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*THE RISE OF HERBERT HOOVER*







HERBERT CLARK HOOVER  
*A photograph taken in London about 1910.*

THE RISE OF  
HERBERT HOOVER

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BY  
Walter W. Liggett



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MANUFACTURED IN THE UNITED STATES OF AMERICA

*TO*  
GEORGE WASHINGTON  
OUR FIRST PRESIDENT  
AND A  
GREAT ENGINEER  
WHOSE WORKS MAY STILL BE SEEN

I WISH TO EXPRESS MY GRATITUDE TO H.B., J.N.B., T.C., L.S.,  
W.G.B., C.J., R.M.A., H.G.B., A.W.K., E.F.L., C.M., C.G.M.,  
AND TO MANY OTHERS, WHO PREFER TO REMAIN  
ANONYMOUS, FOR THEIR INVALUABLE AID  
IN PREPARING THIS BOOK





## FOREWORD

NO ARMORED trucking company employs a guard or chauffeur without first checking up with painstaking care a day by day account of his life. Banks are equally careful about hiring messengers. You can't even get a nightwatchman's job until you have been investigated and bonded. We are not so particular about our Presidents—or at least we weren't in the case of Mr. Hoover and at least one of his immediate predecessors.

As a matter of public protection the past of any American President should be as an open book. When a man seeks this post he automatically invites the most searching investigation. And while it would be highly unpatriotic to add to Mr. Hoover's burdens by wilfully imputing to him wrongful motives, or falsely charging him with improper acts, it is precisely because he *is* President—and a more or less avowed candidate for re-election—that we feel it a patriotic duty to proceed with this inquiry.

In 1928 the American people voted for Mr. Hoover—though admittedly several million voted *against* Mr. Smith—because they had formed a favorable estimate of his character and ability. The American people—or at least a large proportion of them—know by this time that their estimate of Mr. Hoover was based upon insufficient knowledge. They bought a pig in a poke, to use the homely country phrase.

Our constitution provides for an election every four years and it now appears that Mr. Hoover will again be a candidate in 1932. Once more the American people will pass on his qualifications in light of his decidedly revealing White House record. It is not impossible that he will be re-elected. But before arriving at this decision the American people are entitled to all the facts concerning Mr. Hoover's business career. Perhaps, if we probe deeply enough, some illumination may be thrown on what now may seem mystifying in his personality.

This is not the place to attempt any dissection of Mr. Hoover's moral and mental qualities. The reader can form his own conclusions after we have unravelled the tangled skein of past actions which alone afford an adequate clue to any man's character. Suffice it to state that it is now becoming generally recognized that Mr. Hoover has certain rather fundamental failings—selfishness, ethical shortsightedness, intellectual intolerance, and a callous disregard of the rights of others, to go no further.

It would puzzle the shrewdest psychologist to account for these traits in Mr. Hoover, if, in fact, he had spent his entire life in purely technical pursuits and public benevolences, as his official biographers try to make it appear. But, on the other hand, if it can be established beyond all question that for the greater portion of his adult life Mr. Hoover was primarily a promoter—and made a fortune in the flotation and reorganization of oil and mining properties in competition with some of the trickiest financial buccaneers the modern business world has known—then what baffled us before concerning Mr. Hoover's outlook on life becomes perfectly plain.

No one would expect even a Sir Galahad to emerge entirely unscathed after two decades of merciless commercial conflict on the mining exchanges of London, Paris, Brussels and Berlin, and we will have a much clearer and more realistic conception of Herbert Hoover if we study him in the light of his business record and forget, for the while at least, his well press-agented deeds as "The Great Humanitarian" which have thrown a smoke screen of publicity around his earlier and more formative years in Australia, China and London.

Mr. Hoover has great ability along certain lines and it would be futile not to recognize some of his really remarkable accomplishments. He is as truly big in some aspects of his nature as he is surprisingly petty in others. No one who has followed his career will question the keenness of his mind. His memory is amazing. He is gifted with dynamic will power, coupled with inordinate ambition. He personifies persistence and has an unusual capacity for sustained mental concentration. In many respects he is extraordinarily well equipped for the Presidency.

His chief handicap—though it helped him in the acquisition of wealth—is an appalling moral obtuseness. This is partly due, no

doubt, to his experiences in the international mining mart, where he was introduced while a very young man under decidedly questionable sponsorship; but it is even more the direct result of an extremely unfortunate childhood environment. He was orphaned when only ten, shunted from relative to relative, treated none too well at times, and the scars of those bitter, boyhood days can never fade. While still in his teens he received his initial business training in a real estate promoter's office and a better school for cynicism could hardly be devised. As the twig is bent, so the tree inclineth.

It is the intent of this book to supply certain helpful information to the American people. To this end we shall tell of Mr. Hoover's boyhood, follow him through college, then inquire into his record as mining engineer, promoter, financier, relief administrator and politician. We shall pursue the path wherever it leads and give the facts exactly as we find them. Our approach admittedly will be critical, but not hostile, and when any honest doubts arise we are willing to resolve them in Mr. Hoover's favor.

But we intend to present him as a man—living, scheming, working; with hates, hopes, fears, friendships, ambitions—and not as a plaster saint stuck in a niche for political purposes. When we have completed the full-length picture of the man in these pages it is quite possible that he will stand out as warmer, more likeable—certainly more understandable—than the passionless, priggish compendium of all virtues, that has been presented by his official biographers.

I have prepared this work painstakingly with the patriotic purpose of giving helpful and necessary information to the American people, and I stake my reputation on the accuracy of every essential statement herein contained. Every controversial incident has been buttressed by irrefutable documentary evidence. If the book seems sensational, it is only because the record itself is sensational.

WALTER W. LIGGETT



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*THE RISE OF HERBERT HOOVER*





## CHAPTER I

### *IOWA—AN UNHAPPY CHILDHOOD*

**H**ERBERT CLARK HOOVER was born at West Branch, Iowa, during the early afternoon of August 10, 1874, in a small two-room frame cottage. He was the second son of Jesse Clark Hoover and Hulda Randall Minthorn Hoover. His father, descended from six generations of farmers who had followed the shifting frontier from Maryland, through North Carolina and Ohio into Iowa, owned a blacksmith shop and sold farm machinery as a side line. His mother, a Canadian Quakeress who had come across the border with her parents when she was 11 years old, was well educated for that place and period and noted for her religious zeal. Frequently she was "moved by the spirit" to express herself at the meetings of the Friends, and the few living persons who heard her speak testify to her unusual eloquence.

West Branch was a Quaker settlement, started in 1853 with the financial aid of wealthy Philadelphia Friends, who in those days dreamed of peopling the western prairies with communities of their co-religionists much as William Penn had colonized Pennsylvania. Eli Hoover, the President's grandfather, had come to Iowa about 1856, or possibly a year or two earlier, from another Quaker settlement in western Ohio.

Theodore and Mary Minthorn were in the third wave of Quaker colonists. They came to Iowa from Oxford county, Ontario province, Canada, in 1859.

Mary Minthorn was descended from generations of Quaker stock, but Theodore Minthorn, the President's maternal grandfather, did not formally affiliate with the Friends until December 10, 1858, just about the time he was contemplating migrating to the United States. Hoover's mother, her two brothers and three sisters were accepted as members at the Friends "Old Brick Meeting House" in North Norwich township, Oxford county, Canada, on January 12, 1859. Hulda Minthorn then was 11 years old.

One of her brothers, Henry Minthorn, known later as "Doctor John," who went to Oregon from Iowa and acted as custodian for the orphaned Herbert Hoover, also was born in Oxford county, Canada, and, so far as I can ascertain, never was naturalized as a citizen of the United States although he held important posts as Indian agent under two Presidents.<sup>1</sup>

West Branch, in many respects, was a remarkable community in those pioneer days. Hardly 200 miles from where Abraham Lincoln grew to manhood, it was scarcely less primitive in its physical manner of living—it had no railroad until 1870—but psychologically the two localities were far apart as the poles. The Iowa settlement seemed to escape the fierce, bitter partisanship over the slavery question that alienated friends and divided kin-folk in southern Illinois, making of it a great political testing ground.

True, John Brown is said to have trained some outside recruits headed for "Bleeding Kansas" on the woods bordering Wapsinonoc creek, and it is rumored that a station of the "Underground Railway" found sympathetic conductors among the liberty-loving

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<sup>1</sup> Surprise—and even avowed disbelief—doubtless will be expressed in some circles over the assertion that Herbert Hoover's maternal grandparents were Canadians. For some reason—possibly for political purposes—the Hoover biographers have attempted to conceal the fact that his mother's forebears for at least three generations were Canadian born. Most of the Hoover biographies deftly evade definite statement on this point, but two of his biographers positively declare that his mother's family came from Connecticut.

There can be no dispute at all about the facts: Hulda Minthorn, the mother of Herbert Hoover, was born in North Norwich township, Oxford county, Ontario province, the Dominion of Canada, in 1848, and her parents, Mary Wasley Minthorn and Theodore Minthorn, were both natives of the Dominion. The Wasley family first came to Canada in 1800 from Buck county, Penn., and the Minthorns came to eastern Canada from Connecticut in 1804.

The Canadian parentage of Hoover's mother in no possible way reflects upon his Americanism, but it is unfortunate that friends of the President have tried to obscure the truth and it is doubly unfortunate that the President has allowed these flagrant mis-statements to stand uncorrected for a considerable period.

Even the Republican Campaign Book of 1928 contains a wholly untrue account of the President's genealogy. The facts herein stated simply cannot be challenged. The widow of Mrs. Hulda Hoover's first teacher is still alive at Burgessville, Canada. A number of prominent persons in Oxford recall intimate friendships with the President's mother and her parents—while the Eastern Canadian provinces contain several score of Minthorns, Wasleys, Gillams, Pollards, Pollacks, Cohoes and Randsalls who can clearly trace their consanguinity to President Hoover. The tombstones of Henry and Anne Wasley, the President's great grandparents on his mother's side, still may be seen in the Friends' Cemetery, Oxford county, Ontario. Incidentally, the Minthorns left the United States and migrated to Canada after the Revolutionary War because of their Tory sympathies.

Friends, but few of the West Branchers enlisted in the Iowa regiments which fought so gallantly in the Civil War. None of the Hoover kin were soldiers. This may have been because of their Quaker pacificism, or merely because recent arrivals from Canada considered themselves almost as neutrals in the fight between the North and South; but whatever the reason, the currents of the great conflict flowed around West Branch almost as though it had been an island.

