

Financing a Greater New York and an American Empire

The Urban Origins of Dollar Diplomacy, 1898-1914

“We cannot do without Wall Street,” New York stockbroker Henry Clews, a frequent commentator on financial topics, declared in the opening piece of his 1900 collection of essays *The Wall Street Point of View*. “In the course of evolution and a higher civilization we might be able to get along comfortably without Congress, but without Wall Street, never.” The financial district of Manhattan contained, he estimated, “more wealth in proportion to area than any other space of similar dimensions in the world.” Its crucial role in the American economy, he explained, was that it was “where surplus money from all over the world flows for investment” which then rippled outward from Wall Street to reach all corners of the United States, in particular by funding the nation’s railroads, “pioneers of development, prosperity, and civilization” which had allowed the country’s “fertile lands” to be “thrown open to millions from all nations of the globe.”¹

Clews’ comments capture some of the ambivalence Americans—and particularly Wall Street workers—felt about New York City’s role in the global economy at the turn of the 20th century. Many believed that New York was on the cusp of becoming the primary center of global finance, an event that could only reflect positively on the nation as a whole. At the same time Wall Street men claimed (somewhat disingenuously) that the for the national government to pursue a financial policy was at best superfluous and at worst an interference in the operation of the free market.² In fact from the 1890s through World War I the U.S. Treasury, as I will discuss below,

¹ Henry Clews, “Wall Street as a Gauge of Business Prosperity,” in *The Wall Street Point of View* (London, 1900).

² See Robert Wiebe, “The House of Morgan and the Executive, 1905-1913,” *American Historical Review* 65, no. 1 (1959): 49-60. Clews himself had moved into the top ranks of Wall Street brokers by helping to market Union bonds during the Civil War (Clews, *Fifty Years in Wall Street*, xxxvii-xliv), while Steve Fraser notes that by 1880 the nation’s railroads had received some \$700 million in government subsidies and 155 million acres in donated land (i.e., “more than the size of France”) and other forms of direct and indirect financial assistance. See Steve Fraser, *Every man a speculator: a history of Wall Street in American life*, 1st ed. (New York, 2005), 119.

used a variety of techniques to manage the economy either expressly developed in concert with Wall Street bankers or else specifically tailored for the benefit of New York City banks. Wall Street workers accepted the benefits it received from federal interventions but the example of London's simultaneous position as the world's financial capital and the seat of the authority of the British Empire suggested that financial dominance and imperial rule were inextricable from each other, and many wondered how such a combination might change American life.

Indeed, American political traditions made the idea of imperial authority unsettling to multiple interest groups.³ In another essay on the aftermath of the Spanish-American War, Clews argued that annexation of the Philippines was inconceivable because "We are not, and will not become, an imperialistic nation... But we are expansionists, in the very best sense of that word. The name of the Great Republic is synonymous with the expansion of learning, commerce, wealth, and all else that make for the betterment of the human race." The responsibility of the U.S. government, he argued, was to take advantage of the islands' "commercially strategic" location as a "natural gateway" to Asian markets while maintaining "freedom from territorial entanglement."⁴

Notwithstanding Clews' protests, I would like to argue in this essay that if we consider together the three fields of political action I have just discussed—the city, the state, and the world—and use the idea of empire to analyze their interrelationship we can gain new insights into American financial history in the years up to and surrounding World War I. My conceptualization of "imperialism" is broader than Clews' definition of imperialism as direct rule and incorporation into the territory of the state. I would argue that "imperialism" is a useful term for describing the exercise of authority by an entity possessing or acting under color of the authority of the state over a territorial entity which it recognized as having a different national identity, using the justification that the constituents of the subordinate entity did not possess the necessary maturity and

³ Eric Tyrone Lowery Love, *Race over empire : racism and U.S. imperialism, 1865-1900* (Chapel Hill, N.C., 2004)

⁴ Henry Clews, "Our Nation's New Departure," in *The Wall Street Point of View* (London, 1900), 289-290.

exercise to govern their own affairs in one or multiple policy areas.⁵ (My definition also encompasses the ability to constrain the authority of such a territorial entity to take particular actions.) The role of the state within this definition of imperialism can encompass everything from direct rule to covert intervention in a foreign state's politics to providing diplomatic support to private actors attempting to shape a country's export policies.

