in faded calico and mourning confusion of faces, tongues and opinions."

The remarkable success which attended the employment of these methods fully justified their adoption. Within less than 18 months after Jay Cooke took charge of the distribution of the "five-twenty" loan the enormous aggregate of \$500,000,000 had been diverted from the ordinary channels of investment and trade and turned over to the Government without serious disturbance to the industrial or commercial interests of the country.

The loan had been before the public several months before the adoption of the popular agency system, and during that time there was scarcely a perceptible demand for it. Within a few months after the agency system was inaugurated by Mr. Cooke the sales commenced running at \$1,000,000 a day, and so soon as the machinery for the popular sale and distribution of the bonds was fully perfected and in operation the demand grew in all parts of the country, swelling the sales to \$3,000,000 and upward a day.

In all the period the popularizing machine was in action there was no serious pressure resulting upon the money market, no exhaustion of the resource relied upon, no faltering or unevenness in the flow from a thousand

rills which fed the constantly swelling current of the supply. In thus popularizing the loan, distributing it among the people in all sections, occupations and degrees of wealth, the foundations were laid for future loans and the nation within six months after Mr. Cooke had received his appointment as subscription agent.

Modern Methods More Refined.

Since the stirring days in which Jay Cooke achieved his financial triumphs the processes by which the surplus funds of the country find their way into investment have been refined and brought up to a higher state of perfection. There exists in the economic structure of the nation today a financial department of perfect machinery which applies to the country's development the combined energy of the accumulated savings of men and women all over the land. Like the transmission machinery of the modern industrial plant by which the heat units in the coal bin are transformed to pounds of energy in producing useful commodities, our banking system gathers up the savings—the \$500,000,000 nest eggs—of forty million thrifty homes, unites them in powerful funds of limitless energy and puts them to work. It is through the operation of this machinery that railroads and public utilities are financed, industrial enterprises are promoted and the funds required to carry on state and municipal improvements are raised.

To gear this machinery up so that large foreign loans can be arranged in this country is the problem now before the heads of the Nation's great financial institutions.

From the very outset of the war they have realized that nations of Europe, being engaged in the waste and destruction of capital on a prodigious scale, would sooner or later be knocking at our doors and asking for financial aid. That time has come. England and France have sent some of their most gifted financiers and men of affairs to the United States on a borrowing mission.

Baron Reading, Lord Chief Justice of England, a man of extraordinary intellect and foresight, often spoken of as England's Disraeli of the 20th century; Sir Edward Holden, one of the foremost joint-stock bankers of London; Sir Henry B. Smith, an international banker of wide experience; Octave Homberg, of the French Foreign Office; Ernest Mallet, regent of the Bank of France, and Basil B. Blackett, a British Treasury expert—these are the men who have come to arrange for a loan to be pledged jointly by their respective countries.

In listening to their arguments the American bankers have constantly kept in mind the fact that in order to get the people to invest in bonds of foreign nations they must first make them see the advantages to be gained by lending money abroad.

Obviously their problem is not the same as that which confronted Jay Cooke, whose appeal for funds was, after all, largely an appeal to the people's patriotism.

Col. facts concerning foreign exchange, the movement of the crops and other phases of the country's business, vital as these are to general prosperity, cannot be expected to awaken the same enthusiasm as the cry, "The Union must be preserved!" Nevertheless, when the financial machinery of the country is once set in motion wonderful things can be accomplished. Jay Cooke demonstrated this.

FOR THE YOUNG PEOPLE

ELMER NAUGHTON'S "S. O. S."

WHEN Elmer Naughton and George Duval constructed their private wireless stations at the houses of their respective parents they had no idea what it might ultimately mean to them. It entertained them, and, as Elmer's mother said, kept them out of mischief while teaching them something valuable, and so was worth the money it cost. To tell the truth, the Naughtons bore most of the expense of both plants, because they had money, while the Duvals were poor; but George was so prolific in ideas that there was no feeling of inequality on either side. Besides, what would Elmer's plant be worth if there was no one to respond to his messages?

Many pleasant days were spent by the boys in erecting towers on top of their houses, and so bracing them that they would stand. Many days passed in gathering together telegraph instruments and the necessary batteries before they were ready for the test. In the meantime the boys had studied the Morse code until they knew it almost as well as they did the printed alphabet. Indeed, the preparation of the wireless occupied almost the entire summer vacation.