The parents of Herbert Hoover were almost contemporaries of Lincoln—certainly some of the older West Branchers must have heard his famous debates with Douglas—but very little of the rabid, “bloody shirt” Republicanism of the Reconstruction era penetrated the placid Friends’ settlement. The President’s childhood seems singularly free of political memories—although he says he once carried a torch in a parade to boost the candidacy of Garfield. Democrats were a rarity on the Iowa prairies in those days—the Populists and Grangers later had their innings—and although three of Herbert Hoover’s uncles received appointments to the Indian Service by Republican Presidents, the idea of pursuing politics as a career never seems to have occurred to him. Young Lincoln was reared in the atmosphere of heated partisan argument; but young Hoover’s natural sense of political aloofness probably was intensified when he moved to Oregon while still a child and in that then backwoods community felt even further removed from the stream of contemporary history. None of those who remember him as a youth can recall his taking part in any political discussions.

Prohibition was the cardinal issue in West Branch even in those remote pre-Volsteadian days. Curiously enough, in the light of later developments, West Branch was one of the first communities in the United States to vote bone dry legislation. In 1857 the ruling committee of the Friends, who then virtually acted as village selectmen, passed a resolution “that our prohibitory liquor law is both wise and practical and it shall be enforced.” The law itself decreed that no liquor could be sold in the settlement. Incidentally, women were allowed to vote in the Friends’ meetings.

West Branch had a population of not to exceed 250 at the time of Herbert Hoover’s birth. Today not more than 800 persons reside there. Main street, and Downey street, on which the Hoover cot-

tage and blacksmith shop stood, are the only thoroughfares of importance. The old school has been replaced by a handsome up-to-date building with an athletic field; there is a new church, too; but the old meeting house where Hoover's mother often spoke still stands. West Branch's population once consisted almost entirely of Friends—but now there are many Baptists and Methodists and even the Quakers have dropped some of their older religious customs and their quaint vernacular. The interests of its people are almost entirely agricultural. They are law abiding, conservative, thrifty. West Branch always stood in the backwaters of American life and it does today. It has been singularly free from change in the fifty-eight years since Herbert Hoover was born.

Herbert Hoover's early childhood appears not to have differed in any material respect from that of the average, normal country boy of his generation. He went to school, of course, and while his primary teacher, Mrs. J. K. Carran, avers he "was a mighty good boy" and "quick to learn," she does not contend that he especially excelled in his studies. There was the traditional "ol' swimmin' hole" at West Branch—it's merely a mud bank now—and Bertie Hoover, Newt and Tom Butler, Will Savage, Tom and Lew Penrose, Tad Hoover, Fred Albin, Bert Leech, Tal Mackey, Otto Lewis, Ed Smith and the rest of "the gang" usually could be found there for at least an hour a day between June and October. There was good fishing, too, and rabbits and squirrels could be hunted in the woodlands; while during the long, cold winter months there was skating on the creek. On moonlit nights the boys and girls coasted down Cook's hill on home-made sleds. Sometimes little Bert Hoover pounded on the anvil of his father's smithy or with Ray Wickersham sorted out "pied" type in the print shop of the *West Branch Times*.

Most exciting of all, they played "Indian and white man"—this was not long after Colonel George Custer's command had been wiped out by the Sioux and Cheyennes on the Little Big Horn—and to make it more realistic they played with actual Indians. The Friends had established an industrial training school at West Branch. James Townsend and Laban Miles, an uncle of Hoover by marriage, had gone to Oklahoma—then Indian Territory—and brought back under contract about sixty Osages to be educated

by the Quakers at government expense. The younger of the Indians fraternized freely with the white boys of West Branch and in their hunting expeditions the rival claims of owners of bows and arrows and sling-shots were given practical tests. Newt Butler, who has the best memory of all the President's boyhood pals, chuckles even now when he relates the story of how they shot a domestic chicken in Larsen's pasture, which was devoured half raw after an abortive attempt to cook it "Indian fashion" over a tiny fire.

They "hitched rides" on the Rock Island freight trains, too, or did until one of their young companions slipped under the wheels and was horribly mangled. Bert Hoover, the Butler boys, and a dozen others reached his side almost before he was dead and Newt Butler's face still draws into an expression of horror at the memory.

"I guess maybe that saved some of the rest of us," he says soberly. "We didn't flip the freight trains much after that."

Newt Butler, who prior to the last election claimed the distinction of being the only Democrat in West Branch, also boasts that he is "the only man to lick the President."

"Yep, I licked Herbie all right and I licked him more than once," Newt reminisces with a reflective smile. "What was the row about? Oh, I don't remember. Nothing much, probably. Just a boyhood scrap. Maybe I dared him to knock a chip off my shoulder. But the President remembers it as well as I do.

"When he was here just before the election he asked for me and I went up to shake hands with him.

"Well, Newt," he says, 'so you're the fellow that licked me once.'

"I licked you more than once, Herbert," I answered.

"Yes, I guess you did," he says, and then we both laughed.

"He wasn't any match for me," Newt Butler continues, "but he was game all right. He wouldn't run or take a bluff. He stood up and took his lickings." One suspects that the future President wasn't the only West Branch youth to be licked by Newt Butler. He is close to sixty, but stands nearly six feet two and still is erect as a pine. He has mighty shoulders and an aggressively jutting jaw. Certainly—then or even now—it would be no disgrace to be licked by Newt Butler. Butler, who was postmaster of West

Branch for nearly eight years under the Wilson régime, switched over and voted for Hoover in 1928.

There is a story now current about West Branch that Hoover, even when a boy, showed a decided bent towards geological pursuits by his interest in gathering agates and other rocks. Dr. William Walker, the village dentist, had a collection of mineral specimens, coral, quartz, stuffed birds, mounted butterflies, old coins, bits of petrified wood and other curios which he kept in his office cabinet. It is said that young Hoover spent considerable spare time in gazing at this collection and that his interest was encouraged by Dr. Walker. Usually such tales of the future great are apocryphal, but there is no doubt, at least, that the dentist treated the boy kindly, for that much of the story seems amply confirmed by the sequel.

In 1923 Hoover spent several hours in West Branch, stopping over between trains. He met "Doctor Billy" on the street. The dentist was old; in bad health; his practice was about gone, and he was virtually penniless. Hoover offered no aid at the time but later deposited in the West Branch bank a sum of money and Dr. Walker was notified that he could draw a modest amount monthly so long as he lived. That generous act—and it was done without any display—eased the declining years of the old dentist who died several years ago.

West Branch applauded the deed. "Herbert Hoover ain't no tightwad," the villagers will tell you, "and he don't forget his old friends."<sup>1</sup>

Future impressions of the childhood of the so-called great often are likely to be modified by the magnifying glass of later events, but in Hoover's case practically none of those who knew him in early life even so much as make the claim that he was in any way precocious or the possessor of unusual qualities, although like most young Americans he seemed to have innate mechanical ability and tried to construct a mowing machine with the blade of an old

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<sup>1</sup> Some cynics add, however, that the President doesn't forget his own relatives, either, though they are taken care of in different fashion. Otto Yoder, whose wife is the daughter of George Hoover, the President's cousin, succeeded Newt Butler as postmaster in 1923 and George Hoover himself holds an important and lucrative post in the Department of Justice. Clark Miles, another cousin, has a government job in Washington, and when Herbert Hoover became Secretary of Commerce Uncle John Minthorn was restored to Indian Bureau work after an absence of several years.

crosscut saw; and did make a rough sorghum mill with an abandoned clothes wringer. He was just "a regular boy," to quote one of his old acquaintances. Some of his early pals simply snort when they read the efforts of certain "sob sisters" to represent young Hoover as inclined to early piety.

"He certainly wasn't any little Lord Fauntleroy," Newt Butler told me. "He didn't like to go to church any better than I did and he'd snatch a cookie or rob a bird's nest just as quick. But there was nothing mean about him. Bertie—that's what we called him then—was just a plain country kid like the rest of us."

One might add that the few early photographs still extant depict him as chubby, round faced, with stubborn unruly hair, and usually smiling. His home life was happy. Jesse Hoover's blacksmith shop was just across the alley from his home and he saw more of his three young children than most fathers do.

Yet, unfortunately, Jesse Hoover is hardly more than a dim memory to his son. In the winter of 1880, when he was only 36 years old, and building up a good trade in pumps, sewing machines and agricultural implements among the farmers who were settling the fertile prairies around West Branch, Jesse Hoover was suddenly stricken with pneumonia. A few days later he died—on December 13, 1880, to be exact.

Jesse Hoover had drawn no will. Several days before his death he called in his brother, John Y. Hoover; William Miles, an uncle by marriage; and James Cook, a neighbor, and instructed them as to the disposition of his estate. All debts were to be paid and the residue was to go to his wife. After his death the three men went before a notary public to make written affirmation as to the dying man's bequest. Herbert Hoover's mother was appointed administratrix of the estate. The records of the probate—File No. 1540—are still among the dusty archives of the Cedar County Clerk's office. They reveal that the estate of Jesse Hoover was appraised at \$3,227.11. The widow was allowed \$480 to support herself and children for one year.

Periodic reports which followed greatly reduced the original estimate of the estate. Many of the bills outstanding were listed as "uncollectable"—an acute farm depression then was resulting in the rise of the Granger party—and in her third report to the Probate Court Hulda Hoover stated the notes and accounts due

were not sufficient to pay all claims in full. Accordingly, in 1882, the blacksmith and implement shop was sold for \$223. In her final report to the Court on December 26, 1883, the widow was able to declare that "all claims and charges against the estate have been paid and the estate is fully settled." By this time the widow had little left except the small cottage adjoining the blacksmith shop and her own insurance policy of \$1,000 on which she continued to make payments.

The death of Jesse Hoover marked a vital change in the life of his six-year-old son. At first thought it may seem preposterous to suggest that this change was detrimental—especially since the son has become President—but nevertheless in the years that followed Jesse Hoover's death some scars were inflicted on the boy's spirit which time never will efface and most of these doubtless would have been avoided had the father lived. Possibly Herbert Hoover has been all the readier to aid his relatives because of his own rather forlorn childhood; but with this quickened sense of obligation toward his own clan he acquired other less altruistic traits—though these may have proved serviceable enough in his steep climb to fame and fortune.

Much has been made of the Quaker influence which surrounded Hoover's boyhood, as if the fact of this association were alone sufficient to guarantee a perfect character. A great deal of arrant nonsense has been written on this score. In the first place, while doubtless the great majority of Friends are highly estimable persons, there also have been many hypocrites and sharpers who claimed to be members of the faith.<sup>1</sup> Moreover, the Quakers never have renounced the fruits of their own thrift; indeed, there is a strong streak of commercialism among many of them;<sup>2</sup> and with some of Hoover's immediate relatives religious zeal and inordinate greed were strangely mingled. Not only did Herbert Hoover, while still in his teens, personally participate in the reckless promotions

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<sup>1</sup> A. Mitchell Palmer of war time memory constantly boasted of his Quaker ancestry and affiliations, but it is almost the unanimous concensus of opinion among political observers that he ran Harry Daugherty a close second as the worst Attorney General in the history of the United States—and that is saying a great deal.