Rather than embracing London's example of overlapping political and financial dominance, Wall Street's financial elite embraced the concept of a New York-led expansionism that would proceed by a peaceful "invasion" of overseas markets, including especially Europe which was by definition impossible to colonize, and eventually lead to New York's supplanting of London as the world's financial capital. Frank Vanderlip, a former Assistant Secretary of the Treasury who in 1902 joined the National City Bank of New York as its vice president, used statistical evidence to argue that the United States could soon achieve "industrial supremacy" while New York would become the cheapest market in which to raise capital, eventually drawing investors away from European financial markets.⁶

The U.S. government had a role in this process, particularly in its use of federal bonds to secure the value of bank deposits. But the techniques of American financial imperialism in the years after 1900 emerged from a vision of urban politics, and specifically New York City politics, that mimicked the essential imperialist relationship. Put simply, in New York City this relationship constituted the attempts of a political group that defined itself as the party of "Citizens,"

⁵ My definition of imperial authority is in part an attempt to move beyond disputing the difference between "formal" and "informal" empire, on which see Robin W. Winks, "On Decolonization and Informal Empire," *American Historical Review* 81 (June 1976), 540–556. Note that I am not necessarily arguing that the political actors exercising this authority must themselves have a unifying national identity—in the case of the British Empire, for example English, Scottish, and Irish politicians, civil servants, soldiers, etc. could all participate in imperial projects in places like India and South Africa without necessarily giving up their own national identities. Similarly, the field of action for exercising imperial authority could shift depending on where national identity movements arose: thus, in the early 20th century British intelligence adapted many techniques from its campaign against Irish nationalists to dealing with similar political movements in the Middle East and India. See Martin Thomas, *Empires of Intelligence: Security Services and Colonial Disorder after 1914* (Berkeley, Calif., 2008).

⁶ Frank A. Vanderlip, *The American "commercial invasion" of Europe* (New York, 1902), 19–20.

“Good Government,” and “Reform” to exercise political authority over a collective entity defined not by racial or national identity but rather by allegiance to “machines” and “boss” politics. Ethnic and especially Irish difference had formed the initial grounds for efforts to gain political dominance over this collective, but by the end of the 19th century the reformers’ critique of New York’s Tammany Hall machine was essentially that its patronage and constituent service mechanisms perverted the ways city funds were dispensed.⁷ Reform critiques portrayed Tammany’s supporters as “men who transgressed dominant middle-class ideals,” encompassing both “passionate criminals... incapable of controlling their masculinity and given to sudden, antisocial violence” and “tramps [who] were lazy and inept providers, transgressing male values of hard work and industry.”⁸ For reformers like Theodore Roosevelt, Jacob Riis, and Lincoln Steffens, the idea of the city as a field for “man’s work” where a “raiding party” could do “battle” for the city’s fate translated the global struggles of empire in various political enclaves to the level of the city and its political precincts.⁹

Throughout the 19th century, even as on the ground New York City’s polyglot population was seen as an inherent stumbling block to peaceful urban politics, in rhetorical terms New York’s active printing and publishing community—the largest in the country—embraced the identity of *empire city* to define New York as the primary protagonist of a “narrative of mastery” in which natural site and technological development combined to place New York at the fated pivot of global exchange: one 1866 pamphlet issued by a prominent association of New Yorkers defined the city’s location as “a point where all the continents. The Atlantic washes its feet, the tropics

⁷ On the shift from an Irish-American political identity to “Tammany-style nationalism,” see Iver Bernstein, *The New York City Draft Riots: Their Significance for American Society and Politics in the Age of the Civil War* (New York, 1990), 198-199 and Mary P. Ryan, *Civic wars : democracy and public life in the American city during the nineteenth century* (Berkeley, 1997), 271-281. A discussion of the operation of Tammany Hall’s machine in the late 1890s and early 1900s is found in Daniel Czitrom, “Underworlds and Underdogs: Big Tim Sullivan and Metropolitan Politics in New York, 1889-1913,” *Journal of American History* 78 (1991): 542-551. For the reformers’ critique, see David C. Hammack, *Power and Society: Greater New York at the Turn of the Century* (New York, 1982), 147-157.