At last, however, it was completed.

The towers stood higher than any building around; higher than the intervening trees. From the tops of each tree projected many metal tips, and these were connected by wire with the instruments inside. The batteries were carefully prepared and the first message was sent. It worked!

Thereafter the boys became the envy of the neighborhood. There were occasional hitches, requiring the use of the telephones between the homes of the two boys. But glory came when the local editor visited the station at Elmer Naughton's and wrote a good "notice" of the work of the two boys. To the other boys this was fame. It made them wish that they, too, had prepared themselves to do things.

It was the night before school was to begin. There was something about the proximity of school which led Elmer to sleep lightly. During the night he awakened sufficiently to hear sounds that ordinarily would have made no impression upon him. Finally there came a creak and an unmistakable footfall in the parlor downstairs. Elmer was fully awake and sitting upright in bed, in a moment. The clock made a tremendous noise with its ticking, and Elmer's own heart thumped till he feared it might start

the neighborhood, but through it all he could distinguish a stealthy sound in the parlor. He arose and crept to the stairway. As he did so, a dark shadow crossed at the foot of the stairs and entered a room on the opposite side of the hall. Elmer understood. There were burglars in the house. Two of them, for now a second figure crossed the hall and as he did so flashed momentarily a light up the stairway. Elmer's heart jumped and then stopped beating. What if he had been seen? Apparently he had not been, for the burglar passed on without a pause.

What ought he to do? One suggestion after another ran through Elmer's mind. He was afraid to cry out. He feared to try to slip into his father's room to notify him, lest he be heard by the intruders below. Now he knew! The telephone was in the room adjoining his own. He slipped in there and carefully closed the door. Then, holding his hand over the bell to silence the sound, he rang up Central. There was no response. Again he rang. Again there was no response. It came to him in a flash that the burglars had cut the wires before they entered the building for the express purpose of preventing a call by telephone; and another flash revealed to his mind that the wireless had no wires to cut. Into his own room he stole where the wireless outfit was. He turned on the switch and began his call, "S. O. S." Over and over he called without response, until at last, yes! George was clearly at the other instrument.

"Burglars in house. Wires cut. Phone for officers."

That was the message Elmer clicked with greater speed than he had ever displayed before. Immediately response at the other end ceased. Nothing was left for Elmer to do but to wait. And wait he did, counting the ticking of the clock until it ran up into the thousands, and still there was no response. He still heard at intervals the shuffling downstairs, but was too much in terror to look again into the hall or to notify his father of what was happening. A thousand things ran through his mind, many of them having no connection with the event transpiring. For one thing, the lines of Byron:

"My hair is gray, but not with years, Nor turned it white in a single night, As men have done from awful fears,"

repeated itself to him over and over, and he wondered if his own hair was turning white, and what Becky Hilliard would think of him if he should appear the next morning with silvery hair. There were many sounds outside, though he had always supposed

BLUE EYES AND HER EYELIDS

BLUE EYES was a little girl who wanted to have her own way. So one day she scolded her eyelids for winking, without waiting to be told. "You are my very own eyelids," she said, "and should only close when I want you to."

Now the little girl's eyelids were very much surprised when they heard her say this, and one told the other it thought she must be joking. "For," it said, "if she has to do the winking all by herself, she won't be able to do anything else, for she would always be thinking of the right time to close her eyes." Then they told the little girl that while they would like to please her, and had been doing their very best for seven years, they were afraid she might forget to close her eyes often enough to keep them damp or to keep the dust from getting in.

"Oh, I can close my eyes whenever I want to," she said, showing them how. "So you needn't bother about it any more."

The eyelids were very quiet until the little girl closed them herself that night and went to sleep. Then one of them said it didn't think she did it very well.

"Neither do I," agreed the other.

move by themselves but to wait until she told them to.

"You will be doing all you can if you make your hands and tongue give," said mamma, who helped Blue Eyes dress so she could have her breakfast and not be late for school.

ABOUT BAD TEMPEURS.