Also Pennsylvania has the largest population of Quakers of any state in the Union but political conditions there are simply malodorous, while Philadelphia, the stronghold of the Friends was termed by Lincoln Steffens as "Corrupt and Contented."

<sup>2</sup> Hetty Green, whose acquisitive qualities were a by-word, also came from Quaker ancestry.



of his uncle John Minthorn, but at a still earlier age his labor was exploited by other relatives who at the same time were appropriating to themselves part of his slender patrimony in the guise of "board." Certainly the man cannot be justly blamed if many of his observations as a boy made him more than a little cynical about the methods to be employed in attaining success.

All this would have been avoided had Jesse Hoover lived. It has been the fashion for Hoover biographers to exalt his mother while damning his father with faint praise. Jesse Hoover was not overly popular in West Branch and some of the remarks derogatory to him have influenced the historians—and perhaps the President himself. The reason of his unpopularity becomes plain when one digs into the facts, but it is by no means a reflection on Jesse Hoover. The simple truth is that in the sober, almost gloomy village of West Branch, he seems to have been the one man with a saving sense of humor.

Jesse Hoover was not the religious zealot that the President's biographers paint. He didn't take Quakerism any too seriously; he didn't take his wife's frequent "calls of the spirit" at all seriously; and he didn't even take himself seriously most of the time. He was an inveterate practical joker; what we would describe as a "kidder" in modern parlance. He couldn't resist teasing his wife about her revelations and in that ultra-pious community this was considered little short of sacrilege. These are the facts about Jesse Hoover—and facts which have been suppressed in the same spirit of needless secrecy that dictated the attempted concealment of Hulda Hoover's Canadian origin.

But though he did not please some of the more fanatical among the West Branch Friends, Jesse Hoover was a good provider, a faithful husband and an indulgent father. He liked children so well that he permitted his neighbors' offspring to frisk about his blacksmith shop; and when work was slack he frequently would take off his apron, step across the alley, and romp unrestrainedly with his own children. We all are the playthings of circumstance and inconsidered trifles often alter the whole course of an individual's destiny much as a pebble will misdirect a straightly-driven golf ball. It is futile now to attempt to guess to what extent the father's untimely death changed the characters of his children—though change them drastically it certainly did—but there is

not the slightest doubt that their childhood, at least, would have been infinitely happier if Jesse Hoover had survived that mid-December attack of pneumonia.

It was the death of that father that really broke up the Hoover home. The mother was an accomplished seamstress, and her own and her husband's relatives were by no means poor. They could have been described as "fairly well fixed" in the homely vernacular of that period. Also, the court allowance of \$40 a month in that time and place was as much as the average bank clerk received for salary, and it must be remembered that she had no rent to pay. There is little doubt that she could have kept her family intact, had she so chosen, but after her husband's death Hulda Hoover devoted herself more and more to ministerial work. Religion is a consolation to many in bereavement and she slaked her sorrow by increased activities in the affairs of the Friends.

There had been a split among the Friends in West Branch. One faction clung to all the old conventions. The more liberal party wished to drop the archaic "thee" and "thou" mode of speech and to modernize the forms of their service. It was proposed to abolish the partition in the meeting place which separated the male and female worshippers and to introduce an organ with more spritely hymns. More revolutionary still, the modernists advocated a minister to be paid a regular salary, contrary to the usual Friends' custom. So serious grew the dispute that finally the West Branch congregation divided and each group had its own meeting place.

Hulda Hoover elected to go with the modernist group and she flung herself into the contest with all the more ardor because of her aching loneliness. She had an unschooled eloquence and was animated by a glowing inner conviction which often made converts. In a different environment she might have been a great actress. In her girlhood she had penned no small amount of "poetry"—the stereotyped romantic and slightly morbid verse of those early Victorian days—and like all born orators she was not lacking in personality or a strong sense of the drama. In West Branch, where even today public movies are eschewed, the repressed emotions of the people could find release only by "experiencing religion" and this doubtless accounts for the fervor with which they embraced their beliefs. It also explains why the placid convictions of the Friends failed on the western plains to supplant

the cruder but more militant creed of the Baptists and Methodists.

The very drabness of these lives made some outlet a psychic necessity, and in Hulda Hoover's case natural evangelistic zeal was intensified now that she was alone—alone and no longer subjected to the incessant and sometimes searching jests which had made her almost afraid to express her innermost sentiments in Jesse Hoover's presence. Probably her life was never so free as when she was expounding her particular doctrine of sanctification before the sympathetic audiences that packed the dimly-lit parlors of those prairie farm houses.

No one can question her sincerity. Frequently at night she would tramp through deep snow along dark and unfamiliar roads in the hope of swaying some little group to her own way of thinking. All the outlying Quaker settlements in Iowa heard her preach and her personality left a lasting impression. There are living today a few old Iowans who vividly recall her appearance and they all testify to the extraordinary power of her sermons. But these interminable missions took so much of her time and energy that instead of keeping house she found it convenient to leave her children with relatives for long periods of time. It was then, for the first time, that young Bertie Hoover experienced the awful, soul-searing pangs of homesickness and realized what it meant to feel alone.

For four successive years after their father's death, the three children—Theodore, 10, Herbert, six and May, five—were sent from their home to spend month-long intervals with various relatives, often at widely separated points. Tad and Herbert spent one summer with Uncle Benjamin Miles who boarded almost a score of Indian lads and girls under a government contract. May was left with Grandmother Minthorn. The Hoover boys all through their early childhood were in close and almost constant contact with Osage Indians, and one sometimes wonders if the President did not acquire certain secretive traits from these native companions.

Another summer the three children visited their uncle, Merlin Marshall, in Plymouth county, Iowa. The following vacation Herbert was "farmed out" to his Uncle Davis at Hubbard, Iowa, in Storey county. And finally Herbert was sent to stay with Uncle

Laban Miles who had been appointed Indian agent at an isolated Osage reservation at Pawhuskie, Oklahoma.

Most of Mr. Hoover's "official biographers" hurriedly slide over or entirely ignore the fact that instead of maintaining her home after the death of her husband, Hulda Hoover sent away her children for four successive summers until her own death. But for some reason Will Irwin, long an intimate friend of the President, has chosen to become almost lyrical over the months that Herbert Hoover spent in Oklahoma with Uncle Laban Miles.

"All that summer," writes Mr. Irwin, "little Bert enjoyed fascinating friendship with Indian boys. He watched the little braves snare rabbits and ground squirrels; he fished beside them with a bent pin; he made his own childish efforts to draw the hickory bow; he stood in a state of exalted admiration while they cooked their prey on a lid of a tin can. This halcyon of genuine boy-scouting left marks on his tastes and character."

I quite agree with Mr. Irwin that the period "little Bert" spent in Oklahoma "left marks on his tastes and character,"—though not the *kind* of marks Mr. Irwin meant to portray to the reader—but to refer to this summer as the "halcyon of genuine boy-scouting" is simply ridiculous romancing by one who evidently is wholly unacquainted with the conditions then existing on the Oklahoma Indian reservations—or with the domineering disposition of the average Indian agent.

A more accurate picture of the place and its atmosphere may be derived by the knowledge that the Indian reservation in question was situated on a hot, dusty, desolate plain which must have seemed unbearable to a child from the green fields and rolling, wooded hills of Iowa; that the Indians themselves had been forcibly brought there from far pleasanter surroundings, and their natural sullenness was fanned into open, almost rebellious resentment; that the "little braves" instead of snaring rabbits and ground squirrels for sport were doing so under the necessity of eking out the bare subsistence grudgingly doled out by a parsimonious government which until very recently fed Indian children on an allowance of 13 cents a day; that "little Bert" was only nine years old and had suddenly been separated from mother, brother, sister, and all his boyhood friends; and that Laban Miles, like most Indian agents,

was a tyrannical disciplinarian, hardly less harsh to his nephew than he was with his native wards.

The further facts are that the future President acquired what is vulgarly known as "itch" from close contact with the unwashed and medically neglected Indian children, and also got a touch of trachoma which persisted all through his college days; that the months spent in Oklahoma were to him an almost unmitigated hell of homesick longing; and it is the common report among both relatives and friends that Herbert Hoover finally became so desperately lonely that he ran away from Indian Territory and returned to West Branch.

The above is the plain—though perhaps unpalatable truth about Herbert Hoover's experiences in Oklahoma, and instead of "the scent of a woodfire burning against the dew raising him to a pleasantly reminiscent humor (concerning his Oklahoma days)," as Mr. Irwin blandly affirms, it is well known to his intimates that the President always has avoided talking of this particular period and for years has cherished a deep (and not unnatural) hatred of Uncle Laban.<sup>1</sup>

Other of his kin-folk were kinder than Laban Miles—the President named his second son in memory of Uncle Allan Hoover—but no temporary residence, however warm the welcome, can possibly replace the absence of a father, mother, brother and sister in a permanent home. Any psychologist knows that the abrupt mental adjustments necessitated by shifts of environment from relative to relative could not help being harmful to the normal development of a sensitive child. Instead of expanding under the steady sunshine of paternal care, he was subjected to such sudden variations in affectional heat and cold that he withdrew into himself. This undoubtedly is the explanation of what Will Hard once referred to as Mr. Hoover's "ingrowing disposition."

How could it have been otherwise? Country folk are notoriously curious. As the boy was shunted from here to there, each new group of temporary guardians probably quizzed him mercilessly about his family affairs and pried into every crevice of his being in search of fresh gossip. He was so situated that perforce he must reply to the questioning of his elders without revealing the resentment which undoubtedly burned in his heart. In sheer self-defence,

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<sup>1</sup> Laban Miles died at Pawhuska, Okla., in April, 1931.

his natural reticence hardened into the habit of concealment—illustrated best by the many hiatuses in his biographies—and it also was in those formative days when he acquired the amazing trick—which since has puzzled some of his warmest admirers—of almost never looking directly into the eyes of any person to whom he may be talking. Knowing the facts, one can understand the reason for these fundamental avoidances.

An individual seldom loses in one direction without gaining in another; and of course all these changes in his original nature have brought certain compensations. No doubt the very sense of his solitariness, the knowledge that he was dependent upon his own unaided efforts, helped to kindle in his mind the blazing determination to get ahead; and the Spartan rigor of those early years gave him an athletic hardness mentally as well as physically. For usually he “earned his keep” in the periods when his mother entrusted him to relatives while she was absent on religious missions, and the ordinary routine meant milking, “slopping the hogs,” cleaning out stables, hoeing potatoes and corn, following the binder, and creeping on all fours for hours at a stretch while weeding root crops. It was dirty, disagreeable work in the main, but millions of American farm boys were reared under this same régime and have been the better men as a consequence. There is no evidence that young Hoover complained, shirked his tasks, or thought himself particularly abused. It was not the hard labor that he minded so much as the almost complete absence of family life, and with it that intimate parental care which every child craves and needs for its normal development.