⁸ Kevin P. Murphy, *Political manhood : red bloods, mollycoddles, & the politics of progressive era reform* (New York, 2008), 77.

⁹Ibid., 85.

pour their riches into its lap, the Arctic brings it products, the vast interior of our own country fills its warehouses, while by the [Union] Pacific Railroad the regions of China and Japan and the East Indies are brought to its doors.”¹⁰ While in such a vision the nation-state was essentially superfluous, in practice from 1876 onwards New York City’s financial community took the streets every four years at presidential elections to parade in support of the Republican Party; by 1896 the city’s “Bankers and Brokers’ Republican Club,” which took the lead role in organizing these parades, boasted some 8,000 members.¹¹ In the years following the election of William McKinley in 1896 a “great merger movement,” spearheaded by Wall Street’s bankers, stockbrokers, lawyers and accountants transformed the organization of the American economy, with some 2,722 firms disappearing into 278 corporations in just the six years from 1897 to 1902.¹²

In the midst of this “movement” Greater New York, the consolidation of New York, Brooklyn, and several surrounding towns and county governments into a single municipality occurred in 1898. In the eyes of the boosters of the idea of Greater New York, the consolidated city symbolized the expanding role of New York City in the American economy and its larger population enabled it to maintain its competition with both overseas rivals like London and with other American cities, particularly Chicago.¹³ But the size of the city alone was not considered sufficient symbol of its outsize importance. New York City’s boosters in organizations like the Municipal Art Society, whose membership overlapped with reform groups like the city’s Citizens Union, argued that the city also needed a full complement of transportation features and civic institutions that would showcase the city as the most modern metropolis of the United States. In order to ac-

¹⁰ “Narrative of mastery” and the quote from Citizens Association, *Report of the Executive Council to the Honorary Council... November 17, 1866*, in David M. Scobey, *Empire City: The Making and Meaning of the New York City Landscape* (Philadelphia, 2002), 50; on 19th-century American idealizations of empire and New York City’s place in it see Scobey, 43–52.

¹¹ *Great Sound Money Parade in New York* (New York, 1897), 22–24.

¹² Ralph L. Nelson, *Merger movements in American industry, 1895–1956* (Princeton, N.J., 1959), 150–153.

¹³ Hammack, *Power and Society*, 194. If not for the consolidation, the difference in New York and Chicago’s population would have narrowed from 450,000 in 1890 to 360,000 in 1900.

quire the funds to pay for these improvements the city resisted arguments to modify the tax structure, and in particular to enforce taxation on securities, jewelry, and other forms of “personal property.” Deliberate evasion by wealthy residents and a toothless enforcement regime meant that the value of personal property declined from 40% of the city’s tax base in the 1860s to 20% in the 1890s even as securities were coming to represent a greater proportion of elite wealth. Railroad magnate William Vanderbilt, for example, paid taxes on only \$500,000 in property which was valued at \$40 million at his death in 1885.¹⁴