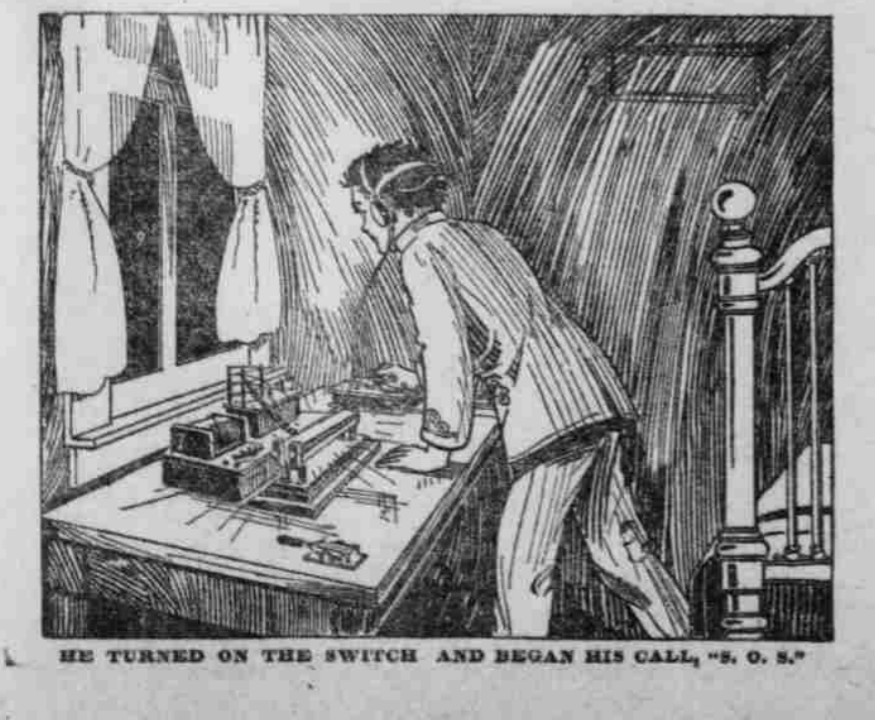
When I am angry, I can see It hurts no other one than me; My face gets very hot and red, And pains are fighting in my head, I go bo-bo-hoing off to bed Ashamed of all the things I've said.

When I am loving, sweet and kind I'm very sure to always find, My head is cool, my heart is light, And everything inside me right, I have a good old appetite And smile myself to sleep at night.

And so it seems, if I am spart, I'll cultivate a gentle heart; I'm sure myself will like this plan For he's a little business man— He likes my temper spick-and-span— So I will be the best I can!

MISERY.

Topoka Capital, Next to the boy who has money coming to him which he cannot collect, the most miserable person is the colored man with a gold tooth and no chance to display it.



HE TURNED ON THE SWITCH AND BEGAN HIS CALL, "S. O. S."

their meaning. "You were being burglarized and we have caught the burglars red-handed."

Father, mother and Elmer were both down stairs by this time. In a corner of the room was a quantity of silverware that the burglars had collected in cloth, ready for their departure. The guilty men stood silent and still.

"But how did you find out about the burglary?" Elmer's father asked.

"Oh, your kid sent word to his chum by wireless, and that feller notified the police by phone. Your wires were cut, you know. Some kids, what!"

The general verdict of the town, when the news got abroad, was in accord with that of the officer, though generally couched in more elegant language. The makers of the wireless stations were looked upon as something approaching geniuses and almost heroes besides. Mr. Naughton made each of the boys a present of a complete set of tools for mechanical drawing. But more than all the praise, and more than the gift from his father, Elmer appreciated a great red apple which he saw Becky Hilliard place on his desk by stealth.

OUR PUZZLE CORNER

CHESTNUT PUZZLE.

These children are gathering chestnuts. See if you can find one by cutting out the black pieces and fitting them together.

DIVISIONS.

1. Divide a flower in two parts and get an article of food and a vessel used for drinking.
2. Divide a vessel which holds three gallons in two parts and get a tree and people related by birth.
3. Divide a family living together in two parts and get a place of abode and to grasp or restrain.
4. Divide an order or command in two parts and get a member of the male sex and a fruit.

WORDS! WORDS! WORDS!

What nine words containing three letters each can be expressed by one?
1. River?
2. Insect?
3. Bird?
4. Garden vegetable?
5. Chinese drink?
6. Tree?
7. Body of water?
8. Part of the body?
9. Question?

ANSWERS.

DIVISIONS—1. Butter-cup. 2. Firkin. 3. Hours-held. 4. Man-dated.
WORDS! WORDS! WORDS!—Dec (D), Bee (B), Jay (J), Pea (P), Tea (T), Yew (Y), Sea (C), Eye (I), Why (Y).