It is the problem of the psychiatrist rather than of the biographer to determine to what extent Herbert Hoover's nature was permanently warped by this tragic childhood, but it must be fairly obvious even to the most unreflecting reader that it was altered in some essential respects. Until his father's death he had a normal, happy childhood; after his father's death he was shamefully neglected—not that he was not sufficiently clothed, fed, schooled and sheltered; but in the sense that he was lonely, misunderstood, resentful, and actually starved for affection. Years of acute unhappiness caused by this sort of treatment could not fail to leave indelible traces on the firmest character.

Heretofore the “official biographers” of Herbert Hoover, and

all his many publicists, have agreed in the conventional account of how his mother, after his father's death, spent almost her every moment in guarding her little flock with zealous care. They have stated that she took in sewing and underwent many hardships to insure an education for her children. It would be pleasant to confirm this idyllic tradition; but unfortunately all the facts are in sharp variance, and it is only by dealing with facts that one can hope to explain the career of any man, whether he be hod-carrier or President.

The truth is that when Herbert Hoover's mother felt the call to become an itinerant preacher it necessarily meant a neglected home and condemned her children to bitter loneliness. Tad was only 14, Herbert ten and May nine at the time of their mother's death; yet for four years previously she had been placing them for months on end with various relatives. Even when her children were in the West Branch home attending school, she left them utterly unattended on more than one winter night while she carried her message to distant communities.

No reflection upon the President's mother is intended. That I must emphatically disavow. She had sterling qualities. Without question she was wholly sincere. No insincere person could possibly have spoken as many still living testify that she spoke on numerous occasions. One may question her judgment and wonder if her real duties did not lie closer to home; but there is no doubt at all about her honesty. In following the call of her inner voice she faced severe hardships, braved actual perils and made real sacrifices—indeed, she made the supreme sacrifice, for this pastoral devotion eventually caused her death.

In February, 1884, she went to the Springdale Meeting to preach. The hamlet was crowded; there were no hotel accommodations; and Hulda Hoover volunteered to sleep on the floor in a farmhouse so that others might occupy the comfortable bed. She came back to West Branch two days later with a racking cough and flushed with fever. Pneumonia developed rapidly, the same disease that had taken her husband. On February 24, 1884, Hulda Minthorn Hoover was dead.

## OREGON—HIS BUSINESS INITIATION

A FAMILY COUNCIL was called soon after Hulda Hoover's death to decide who was to take care of her three orphaned children. Members of the Hoover, Minthorn and Miles clans were there with a few intimate friends. Uncle Laban Miles had written that he was willing to take Herbert back to Oklahoma. His offer was declined with thanks. Relatives in West Branch knew how hideously unhappy had been Bert's previous stay in Indian Territory. Uncle Davis of Hubbard, Iowa, agreed to care for Tad. His offer was accepted. Grandmother Mary Minthorn wanted to keep May—she often had had the child with her during Hulda's absences—and finally it was decided that Herbert should go with Uncle Allan Hoover who owned a 160-acre farm about one mile east of West Branch. He and his wife, Aunt Millie, had been unusually kind to the boy ever since his father's death. Farewells were said and the three children separated.

A week later, on March 3, 1884, Grandmother Mary Minthorn and M. L. Marshall and Allan Hoover, uncles, presented a petition to the District Court asking that Lawrie Tatum be appointed guardian of the children. The petition was granted forthwith and Lawrie Tatum gave bond for the performance of his duty and began to inventory the estate.

There wasn't much left to administer. Hulda Hoover had carried a life insurance policy of \$1,000 and she still owned the little house and lot on Downey street. It was appraised at \$500, but Hulda Hoover had allowed the dwelling to fall into such disrepair that the guardian was unable to rent it. It finally was sold for its appraised value. In the first report presented by his guardian to the District Court, Herbert Hoover was credited with \$304.63 as his entire share of the estate. This money was lent at eight percent interest and Uncle Allan Hoover was allowed \$1.50 per week for boarding his orphaned nephew.



Herbert Hoover remained with Uncle Allan and Aunt Millie for 18 months. Nothing eventful occurred during that period. He attended the West Branch school in winter, trudging a mile through the snow twice a day, often in below-zero weather, and during vacations he was kept busy with various farm chores. Allan Hoover was a bit tight-fisted, and a fairly hard task master, but he also was a just, kindly man, according to his lights. In every respect he and Aunt Millie treated the little orphan quite as well as they did their own son, Walter. The President has often told confidantes that the months spent with Uncle Allan were among the happiest of his life, and it is doubtful indeed if the 11-year old boy would have chosen voluntarily to give up these associations. However, the choice was made for him at another family council. In August, 1885, it was decided that Herbert Hoover should go to Oregon.

Henry John Minthorn—"Doctor John" as he was generally known—was the eldest brother of Hulda Hoover. He had been enrolled in the church as a child in Canada, and accepted its tenets; but the intensity and driving power of his nature set him apart from the ordinary placid West Branch Friends. He had studied medicine; graduating from Iowa University; and the political influence of Laban Miles, James Townsend and Lawrie Tatum, all connected with the Indian Bureau, had procured for him an appointment in the Indian medical service in Oklahoma. Dr. Minthorn married Laura Miles, a sister of Uncle Laban, and the daughter of Benjamin Miles, who also was with the Indian service in Oregon.

Dr. Minthorn did not stay long in Oklahoma. Indian reservations there were sun-blistered, dust-swept deserts. The Oklahoma Indians were impoverished. (This was before the discovery of oil on their lands.) Benjamin Miles wrote that Oregon was a beautiful land of forests and streams, rimmed by mountains, and that in its undeveloped richness lay the key to opportunity. Dr. Minthorn then was superintendent of the Chilloco Indian School in Oklahoma, but he succeeded in having himself transferred to a similar position at the Forest Grove Indian School in Oregon. That was in 1882 and two years later he resigned to become the first principal of Pacific Academy at Newberg, Oregon, a Quaker colony which had been founded in 1876 by Friends from Hardin county, Iowa.

Dr. Minthorn was one of the leading spirits of the Newberg

colony and as the eldest of the Minthorn family he always had spoken with authority since his father's death. He wanted Herbert Hoover to assist him as chore boy, janitor, and general roustabout in the Pacific Academy. In return he offered the boy his board and free tuition. His letter to the West Branch relatives setting forth the educational advantages at Pacific Academy and the opportunities offered by Oregon was all that was required. Guardian Lawrie Tatum gave his consent; and on August 25, 1885, 11-year old Herbert Hoover was abruptly torn up by the roots once more and started for Oregon in care of Oliver Hammel, a friend of the family who also was going West to seek his fortune. We know the exact date because the report of Lawrie Tatum to the District Court bears this entry: "Aug. 25th, 1885, To Traveling Expenses to his uncle's, H. J. Minthorn, M.D., at Newberg, Oregon, \$33.13 to Herbert Hoover."

Young Herbert Hoover and his older companion went West in day coaches. Food for the four day journey was carried in two hampers. The boy's complete possessions were contained in a carpet-bag satchel which had belonged to his mother. Oliver Hammel stopped in Portland after putting the boy aboard a small stern-wheel steamship that took him up the Willamette river to Newberg Landing. As yet the railroad had not reached the small Quaker hamlet. Hedged in by forests, in many respects it was as primitive as the Iowa settlement to which his parents had come.

The main—and then the only building of Pacific Academy was not quite finished when Bert Hoover arrived. He was the first pupil registered—he gravely signed himself "H. C. Hoover"—and the youngest in the class which was finally assembled when the Academy formally opened on September 28th. A faded photograph of Pacific Academy's pioneer class is still in existence. It shows Hoover as a stocky, tousle-headed lad, not only the youngest and smallest pupil, but undersized for his 11 years. Some of the gangling country boys who came from the backwoods to get an education must have been in their early twenties, and all of them, including the girls, towered above the future President.

Hoover was enrolled in the first year of the grammar department, with his aunt, Mrs. Laura E. Minthorn as teacher. The Academy had only three instructors, Dr. H. J. Minthorn, W. R. Starbuck, and Mrs. Minthorn. The first year 59 pupils were regis-

tered. There were two in the senior year and eleven in the first year of the Academy proper, while 12 were enrolled in the second year and 34 in the first year of the grammar department.

The second annual catalogue, issued for the school season of 1886-1887, listed the little nephew as "Bertie Hoover." The following year, the rolls carried "Bert" and "Tad" in the first year of the academic department.

The first catalogue, kept intact by Mrs. E. T. Woodward, who still lives in Newberg, listed the subjects the 34 pupils in the first grade studied under Dr. and Mrs. Minthorn and Professor Starbuck. Their text-books were: New Independent reader, Brook's arithmetic, for the study of common fractions to percentage; Montith's geography, Ginn and Heath's language lessons, Swinton's speller, Clark and Swinton's writing and drawing. Elocution was added for the second year students. The tiny catalogue gives some information about the community in which the Academy was located and adds that the tuition is \$110 per year.

Bert took up his duties as general chore boy even before the Academy opened. He was supposed to drive Dr. Minthorn's cattle to and from the pasture in Canyon creek; to milk the cows; to water the horses and to keep the stables clean. There also were odd jobs such as tending furnaces, sweeping out the Academy rooms—fortunately they were few in number—keeping fresh chalk on the blackboards, washing windows and weeding an occasional garden. Dr. Minthorn always had an eye out for the main chance, so his contemporaries declare, and apparently he was determined to get the worth of his board and tuition out of young Hoover. It is not astonishing if the boy did not amaze any of his instructors by his scholarship. Obviously, the lad was overworked, and it need not have occasioned surprise if occasionally he let the cows wait at the pasture gate while he sneaked a hasty plunge into the cooling waters of Chehalem creek.

Dr. Minthorn magnified these petty derelictions out of all proportion. He had been superintendent of an Indian boarding school, and it is notorious that in these government institutions childish pranks are repressed with humorless severity. He now undertook to discipline his young nephew—of whose behavior Uncle Allan Hoover never complained—with the same tyrannical tactics he

customarily used in handling the helpless young government wards entrusted to his care.

Once, when Dr. Minthorn returned home around midnight after making a professional call, the lowing of the cattle and the anxious stamping of the horses told him plainly enough they had not been watered. That was one of Bert's multifarious tasks. The doctor watered the animals at once—he was too fond of animals to see them suffer—but he then went to the house, pulled his sleepy 12-year old nephew out of bed, and compelled him to carry forty pails of water from the windmill spigot to the tank—and then to empty each pail on the ground.<sup>1</sup> That incident may help to explain why Herbert Hoover has confided to several friends that he hates horses.