Under the leadership of Mayor Seth Low, the successful candidate in the 1901 election, New York City’s reform movement set out to raise the money required to build the civic infrastructure an empire city seemed to demand.¹⁵ Rather than raising real estate taxes or improving the personal property tax collection system, a committee led by Frederick S. Lamb—a member of both the Citizens Union and the Municipal Art Society—turned to bonds as the solution. By state law New York City could only borrow a fixed ratio of the aggregate value of its real estate. Lamb’s committee proposed simultaneously changing the assessment system and lowering the tax rate on real estate, enabling the city to borrow more money without raising taxes on the property holders who formed the bulwark of the reform movement’s support.¹⁶ The new system based real estate assessments on a parcel’s value on the open market rather than according to its present use. From 1902 to 1903, then, the total value of New York City real estate increased 43%, from \$3.3 billion to \$4.7 billion, with a corresponding surge in the city’s debt capacity.¹⁷ For residents on the fringes of the city the change had minimal effect, thanks to the lowering of the tax rate. For those

¹⁴ Jon C. Teaford, *The unheralded triumph, city government in America, 1870-1900* (Baltimore, 1984), 300-301. Anyone who has looked at New York City newspapers from the 1890s and 1900s will notice the frequent appearance of stories about individuals recognized as being among the city’s wealthiest residents insisting to the city’s board on tax assessments that their personal property was worth only a fraction of the amount assessed.

¹⁵ On Low’s successful coalition, see Hammack, *Power and Society*, 154-157.

¹⁶ Gregory Gilmartin, *Shaping the City: New York and the Municipal Art Society* (New York, 1995), 62.

¹⁷ New York City Committee on Plan and Survey, *The Finances and Financial Administration of New York City: Recommendations and Report of the Sub-Committee on Budget, Finance, and Revenue* (New York, 1928), 336-338

in the center of the city, however, it was assumed that the change would “redound to the benefit of the professional operators... [and] tend to force holders of valuable unimproved or partially improved properties to let them go.”¹⁸ The “windfall” from new bond revenue “wed the city’s interests to those of the real estate speculator: rising land values became the engine of municipal government.”¹⁹

Wall Street financial institutions reaped multiple benefits from the city’s growing dependence on bonds to finance public improvements. In the first place banks could profit from commissions for their role in arranging bond sales. For bank owners, the shift halted calls to change the tax structure in order to garner more income from investments, saving them from a hit to their pocketbooks. Moreover, rather than paying money to the city treasury through tax assessments, financial institutions became the primary purchasers of the city bonds—in one 1911 sale roughly 80% of bonds were purchased by investment bankers and another 19% by banks and insurance companies, with individuals accounting for the remainder.²⁰ The city’s need for capital and its barely modified tax system eventually produced a significantly lopsided relationship between New York City and its financial institutions: by 1915, the city was paying out some \$65 million in debt service while taking in just \$8.5 million in personal property taxes and taxes on banks.²¹

Another important benefit lay in the new ability, thanks to federal regulation, of national banks to use municipal bonds to secure bank deposits. Barely three weeks after the announcement that the city would be modifying its assessment rationale, Treasury Secretary Leslie M. Shaw announced in late September 1902 that he would allow national banks to hold municipal bonds as part of their reserves, rather than U.S. bonds alone. By virtue of the formulas used to keep track of

¹⁸ John R. Commons, “Some Taxation Problems and Reforms,” *Review of Reviews*, Jan. 1903, 207.

¹⁹ Gilmartin, *Shaping the City*, 62. For a helpful discussion of the interaction between taxation, borrowing, and speculation in the context of urban real estate see David Harvey, *Paris, Capital of Modernity* (New York, 2003), 120-144.

²⁰ Keith D. Revell, *Building Gotham: Civic Culture and Public Policy in New York City, 1898-1938* (Baltimore, 2003), 155.