On another occasion Bert forgot to split and carry into the house his daily stint of kindling wood and faggots for the kitchen stove. No Indian agent would overlook a heinous offense of this sort, and no one but an Indian agent could have devised a punishment so perfectly fitted to the crime. A stump of a huge Douglas fir was in the back yard. Dr. Minthorn commanded Bert to grub out the stump. It was a job that might have daunted a full grown woodsman—in fact it was a task that properly should have been done with dynamite. But Bert tackled it—under orders—and for weeks it required every moment of spare time not devoted to his chores and school attendance. It even consumed his Saturday vacations—and his entire Sundays were occupied by attendance at Sunday School, church, Band of Hope temperance lectures in the afternoons, and church services again in the evening. Small wonder that in his adult years in London Hoover avoided churches!

The hearts of countless Indian children in government schools have been broken by exactly this despicable sort of despotism.

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<sup>1</sup> Mrs. E. T. Woodward of Newberg, one of Herbert Hoover's teachers in Pacific Academy, has this to say about the above episode: "Dr. Minthorn was a firm disciplinarian, but I do not believe there is any foundation for the stories that he was cruel, harsh and unkind. About a year ago, a friend of mine and a cousin of Bertie Hoover—Molly Kingery—told me that Bertie was lazy and did not like to work—not strange for a growing boy—but perhaps he needed some strict discipline. Molly lived in the Minthorn home and attended the Academy when Bertie lived there. She died a few months ago. (Late in 1928.) She had a brother named Hoover Kingery.

"One story told in the press is true in part. Dr. Minthorn came home about midnight one night and found Bert had not watered the cows and horses. He hauled him out of bed and had him haul several buckets of water out to the barn. The story is told that it was 40, I had it in mind that it was 12."

White children, it seems, have more mental as well as more physical stamina. They don't die as the Indians do from heartbreak—which government physicians diagnose as tuberculosis. Indian children can't stand home-sickness and abuse. But the hearts of little white boys seldom break. Instead they become hardened.

It is no secret among the survivors of those early Newberg days that Herbert Hoover bitterly resented the treatment he was receiving in the Minthorn home. His sense of justice was outraged and he was angered still more by the wasted energy which some of the ex-Indian agent's useless punishments entailed. But a 12-year old boy can hardly oppose his will to that of an imperious man made more imperious by years of unquestioned scholastic authority. Young Bert obeyed, but sullenly with lowered eyes, and always righteous indignation was growing in his heart.

So matters stood in October, 1887, when his brother Tad arrived in Newberg. One can gather from the carefully worded reports of Guardian Lawrie Tatum that Tad's departure from Iowa was desired almost equally by himself, the aunt and uncle who were caring for him, and his teacher. In any event he was packed off to Oregon, possibly with the hope that Dr. Minthorn would eventually give him some needed discipline. But, as we know, Dr. Minthorn already was having his troubles with Bert, and Tad's arrival only served to heap fresh fuel on the younger brother's smouldering sense of rebellion.

Tad was seventeen, burly—far too strong to be “thrashed”—and therefore able to voice the resentment which the younger brother dared not express. Too much early religion had soured within brother Tad and he wasn't at all hesitant about so affirming. Instead of going to Sunday School he customarily took to the woods and went fishing. In horrified whispers the Quaker elders discussed the rumor that he smoked. He had none of the Quaker pacifism and was quick to raise a threatening fist when his rights were infringed upon. It was even suspected that he had been unworldly enough surreptitiously to attend a country dance in a neighboring community. Nothing very serious, most modern parents would say, but in that sober community those evidences of boyish ebullience were looked upon almost as crimes.

Tad's presence complicated matters for Dr. Minthorn. He had taken a certain stern enjoyment in “disciplining” Indian youths,

but it was decidedly different with young Hoover. Bert's will might bend, but it never broke; and now with his brother's advent he was daily becoming more defiant. After all, Dr. Minthorn was an extremely busy man, already planning the vast promotions which he was soon to undertake, and the constant clash of personality with the brothers was getting on his nerves. One day when they quietly announced that they had made arrangements to work for their board with other relatives in Newberg Dr. Minthorn did not oppose their going. Later he and Herbert understood each other better.

Young Bert, he was then fourteen, was much happier "boarding around." The chores that earned his "keep" were comparatively light after the back-breaking tasks at the Minthorn domicile. He had time enough now to go with Tad to the old swimming hole and to roam through the woods on those romantic expeditions that are the delight of boyhood. Bert suffered from severe and recurrent earaches, and his eyes were still inflamed from the infection caught from his Indian playmates in Oklahoma, but he began to read a great deal for the first time. Anything save dull religious tomes or temperance tracts had been anathema among the stricter Quakers in West Branch, but at Pacific Academy he had access to historical works and volumes of fiction were sometimes obtainable. The world that he read about must have made him all the more anxious to escape the drab repressiveness which had walled him in since babyhood.

Except for Tad he hardly could name a really close friend among all his boyhood contemporaries in Newberg.<sup>1</sup> He had worked too incessantly to make friends; his class mates were all older; and when a child is bitter as the result of abuse he feels that the whole world is against him and retires into himself. For Tad, however, Bert cherished an abiding affection that has persisted through all the years. It was not only the usual worshipping admiration that any youngster feels for an older brother: it was gratitude for pro-

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<sup>1</sup> In this connection it is significant that after leaving Newberg Hoover did not return until 1925, and then it was an accidental visit. Hoover and his wife were driving to Portland from San Francisco. While passing through Newberg they stopped at a drug store to get a cooling drink. He was recognized and a crowd collected. It required considerable persuasion to induce Hoover to visit his old school teacher. He cut his stay as short as courtesy permitted. Obviously he had not intended to stop at his boyhood home.

tection and care; natural response to the person who had been closest and kindest to him. More than once, when they had been left alone in the wind-creaking cottage in West Branch, Tad had quieted his childish alarms; more than once Tad had prepared meals or helped him dress; and always Tad had stood between him and the aggressions of older, stronger boys. Tad was the only tie that connected him with the earlier, happier childhood that had been uprooted by their father's death, and perhaps Bert could not be blamed if he sometimes thought that Tad was the one person who cared what happened to him.<sup>1</sup>

Bert's interval of comparative relaxation after Tad's arrival was brief. Independence was becoming an obsession with him. During the many, abrupt shifts since his father's death he was learning that bitter is the bread and steep the stairs where one is unwelcome guest—and he felt that he had been unwelcome even when he had more than paid his way. Tad's resentment was added to his own. Adolescence was fixing the secretive traits he had gradually acquired and adolescence also was fixing his determination to stand on his own—as speedily as possible. He began to think of a future and of an education.

He already had observed that the uneducated performed the hard, poorly-paid work, while the educated bossed the jobs and collected by far the larger portion of the material rewards. Some of Hoover's biographers try to make it appear that he displayed a decided bent toward geology when hardly more than a child, and that all during his boyhood he was consciously equipping himself for an engineering career. There is no proof to back this tale. It simply was a case of physical toil becoming more and more distasteful to the boy. He knew that he would have to rely upon his own brain for any success he achieved, and he was shrewd enough to realize that he must have some sort of technical training to use

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<sup>1</sup> This rare friendship between the brothers has persisted and it is very much to the credit of Herbert Hoover that he carried Tad with him on his triumphal career. Had it not been for the insistence of Herbert, his brother might have been a linotype operator today instead of dean of the Engineering Department of Stanford University. It was Herbert who got Tad his job as linotype operator on *The Salem Statesman*, and then it was he who almost forced Tad to quit this job to enter Stanford; it was Herbert who helped support him through college; it was Herbert who later brought him to Australia and started him as metallurgist in mines under Herbert's management; and it was Herbert's influence which procured the appointment as Stanford dean.

his brain to best advantage. It is doubtful whether he ever had considered engineering up to this time. In Salem he took a course in a business school. If it hadn't been for his uncle's impending failure and the chance arrival in Salem of a student-seeking professorial scout from Stanford, it is very doubtful indeed if he would have even gone to college.

Later he heard stories of mining engineers—many made Salem their headquarters—that may have made him incline towards geology—but not while he was at Newberg.

When Bert had left West Branch, Lawrie Tatum had presented him with a black-bound account book and impressed upon him the importance of keeping a record of all expenses. The boy often consulted its pages. His tiny patrimony was increasing slightly under the thrifty watchfulness of a guardian who customarily lent funds at eight per cent interest, but young Hoover realized well enough that this would not carry him through college. He must work his way—and college was the only means by which he could escape the repressive surroundings he had learned to hate. The sooner he earned enough to be independent the sooner would he be free. He voluntarily curtailed the brief interlude in his labors and began to look for work that would pay him something more than board and tuition.

He did odd jobs for the Woodwards, the Swaims, and the Mileses, and for a while he weeded onions at the Sherwood home of A. W. Cook for fifty cents a day and his meals. He opened his black account book more often now to total his savings, but the increase was discouragingly slow as the months dragged by. Then, in 1889, suddenly, came an offer which once more changed the whole direction of his life.

Dr. Minthorn had resigned from Pacific Academy the year before and gone to Salem, capital of the state and a thriving little city of 8,000 population. There, associated with Ben S. Cook, formerly of West Branch, he had platted and put on the market Highland Addition; promoted a narrow-gauge, horse-drawn street car line to carry prospective customers to his acreage; built a church and business college; and organized the Oregon Land Company which had obtained options on cheap, uncleared land that it proposed to develop as prune orchards and sell to Easterners.



Dr. Minthorn held a high regard for young Bert Hoover's capacity for work, and he knew of course that the boy wanted an education. He decided to let bygones be bygones. On a visit to Newberg he painted a glowing picture of his prospects, and promised the boy his board and a better education than he could get in Newberg if he would come to Salem. Dr. Minthorn also said he was sending for Grandmother Mary Minthorn and that Herbert, Theodore, and May could be permanently reunited under his roof. Herbert and Tad accepted, and the Minthorns and Hoovers lived in a barn while Doctor John was completing his handsome residence in Highland Addition. Later Grandmother Minthorn, Tad and May had their own little cottage, while Herbert was installed in an attic room at Dr. Minthorn's house.

Once more Herbert had plenty to do. In addition to his course at the Capital Business College—for which \$60 was paid out of funds in possession of his guardian—he was factotum at the Oregon Land Company. He opened the office, built the fires, swept the floors, disposed of rubbish, went to the postoffice for the mail; "fixed" the letters in the big copying press (this was before the days of typewriters and carbon paper); ran errands, went to the train to guide prospective customers to the office; took care of the horses; and, so rumor has it, even drove the horse-car on occasion.

The Oregon Land Company was carrying on a high pressure campaign. A particular drive was being made among the Quakers of Iowa and as a consequence many of them purchased orchards. The company in return for an extremely high price per acre for what was raw land, agreed to clear the tracts, plant the orchards and care for them until the trees began bearing. It was an attractive scheme on paper, but like most Western fruit developments it finally resulted in almost total loss to the original investors.