²¹ Committee on Plan and Survey, *Finances and Financial Administration of New York City*, 132-133 (revenue) and 258-259 (expenses).

the required ratio of deposits to reserves, this essentially meant that banks were being given more leeway to loan money.²² Though it is nearly impossible to reconstruct exactly which securities were used by which banks to take advantage of this proposal, cumulative data shows that of \$20.5 million dollars in state and municipal bonds offered by the end of 1902, New York City bonds represented \$7.2 million.²³

The First National Bank of New York, for example, which was closely affiliated with J.P. Morgan, shifted from owning no state or municipal bonds in September 1902 to owning \$3 million in such bonds in September 1903. Its loan portfolio at that date included loans of \$1 million to the Northern Securities Co., the railroad holding company created by J.P. Morgan, and \$1 million to the Great Northern Railroad, the primary route connecting the Upper Midwest and Pacific Northwest to the Eastern railroad network, controlled by Morgan ally James J. Hill. The bank's largest loan, for \$1.9 million, was to International Harvester, a corporation recently formed by a merger of farm equipment manufacturers supervised by Morgan's partner George W. Perkins that already controlled the largest share of Sweden's tractor market.²⁴ By 1908 \$46 million in local government and railroad bonds were being used to secure national banks' ability to loan out funds, an increase of \$25.5 million since 1902. The exact distribution of these bonds is unclear, but by this point New York City's debt was "nearly twice as large as the combined debts of the next ten largest cities in the United States."²⁵ Leveraging such public bonds, in all likelihood including a large proportion of New York City bonds, with the sanction of the federal government,

²² Richard H. Timberlake, Jr., "Mr. Shaw and His Critics: Monetary Policy in the Golden Age Reviewed," *Quarterly Journal of Economics* 77 (1963).

²³ *Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1903* (Washington, D.C., 1903), 121-122.

²⁴ "Examiner's Report, First National Bank (#29)," Sep. 23, 1902, box 2, Reports and Correspondence, 1902-1906, Records of the Comptroller of the Currency, RG 101 (National Archives, College Park, Md.) and "Examiner's Report, First National Bank (#29)," Sep. 15, 1903, box 2, Reports and Correspondence, 1902-1906, Records of the Comptroller of the Currency, RG 101 (National Archives, College Park, Md.). On the development of International Harvester's sales operations in Europe (especially in Scandinavia and Russia) in the early 1900s see Fred V. Carstensen and Richard Hume Werking, "International Harvester in Russia: The Washington-St. Petersburg Connection?," *Business History Review* 57 (1983): 352-357.

²⁵ Revell, *Building Gotham*, 151

Wall Street banks were able to provide loans and issue securities for the American corporations that were the active foot-soldiers in the United States' campaign of "commercial invasion."

As New York City acquired more debt Wall Street professionals became interested in rigorously monitoring its spending, particularly after Low lost the 1902 election to Tammany-backed candidate George B. McClellan. In the 1870s New York's wealthy had unsuccessfully attempted to restrict municipal suffrage to taxpayers as an anti-Tammany measure.²⁶ The growing importance of bond financing arguably produced a similar result by alternative means: McClellan continued Tammany's patronage traditions but "accepted the need for expertise" when it came to municipal finance.²⁷ As a component of the "great merger movement," Wall Street professionals had adopted the principle that professional accountants and verifiable financial statements were indispensable components in certifying the value of the corporations whose securities they launched on the stock exchange.²⁸ By 1907 a new organization called the Bureau of Municipal Research had been established to apply the methods of accountancy to the analysis of New York City's income and expenses. Its staff of 16 contained five certified public accountants, including Frederick Cleveland, who had formerly worked at Haskins & Sells, a prominent accounting firm whose clients included such corporations as the U.S. Rubber Company and Borden's Condensed Milk.²⁹ The Bureau focused on creating a budget for New York City government which would prevent corruption because its "very visibility... would discourage attempts to transgress its boundaries." As Jonathan Kahn argues, however, the very transparency of the budget could serve as a tool that would

²⁶ David Quigley, *Second Founding: New York City, Reconstruction and the Making of American Democracy*, 1st ed. (New York, 2004), 145-168

²⁷ Hammack, *Power and Society*, 171. See also William G. Roy, *Socializing capital : the rise of the large industrial corporation in America* (Princeton, N.J., 1997), 138-139, on contemporaneous conflicts of interests between shareholders and bondholders in the corporation context.

²⁸ David F. Hawkins, "The Development of Modern Financial Reporting Practices among American Manufacturing Corporations," *Business History Review* 37, no. 3 (1963): 145-155.

²⁹ Jonathan Kahn, *Budgeting Democracy: State Building and Citizenship in America, 1890-1928* (Ithaca, NY, 1997), 44-45; Haskins & Sells, *Our First Seventy-Five Years* (New York, 1970), 19.

both “identify and name the ills of city government” without undermining the basic assumptions about tax and debt levels on which it depended.³⁰

The Bureau depended for its budget on contributions from New York’s wealthiest citizens, including investment bankers J.P. Morgan and Jacob Schiff, whose firms were also active participants in marketing the city’s bonds to the public, and Henry Morgenthau, a leading real-estate magnate.³¹ The Bureau did not use the stereotypes adopted by Riis and Roosevelt to draw a contrast between themselves as urban reformers and Tammany Hall and its supporters; instead it showed “respect for bosses” and “framed its program to be acceptable to City Hall regardless of which party occupied the mayor’s office.”³² Claiming authority derived from the mayor’s office, it recapitulated the imperialist relationship in a new way by developing an education campaign based on the premise that the public was insufficiently informed to make decisions about the city government and its priorities.

One component of this public relations campaign was the creation of budget hearings on defined topics which “served to channel and domesticate popular participation in politics” by restricting discussion to topics set by the government and defined by the budget’s division of functions, and “criticism that was not made in terms established by the budget would not be acknowledged or accepted as valid.”³³ In 1908 the Bureau began sponsoring annual presentations about the city’s budget, culminating in an exhibit in the fall of 1911 that took up three stories of a downtown office building and mimicked the organization of department stores, including sections where citizens could view a full-size jail cell, a piece of the city’s new aqueduct, and photographs of the work of various other departments. The exhibit showed “the political location of governmental ‘goods’ and services” such as building inspection while simultaneously “Other health and

³⁰ Kahn, *Budgeting Democracy*, 62-63

³¹ *Ibid.*, 45 (on the funders of the Bureau) and Revell, *Building Gotham*, 155 (on the firms that marketed the bonds).

³² Kahn, *Budgeting Democracy*, 78.

³³ Jonathan Kahn, “Re-Presenting Government and Representing the People: Budget Reform and Citizenship in New York City, 1908-1911,” *Journal of Urban History* 19 (1993): 91.

safety measures, such as overseeing working conditions, might be implicitly defined as private through exclusion from an exhibit.”³⁴ Kahn argues that these educational measures made little attempt to “empower” citizens to do anything besides voting or participating in hearings with predetermined agendas.³⁵ By 1917, when real estate owners balked at the growth of the city’s budget and potential increases in taxes, Bureau leaders produced pamphlets “demonstrating that the bulk of the city’s increased appropriations were not due to expanded services but to poor debt management.”³⁶ This argument accepted the city’s dependence on finance capital to fund its operations but defined the solution to this dependence as a technocratic problem of “debt management” rather than calling for a redefinition of tax policy.³⁷

The Bureau used a variety of public relations strategies to draw attention to its work, including not only major efforts like the budget exhibits but also printing millions of pieces of literature about its work. One manager, William H. Allen, traveled throughout the country to urge “business groups” in various cities to create their own bureaus. The reputation of the Bureau’s funders—including Morgan, Schiff, John D. Rockefeller and Andrew Carnegie—helped other businessmen decide that it was worthy of emulation; as one Minnesota man put it, “the kind of problem that they’re dodging [here] is being met frankly, openly, by J.P. Morgan [in New York].”³⁸ By 1914, the Bureau had established a training school whose graduates obtained jobs as consultants with various local governments in the United States. The link between the Bureau’s goal of educating urban residents up to the responsibilities of citizenship finally converged with the premise of inherent differences in political maturity that undergirded imperialism when “Budg-

³⁴ Ibid.: 94.

³⁵ Ibid.: 97.