Bert Hoover gradually outgrew his status of office boy. Beginning by meeting customers at the trains, he eventually was "selling" them. He even devised a scheme whereby prospective buyers from the East were taken to selected private boarding houses. This not only saved money for the customer and thus built up good feeling, but also prevented rival realtors from "butting in" before a sale was consummated. Young Bert, in addition to his salary, collected a commission from the boarding houses on this deal.

So extensive was its business in 1889 and 1890 that the Oregon Land Company maintained a Portland office where two "steerers" met all trains, entertained the "prospects" brought West as the result of advertising, and made sure they arrived at the right office. Eventually Herbert Hoover had supervision over the Portland branch, and he also helped prepare the alluring advertisements which painted Oregon as the promised land and made it appear that the ownership of a prune orchard was the summation of all earthly desire. Yet young Bert Hoover hardly could be accused of insincerity. He invested some of his savings in prune acreage. That was a mistake which he seldom repeated in his own future promotions.

Despite his lack of previous training, Herbert Hoover apparently took to business with the same natural aptitude that a duck takes to water. This is the general testimony of all who knew him. He was courteous, efficient, and worked with unflagging vigor. Ben Cook, one of the partners of the business, has this praise for him:

"Bert," he relates, "was quiet and always on the job. He knew everything about the office and when anyone wanted to find anything, to know what was in a letter or where a letter had been placed, they always said, 'Ask Bert,' or 'Where is Bert?' He did everything there was for him to do and he never talked unless somebody talked to him, but when he did talk, he knew what he was talking about."

Louise Hulet, now Mrs. J. W. Bickford of Arlington Heights, Portland, was stenographer and secretary of the land company. She and Hoover did the office work together, keeping office and handling the correspondence. She says:

"Herbert Hoover was the quietest, the most efficient, and the most industrious boy I ever knew in an office. He even wore quiet shoes and you never knew he was around until you wanted something, and then he was right at your elbow. He knew everything about the office and the rest of us never tried to keep track of things. It was easier and quicker just to ask Bert about it.

"Bert had a little table next to my desk, and it always had a geometry or a book on geology on it. Whenever Bert was not doing anything else he was hunched up over this table and his book.

"He was a funny looking little fellow, with a short neck and a

round head which was always surmounted by a funny little round hat. It is difficult now to think of anything particularly striking about him except it was his persistent application to his job and his pile of books. It would be much easier to tell a great deal more interesting story about almost any other boy I knew in Salem in those days, for they were always doing things to give people something to talk about while Bert went his silent way and no one thought much about him."

Another year went past. Affairs were not so prosperous with the Oregon Land Company. Promotions of this sort depend upon an unbroken stream of buyers. But word had sifted back to the Middle West that Oregon prune orchards were not the paradises they had been pictured. Blights had appeared and strange bugs devoured the blossoms. Iowa Quakers, whose relatives had sunk their savings on the strength of well written prospectuses, or under the spell of Dr. Minthorn's personal eloquence, were not flocking to the "Friend's Colony" with the same alacrity that the first settlers displayed.

The whole conception was a grotesque combination of religious zeal and commercial cupidity. A church had been the first building on Highland Addition; and the imposingly named "Polytechnic School" also was held out as an inducement in the advertisements. Like many another religious colony this one was erected upon an insecure economic foundation. Land was too high priced and too far from markets. The cost of clearing had been underestimated. The annual upkeep was higher than the promoters expected. Advertising, too, ran into staggering sums; but whenever advertising was curtailed the prospects dwindled to nothing. Some purchasers had stopped payments; many of the Land Company's notes were over-due; obviously the concern was rapidly approaching the brink of bankruptcy.

At this particular juncture there appeared in Salem—almost providentially it would seem—Prof. Joseph Swain, recently appointed head of the department of mathematics of Stanford University, who had been sent on a tour through Oregon to recruit students for this institution of learning which was about to open its doors in Palo Alto, California. The new university had been created almost over night by Senator Leland Stanford, who spent vast sums in its endowment as a monument to his only son, Leland

Stanford, Jr., who had recently died abroad. Pacific coast newspapers were full of glowing accounts of Stanford.

David Starr Jordan, president of Indiana University, had been brought West to head its faculty. Other professors had been tempted from far and near by generous salaries. Dormitories, lecture halls and laboratories were being rushed to completion. The University had everything but students, and Senator Stanford was not the man to be balked by a mere detail of this sort. Various professors were assigned certain sections of the Pacific coast and told to bring back an allotted number of students. This was Professor Swain's mission.

Fortunately, young Bert Hoover's desire for an education coincided perfectly with Stanford University's need for students. Otherwise he might not have been admitted. Although he had spent five terms at Pacific Academy and Salem Polytechnic, thanks to the insufficiencies of those so-called colleges, he had acquired only what would be the equivalent of two years in any good high school. It is not surprising, therefore, that the boy "flunked" in both geometry and English when he went to Portland to take the entrance examinations. Ordinarily this would have put an end to his college ambitions, for the time being at least. But Professor Swain was a Quaker himself—and, as we have indicated, Stanford needed students. The man and the youth talked things over and it is very probable the professor was impressed by Bert's quiet determination. In any event, it was finally agreed that young Hoover should go to Palo Alto in June, 1891, and spend three months until the university's opening in August in a concentrated course of coaching in his weak subjects. With this aid, Professor Swain thought, he might pass the entrance examinations. As a matter of fact, even with the extra tutoring, Herbert Hoover was "conditioned" in English when he entered Stanford and he never succeeded in removing that condition until the day before his graduation—but more of this later in its proper place.

Young Bert had one more stroke of fortune. Fred Williams, son of Mayor George H. Williams of Salem, then president of the Williams & England bank, also had failed in his entrance examinations. His father offered to purchase the lots Hoover had bought from the Oregon Land Company at their face value and pay his fare to Palo Alto if he would coach Fred Williams and room with

him during his freshman year. The father evidently placed a high value on Bert's influence. Hoover accepted the offer. He left for Stanford with \$800 to his credit, and after he had passed his examination in August he registered for a course of mechanical engineering. He had just turned his seventeenth birthday.

### CHAPTER III

#### *STANFORD—AND STUDENT POLITICS*

**S**TANFORD UNIVERSITY affected Herbert Hoover profoundly—so profoundly, in fact, that it is almost impossible to over-appraise its deep and permanent influence upon both his character and career. It was an amazing piece of good luck that took him to the California campus instead of some Eastern college or obscure Quaker institution. Of all the universities in the United States at that particular period Stanford probably was best suited for his purposes. Indeed, if the whole setting had been carefully designed for his especial benefit it could hardly have been more cleverly calculated to strengthen him where he was weakest or to make him more proficient in those qualities wherein he already excelled. Not only did it give Herbert Hoover a very good education, but it afforded him the unusual opportunity of earning that education while following his chosen profession. As a practical school for success, so far as concerns his particular case, Stanford University simply could not have been improved upon. Herbert Hoover realized this himself. As his class-mate Will Irwin once wrote, "Stanford became a kind of a complex with him."

Had Stanford been a university with a long cultural background, and one that placed emphasis on mere scholarship, its effect on Herbert Hoover might have been vastly different. For one thing, he never excelled in scholarship; and in a more chilly classical atmosphere, where ancient traditions were strong, his youthful repressions would have been so intensified that he hardly could have helped feeling ill at ease. Native ability might have led him to success, even in such alien surroundings, but he would have been terribly handicapped; whereas at Stanford from the very start he found full scope for his special abilities.

Everything about Stanford was new. The very buildings were still incomplete when Hoover arrived. His failure to pass the entrance examinations in Portland was another piece of good luck.

Literally, he got in at Stanford on the ground floor. Practically all of the faculty were newcomers to California as well as to the campus, and when the first term began young Hoover felt as much at home as the oldest professor. The three months in Palo Alto before the University's opening also helped him in another very practical way. He met—in fact he boarded with several professors at a woman's dormitory—the vanguard of faculty members, and had a chance to impress them with his personality before the mass of students arrived. Young Hoover made such good use of this opportunity that when the first semester formally began he was installed as "assistant registrar" with a moderate salary and later acted as paid secretary to Dr. Branner, his instructor in geology. He also had made arrangements to act as agent for a laundry before the Fall term began. This praise-worthy forehandedness greatly simplified the problem of working his way through college. He was on a self-supporting basis from the very first.

To understand the influence which Stanford had upon young Hoover one must know more about the institution itself. Probably the best method is to describe Senator Leland Stanford. Water can't rise higher than its source and it would seem equally axiomatic that a college can hardly escape being impregnated with the ideas and ideals of its founder. This was particularly true of Stanford, because its dynamic donor was not content merely to put up his millions, but insisted upon personally supervising every detail of its birth from the hiring of the faculty to the laying out of the campus walks. Even the architecture was his own conception—as any architect might guess without being told.

Leland Stanford was one of the foremost go-getters of his era. Gifted with a towering ambition and dauntless energy, he was not any too scrupulous about the means he employed to further his ends. His wars with rival railroad magnates are epics. In the process of building railroads he found it necessary to control state governments. He was a very, very practical politician with all that that implies. When he finally concluded that he could direct legislation in Washington, D. C., better than his hired lobbyists, he bought himself a seat in the United States Senate with the same sense of self-righteousness with which he paid \$40,000 for a famous thoroughbred stud. Yet, he was not without his benevolences, as the founding of Stanford University showed, and into this institution

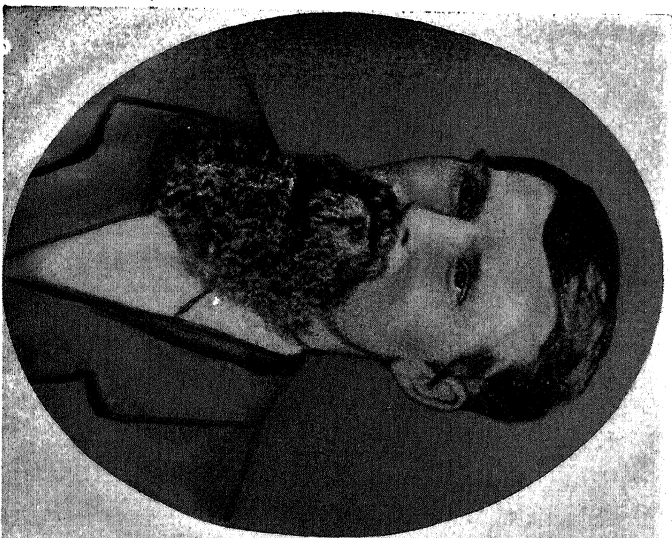
he tried to pour with almost royal prodigality his tragically thwarted father-love. It was dedicated "to make men and women useful," and the hard pragmatism of its founder has always been its guiding philosophy.

The "pioneer class" of 1895 was composed of two diametrically differing elements: poor boys like Hoover who were desperately determined to get an education as the necessary medium of self-advancement; and scions of the *nouveau riche* of the Pacific coast who were too slack in their studies "to make the grade" in Eastern colleges. Stanford appealed to both types for the simple—and similar—reason that in those first years its entrance requirements were ludicrously low. There was a sharp cleavage in the class of 1895 from the start. The "letter men" sedulously aped their "frat brothers" in the older Eastern colleges, and even went beyond them in snobbery and extravagance; while some of the "barbs" were so poor that they actually boarded in the old shacks remaining from the construction camp of the workmen who had erected the university buildings.

Herbert Hoover's biographers have gone to great pains to arouse sympathy by painting him as an uncouth country boy venturing for the first time into "a confusion of buildings and people and carriages and cable cars" on his way to college; and he is credited with incomparable courage for making headway against a sea of difficulties. Will Irwin feelingly refers to "the slim, shy Quaker lad," and Miss Rose Lane touchingly tells how he stood, "an outsider, very much alone, unshaken but isolated," as he first gazed upon "a new world, strange, novel, bewildering."

It is a pathetic picture, but not an accurate one. Not only had Hoover's way been smoothed by reason of his arrival before the initial semester started, but in many other respects he was singularly well equipped to cope with his new surroundings. He was only seventeen, it is true, but he was unusually mature for his age. For years he had practically been "on his own" and his self-reliance was abnormally developed. Nor was he facing for the first time "a confusion of buildings and people and carriages and cable cars." He had been making regular trips to Portland—a city of no small proportions even in those days—and let us not forget that for more than two years "the slim shy Quaker lad" had been working as branch manager, assistant "advertising man," and salesman for a





**HOOVER'S PARENTS**

*Jesse Hoover and Hilda Miniborn Hoover from photographs in an old family album.*

Underwood & Underwood



concern of high pressured real estate promoters. Of all the pioneer class who entered Stanford in 1891 no one was better trained nor burdened less with the baggage of illusions than Herbert Hoover. He fitted his new environment perfectly.

Endless reams have been written about Herbert Hoover's four years at Stanford. Practically all of his "official biographers" devote what seems to be a wholly disproportionate amount of space to this phase. Will Irwin relives his university days with his illustrious class-mate for 31 pages and Miss Lane rhapsodizes for no less than 70 pages—or one fifth of her entire book—over the collegiate phase. Admittedly Stanford *did* play an important part in shaping Herbert Hoover's career; but at the same time his life there was not unusually eventful; certainly not interesting enough to justify the detailed treatment it has been given. Why, then, do these four years loom so large in all the Hoover biographies?

Doubtless this can be explained in part by the fact that Mr. Hoover himself is always willing to talk freely about this phase of his life—especially with old class-mates—but perhaps this comparatively garrulity about his college career is because this is one of the few periods in his life where the President and his biographers feel there is very little to conceal. Therefore they pile anecdote on anecdote about his university days to create the appearance of frankness and to make the reader forget that the four years immediately preceding his entrance to college, the four years immediately after his graduation as well, are not treated with any such exhaustive detail.

Indeed, by far the most interesting part of Herbert Hoover's connection with Stanford concerns the manner in which he came to be appointed trustee in 1912—after a long unbroken residence in London—and of his subsequent manipulations to place his personal friends—including his brother—in positions of power on the Stanford faculty. It is well known in California that for the last ten years the policies of Stanford have been directed more by Herbert Hoover than by the titular president—; and, it is equally well known among Hoover's more intimate friends, that had not the World War broken out when it did, it is extremely likely that Mr. Hoover himself would have succeeded to the presidency of Stanford. He had had his eye on that particular post for some time

until his wife's ambition pointed out a higher goal. These are the things that would help us know President Hoover, but it is precisely these things which his biographers ignore. We will give the facts in their proper place, but first let us sketch the President's under-graduate activities.

There is little of moment to record in Hoover's first year at Stanford. He had registered for a course in mechanical engineering and his studies were algebra under his patron Professor Swain; linear and free hand drawing; and shop work in mechanics. At the beginning of the second semester, Dr. John C. Branner, state geologist of Arkansas, arrived and Hoover switched from mechanical engineering and registered under him for a course in geology.<sup>1</sup> Dr. Branner was a remarkable teacher and Hoover soon became his favorite. He acted as Branner's secretary and during that first vacation Branner employed him to help him on the Arkansas Geological Survey at a salary of \$65 per month. Branner records that Hoover did his work faithfully and well.

In his sophomore term Hoover moved from Encina Hall to Romero Hall which was run by a co-operative group. Possibly his move was partly motivated by the fact that he had been dismissed as janitor at the end of his first term. Several students had complained that he habitually failed to sweep under the beds and one morning when Senator and Mrs. Stanford made an unannounced tour of inspection they found the dormitory distressingly filthy. It was decided then and there to replace the student janitors with Japanese professionals and considerable "kidding" resulted—which young Hoover didn't relish.

There also was the matter of economy. The manager of the dining room at Encina Hall was charging 30 cents for eggs which were selling on the market for 20 cents and profiteering in other ways. Sam Collins and a student named Zion exposed this petty graft and got the manager fired. John Tate took over the management, running it for nothing. Other eating clubs sprang up and Hoover became the manager of one. He drew no salary, but got his room and board for nothing.

Hoover worked for Dr. Branner with the Arkansas Geological Survey again in his second summer's vacation. He got \$2 a day

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<sup>1</sup> Incidentally, there was no course in mining engineering in Stanford. Therefore Hoover never acquired a degree in engineering.

and expenses. During one winter Hoover and Zion worked in the geological laboratory making a relief map of Arkansas intended for the World's Fair at Chicago. They were paid \$2 a day, but the map wasn't finished in time for the exhibition.

Hoover never devoted any time to athletics at Stanford. Obviously he was too busy earning his way through college to turn out for baseball, football or track athletics, even if he had cared for these sports. But in this connection it is rather amusing to relate that one of Hoover's "official biographers" tries to explain away his non-participation in athletics by stating that on his single appearance on the baseball diamond a finger of his left hand was sprained by a poorly fielded "grounder." This is not a very convincing alibi. Confirmed baseball players go through games with sprained or split fingers, and surely such a trivial injury in his freshman year would not have laid him up for four seasons. But why was such an excuse necessary? The professional apologists for Hoover are constantly making themselves ridiculous. It does not appear that explanations are in order. Hoover was working his way through college and time meant money with him. He simply could not afford to "go in for athletics," even had he possessed the experience or natural aptitude.

Will Irwin tells of another incident which indicates clearly enough that young Hoover's bent was mental guile rather than physical prowess. One night some students laid some small wagers as to who could run the fastest. The whole group repaired to the cinder track for a mile run. Hoover started with the rest as they disappeared into the gathering gloom. When the runners reappeared he was far in the lead. There was no little astonishment. Later the future President laughingly confessed that he had deliberately fallen behind the other runners and then cut across the infield to put himself in first position on the stretch. This incident is not cited to show that Hoover was lacking in a sense of fair play. No real prize was at stake. It was simply a joke on the other runners who were taking their efforts seriously.

Hoover's sophomore year saw the commencement of the celebrated "frat" and "barb" battle which gave him his first taste of practical politics. Some advanced students, coming from other colleges, had introduced Greek letter fraternities into Stanford. The majority of the members were sons and daughters of fairly

well-to-do parents. The poorer students who did not join the fraternities either from poverty, lack of social graces, or conviction, were contemptuously referred to as "barbarians."

The "frat men" had combined to capture most of the offices of the athletic teams, the dramatic association, glee club, the undergraduate publications and the student body. There was much grumbling among the "barbs," and in the sophomore term a poor boy from San Francisco, derisively termed "Socialist" Zion, organized against the fraternity men and became candidate for president of the student body. Hoover, Herbert Hicks, Sam Collins, Lester Hinsdale, Ray Lyman Wilbur—now president of Stanford and Secretary of the Interior—joined the revolt. Zion was elected by a narrow margin, but the letter men still controlled most of the other offices. The next year the fight was renewed.

Lester Hinsdale had innate talent for political manipulation. In later life he was for years one of the dominant figures in California politics. But he seldom appeared before the footlights. His really effective work was done off-stage. It was Hinsdale who manoeuvred to have Hoover appointed trustee at Stanford and had Hinsdale lived he probably would have been candidate for governor of California—with Hoover's backing. And it was Lester Hinsdale who now took charge of the "barb" forces and showed his inherent genius for politics. The "official biographers" all give Hoover credit for leadership, but I have it on the authority of students active in these conferences that Hoover distinctly was the tail of the Hinsdale kite. In running over the dusty old files of the *Daily Palo Alto* one finds infrequent mention of Hoover, although Hinsdale, "Sosh" Zion, Herbert Hicks, and Sam Collins are constantly in the headlines.

Hoover's first step into college prominence was on January 23, 1894, when he was elected junior class treasurer on the nomination of Sam Collins. In May, 1894, he was a candidate for the position of business manager of the *Daily Palo Alto* and was defeated. Then Hinsdale, Hicks, and Collins came forward with their perfected political plans.

All the various undergraduate activities were to be brought under the control of the student body. Three officers—president, football manager, and treasurer—were to be elected and their powers were to be defined by a constitution. The elective trium-

virate, in turn, would appoint managers of the publications, baseball team, glee club, dramatic societies, etcetera. The scheme was designed to place concentrated power in the hands of Hinsdale and his friends, and, as the constitution was drawn, it also was intended that they should profit to no inconsiderable extent by this arrangement.

As originally drafted by the Hinsdale-Hicks-Hoover group, the new constitution contained a clause (Section 9) which provided that the managers of the track and baseball teams were to get one-half of the net profits during the season and that the football manager was to receive 40 per cent of the first \$500 receipts, 25 per cent of the second \$500, and 15 per cent of all receipts exceeding \$1,000. No money raised by subscription was to figure as receipts and no manager could contract liabilities in excess of \$500 without the sanction of the president and treasurer.

At a meeting of the Associated Students on March 1, 1894, Section 9 of the new constitution was finally stricken out after a heated debate in which Hoover's friends fought to the bitter end in a vain effort to save their coveted percentages. Another effort was made to restore Section 9 at a meeting of the Student Association on March 7. The official records show that Critchlow, with Hoover as second, moved that each athletic manager receive 25 per cent of the first \$1,000 net and 15 per cent of all receipts in excess of \$1,000. This motion was defeated by 45-32. Then Collins moved, with Zion seconding, that the managers of the athletic teams be paid 25 per cent of the first \$500 receipts and 10 per cent of all other money taken in. A student named George Crothers then made a vigorous speech opposing this "professionalism" and moved that the constitution be adopted with the exception of Section 9. His motion was carried by a large majority.