³⁶ Ibid.: 99. This is not to say that the issue was trivial: one of the major shifts in the city’s use of bonds after the 1898 consolidation was from issuing 30-year bonds to 50-year bonds. The longer term meant that the city’s payments in a given year were lower but that the cumulative amount to be paid off, with interest, would be higher. See Committee on Plan and Survey, *Finances and Financial Administration of New York City*, 217-218.

³⁷ See also Revell, *Building Gotham*, 176-177.

³⁸ William H. Allen, *Reminiscences*, Columbia Oral History Collection, cited in Kahn, *Budgeting Democracy*, 124.

et reform also became a tool of empire building.” Henry Bruere, one of the founders of the Bureau, was by the 1910s working as a consultant in Mexico with the blessing of the Wilson administration, where, like “an outside auditor sent to safeguard his employers’ investment... Bruere and his associates made specific recommendations to reform Mexico’s system of financial administration.” Much like the Bureau’s role on behalf of New York City’s bondholders, Bruere used budgeting to empower citizens, “Only here, the ‘citizens’ were foreign corporations that voted with dollars, not ballots.”³⁹ In a preface to a report by one of his protégés on the “history and present status” of Mexico’s debt, Bruere mimicked the ambition of Jacob Riis to stamp out the lazy tramps and violent thugs of the Lower East Side in arguing that a restoration of the country’s credit represented a first step in combating the “ignorance, poverty, lack of opportunity and initiative [that] combine to hamper these folk in their long struggle for the true independence of economic autonomy and self-assertion.”⁴⁰

In the opening weeks of World War I an important opportunity arose for New York City to assert its own ambition to seize the role of the global center of finance from London. The sudden demand by Britain, Germany, France, and the other major powers for gold to purchase war materiel threatened a major crash in New York stock markets as investors sold off their securities in the United States to obtain cash. Treasury Secretary William G. McAdoo quickly intervened to urge the closure of the stock exchange, which occurred on July 31, the day before Germany declared war on Russia, and began pursuing an agenda designed to demonstrate the strength of the American financial system and its commitment to the gold standard. Economist John Maynard Keynes—then 31 years old and working for the British treasury—argued in an August 4 memorandum that the government had to likewise maintain the gold standard: “The *future* position of the City of London as a free gold market will be seriously injured if at the *first* sign of emergency”

³⁹ Ibid., 129-131. See also Henry Bruere, *Reminiscences*, Columbia Oral History Collection, 126-137.

⁴⁰ Henry Bruere, “Preface,” in Thomas Russell Lill, *National Debt of Mexico: History and Present Status* (New York, 1919), 2

it abandoned the standard.⁴¹ Back in New York, banker Jacob Schiff argued that in order to maintain the reputation of the American financier as “an honest man” the country’s collective bond obligations would need to be paid no matter how much a burden this might put on the economy.⁴²

A sudden demand of credit by New York City provided the opportunity for Wall Street to demonstrate its willingness to protect the United States’ financial honor. Over the course of the preceding decade New York’s bonds had become popular among European investors as well as American financial institutions; as part of his campaign to win more investors the city’s comptroller planned to offer a budget exhibit similar to those created by the Bureau of Municipal Research at an international exposition in Lyons in the fall of 1914. The exhibit, which was meant to take up a pavilion with eight galleries, included some three tons of material designed to demonstrate New York’s claim to empire city status, including photographs of the city’s financial, cultural, and technological resources—among others, banks, docks, the New York Public Library and the Metropolitan Museum of Art, the Catskill Aqueduct, and as its centerpiece “a reproduction of the cupola of the City Hall, with large paintings around its base illustrating its harbor and river features.”⁴³ That spring the city had successfully borrowed \$77 million in short-term notes, when the exchange rate ran in the dollar’s favor.

The world crisis, however, intervened to prevent the city from being able to raise new money to retire its debt. The Treasury Department informally promised to guarantee a supply of gold to move American grain and cotton to market, relieving New York City’s banks of this responsibility; in turn the most prominent members of the financial community put together a syndicate of more than 120 New York City banks who promised to supply \$80 million in gold to pay

⁴¹ John Maynard Keynes, “Memorandum against the Suspension of Gold,” in *The Collected Writings of John Maynard Keynes*, vol. 16, *Activities 1914-1919: The Treasury and Versailles*, ed. Elizabeth Johnson (London, 1971), 10.

⁴² *New York Times*, August 14, 1914, quoted in William L. Silber, *When Washington Shut Down Wall Street: The Great Financial Crisis of 1914 and the Origins of America's Monetary Supremacy* (Princeton, N.J., 2007), 97.

⁴³ “City Views for Europe,” *New York Times*, April 19, 1914.

off the city's European debts.⁴⁴ As Revell points out, Wall Street bankers would not have maintained "credibility" otherwise, since "the aspiring leaders in world finance could not operate from a bankrupt metropolis."⁴⁵ The power of the federal government, in other words, had helped New York City's bankers preserve their city's reputation in global finance.

The success of the Treasury Department's actions almost immediately inspired Wall Street bankers to foresee an era of unprecedented commercial expansion ahead. By the end of the fall J.P. Morgan & Co. partner Willard Straight was helping to organize a new social club called India House, located at Hanover Square in the financial district, to provide a space where "the activities and atmosphere of foreign trade [would] predominate," decorated with an art collection of "prints and paintings of famous American merchant vessels, and scenes in the Indian and European markets." The club was meant to be a place for businessmen to exchange "the latest information regarding foreign markets," with the deliberate intention to provide "privileges of the club" to military officers, American diplomats, and members of the Department of Commerce's foreign trade division.⁴⁶ A place specifically designed for facilitating imperialist projects, in other words, was being created in the heart of New York City's financial district, after nearly two decades of anticipation.

In the years following World War I American investment banks experienced a boom in the number of foreign borrowers coming to the United States—and especially to New York—to borrow funds.⁴⁷ Many of these bonds would end up under the supervision of men Emily Rosenberg has christened *financial missionaries* whose policy prescriptions melded the rhetoric of manliness

⁴⁴ John J. Broesamle, *William Gibbs McAdoo: A Passion for Change, 1863-1917* (Port Washington, N.Y., 1973), 195-199.

⁴⁵ Revell, *Building Gotham*, 171.

⁴⁶ "India House," pamphlet, c. 1914, reel 5, Willard Straight Papers (Library of Congress, Washington, D.C.).

⁴⁷ Vincent P. Carosso, *Investment Banking in America: A History* (Cambridge, Mass., 1970), 245-249, and Mira Wilkins, "Cosmopolitan Finance in the 1920s: New York's Emergence as an International Financial Centre," in *The State, the Financial System, and Economic Modernization*, ed. Richard Eugene Sylla, Richard H. Tilly, and Gabriel Tortella Casares (Cambridge, U.K., 1999).

with the rhetoric of professionalism that had marked the urban reform campaigns of the turn of the century. Intervening in financial and political matters of debtor nations with varying degrees of tacit and overt support from the American government, these men transformed policy methods designed to cope with urban corruption into a kinder, gentler form of dollar diplomacy.⁴⁸ Nonetheless the record of National City Company, National City Bank's investment banking arm, shows the continuing importance of municipal bonds: the company, which was among the ten largest issuers of securities, was the original issuer of some \$1.2 billion in foreign debt from 1921 to 1929, but it also issued some \$463 million in New York City's debt, and another \$63 million in debt for the city's Port Authority. This amounted in total to some \$526 million—more than the \$511 million in bond issues that National City Company underwrote for American industrial corporations.⁴⁹ The ambition of American imperialist projects remained intertwined with the prosperity of the United States' empire city.

⁴⁸ Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930* (Cambridge, Mass., 1999), 33-35; 151-186; 217-230.

⁴⁹ Harold van B. Cleveland and Thomas F. Huertas, *Citibank, 1812-1970* (Cambridge, Mass., 1985), 140-152.