While the constitution was still being debated, Lester Hinsdale put himself forward as president of the Associated Students; Herbert Hicks was nominated as manager of the football team; and Herbert Hoover became candidate for treasurer of the student body. Since the voting down of Section 9, the post of treasurer was the only elective office, which carried a salary—of \$400 a year. Hoover's chroniclers relate how reluctant he was to accept the nomination and how at last he accepted with the stipulation that he would take no salary for the first year.

My information is that Hoover, though not popular with the student body at large, was put on the ticket because he could swing "the Camp." The "Camp" consisted of about 60 students who boarded themselves in the old shacks left by the workmen. Hoover had canvassed the camp in behalf of Zion's candidacy the year before and was popular with this faction because he was working his way through. The practical Hinsdale figured that the vote of the "Camp" might decide the election, and Hoover was a concession to this element. I also am informed that the decision to accept no salary did not come until the campaign was well under way, and that the issue was first raised by "Sosh" Zion who had been overlooked in the disposal of offices although he had incited the original revolt. The following year Hinsdale, who remained in Stanford to take a post-graduate course, was elected treasurer and collected the \$400. It all sounds like a tempest in a teapot from this distance; nevertheless it is well to have the facts straight.

The Hinsdale-Hicks-Hoover combination was known as the "Three-H ticket." They were opposed respectively by Magee, Kessinger and Grosh. It was a hot campaign. Student lists were canvassed. Midnight calls were made. Individuals were influenced by hopes of social favor. Patronage was promised by both sides. Slogans were chalked on the campus sidewalks. Heelers rounded up the voters. So serious became the contest and so devious were the stratagems employed, that at an assembly Dr. David Starr Jordan humorously said that it looked as if he were presiding over a "junior Tammany hall." Finally election day dawned and class work was virtually suspended while these very practical young politicians rustled out the last possible vote.

The election was too close for comfort. Hinsdale defeated Magee for the presidency by only six votes, and neither Hicks nor Hoover received the necessary majority for election. This made a special election necessary. In this second vote Hoover and Hicks won out. Hoover's majority was 370 to 282 for Grosh, his opponent. Hicks won by a slightly larger majority.

Soon after his election as treasurer of the Associated Students, a problem arose which throws a revealing light on Herbert Hoover. It appears that early in Stanford's history, Mrs. Stanford had had a laundry built on "the farm" to take care of the university wash.



It cost \$3,500. Several Chinese were put in charge. They received no stipulated salary, but were to derive their income from the profits. Evidently they couldn't make their wages—or at least could not collect them—and they finally quit. Without competition prices rose.

In Hoover's junior year there was a great deal of dissatisfaction over the laundry situation. The students thought the Palo Alto laundries were overcharging them. Hoover was appointed as head of a committee for the boarding clubs to ascertain if it was feasible to turn the old plant into a co-operative laundry. On April 14, 1894, Herbert Hoover submitted the following signed report:

#### REPORT OF COMMITTEE TO INVESTIGATE STUDENT LAUNDRY

Gentlemen: This committee has inspected the laundry and received advice and estimates from four experienced laundry men as a result of which we reached the following conclusions:

It would be useless to consider the subject unless a dry house and proper water connections were put in; for it would be impossible to do the amount of business and quality of work necessary to pay expenses and give satisfaction without this added equipment.

The general average of estimated expenses from four sources was \$600 to \$900 per month business. There is at present about \$750 per month of steam laundry business on the campus, so that if all this work could be obtained about fifteen per cent, to eighteen per cent reduction could be given from present prices.

If some work could be obtained from Palo Alto and vicinity still further reductions could be made. But it must be carried in mind that all outside boarding houses and clubs now receive twenty per cent discount, and these would be part of the work on the campus that could not be obtained.

So that the committee recommends that inasmuch as some improvement could surely be made on the present system that the committee in charge of the halls receive sealed bids from reputable laundries with a prospect of letting the laundry in the halls to the firm offering the largest discount from present prices. And if this arrangement cannot be effected that the boarding clubs further investigate the prospect of a co-operative laundry.

H. C. HOOVER, '95 Chairman  
J. M. STOWELL.

The report affords an early example of Herbert Hoover's lifelong stressing of the principle of individual enterprise as opposed to all co-operative, socialistic, or communistic undertakings. The co-operative laundry was not organized. The young student treasurer's brief and business-like suggestion was adopted.

But now a delicate ethical question is presented, for three of Herbert Hoover's biographers state that he helped earn his way through college by conducting a laundry agency. One wonders if he had this financial interest when he penned the above report.

The election was in the spring and the officers were to serve

during their senior year. That vacation Hoover spent once more with Waldemar Lindgren in the United States Geological Survey. Dr. Branner had got young Hoover a job with the government in the vacation between his sophomore and junior years. Hoover had done excellent work—so excellent in fact that Lindgren permitted him to put his own name on relief maps of the Sierras. He was well paid, too, for those days, and returned to Stanford for his senior year with his salary practically intact.

Hoover worked like a dynamo during his last year in college. His new job as treasurer of the Student Body was no sinecure. Undergraduate finances had been loosely managed—so loosely that some of the athletic managers had been accused of appropriating no small share of the gate receipts. Hoover tried to restore some semblance of order.

On October 30, 1894, he issued an elaborate report showing a treasury deficit of \$1,200. Other reports followed, covering various student activities. Finally the deficit, which Hoover blamed on lack of system during previous régimes, was wiped out and he did not forget to point out that for the first time in its history the Student Association was solvent. There is no doubt that to Hoover largely belonged the credit. He had introduced the voucher system, which he had learned while working for the United States Geological Survey, and his accounts became more and more detailed. He invited inspection of his books.

Hoover had stipulated that he was to accept no salary as treasurer of the Student Body—this was an issue in the early part of campaign—but student politicians are nothing if not practical. Hoover perforce had to give considerable of his time to the financial management of the various undergraduate associations, and neither was he one to delegate these labors to another. Hinsdale and Hicks thought it unfair that he should go without recompense. Presumably Hoover agreed with them. In any event, he was given the perquisite of managing the student lecture bureau. Various minor celebrities were brought to Stanford and the intellectually curious among the students paid to hear William Jennings Bryan—yet to be nominated for the Presidency—deliver a variation of his famous “Cross of Gold” speech under Herbert Hoover’s auspices. Thus does History sometimes provide strange contrasts. The lecture bureau paid—and paid well—and Hoover’s efforts

were amply compensated without violation of his campaign pledge.

The whole of Stanford was under high tension that year. Leland Stanford had died in 1893 and his estate was in litigation. The United States government had started suit to cancel some millions of bonds that it had issued for the building of the Union Pacific Railroad on the ground that the proceeds had been diverted from their original purpose. The endowment fund had been tied up by the courts; it was questionable whether the university could continue; and some of the faculty were frankly looking for new positions. The students, too, were anxious. There would be little value in holding a degree in a defunct college.

The tradesmen of Palo Alto were infected with the general suspicion. Individual students were being pressed for bills and creditors descended in swarms upon the various under-graduate associations. The athletic teams, in particular, had incurred debts in every direction. Hoover had inherited a mess and there was no way of declaring a moratorium. The "Three-H ticket" threatened to have its popularity submerged in the general tide of depression. Obviously something had to be done.

Through the football team lay the only road to salvation. Stanford had a gigantic line with some fast, clever backs. Walter Camp had been brought to the Coast to help coach, and one or two of the players had been mentioned for the mythical All-American team—an infrequent honor for Westerners in those days. Hinsdale, Hicks, and Hoover put their heads together and decided to capitalize the reputation of their huskies. (Let it be said that prior to the turn of the century collegiate standards of amateurism were not overly squeamish.) With the consent of the chairman of the faculty athletic committee, Hicks scheduled a double-header with the University of Chicago, one game in San Francisco on Christmas day and another a week later at Pasadena. Later Stanford played the Los Angeles Athletic Club. Other outside games were arranged. It was nothing but barnstorming, and barnstorming of a pretty flagrant sort, but it produced gate receipts and the deficit was wiped out.<sup>1</sup>

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<sup>1</sup> Will Irwin, Vernon Kellogg and Rose W. Lane give young Herbert Hoover almost entire credit for the shrewd financiering that pulled the student body organization out of the slough of despondency. My informants, who were at Stanford at the time, assert that Hoover took very little interest in any form of athletics and that it was Hicks who originated the scheme for bringing out Eastern teams and relying upon the

The distracted faculty winked at the near-professionalism of the methods employed by the triumvirate of the student managers. "Success" was the keynote at Stanford—then as now—and by that narrow standard success spells dividends—even in amateur athletics.<sup>1</sup> The Athletic Association, during the Hinsdale-Hicks-Hoover régime, paid \$4,000 in debts left by the "frat" administration, built a baseball diamond and grandstand, and completed a running track.

During Hoover's senior year at Stanford there occurred an amusing incident which is worth retelling: Former President Harrison, a warm friend of Senator Stanford, was persuaded to come out to the Coast to lecture on constitutional law. The ex-President, it seems, had an amiable weakness for spiritous refreshment, and Mrs. Stanford possessed an excellent cellar. Therefore, actuated only by motives of hospitality, Mrs. Stanford arranged to have an ample supply of wines, brandies and whiskies placed in a house-keeper's closet situated next to the room in Encina Hall which had been allotted to Mr. Harrison. The key to the closet was given to the distinguished guest and all went serenely for a few days. But, unfortunately, the closet had a small window opening on the men's lavatory, and it was not long before the ex-President observed with some dismay that his supply of liquors was diminishing rapidly.

Finally, Mr. Harrison discovered the source of the leak. He made complaint and the students of Encina Hall were assessed a small sum each to replace the stolen beverages. The Hall paid—but under protest. There was a strict rule that liquor was not to be brought onto the premises. All during this episode the ex-President continued his daily lectures with the utmost dignity.

Despite his election as treasurer of the Student Body in his senior year, Herbert Hoover was not an especially popular figure

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"native son" spirit of the Californians to turn out en masse to cheer their own players. Hoover, according to my informants, did little except okay the bills. My own opinion is that Hoover undoubtedly participated in the conferences, and probably helped figure expenses, but certainly Hicks had been elected manager of the football team and from what his classmates say he was not one to brook interference. It is probable that Hoover's biographers have exaggerated Hoover's rôle.

<sup>1</sup> "Pop" Warner, present football coach at Stanford, is said to receive \$15,000 yearly and \$10,000 more annually from a banker who is one of the college trustees. The trustees justify their enormous expenditures for football on the ground "it advertises Stanford in the East" and with all California advertising is almost a religious duty.

at Stanford. As a matter of fact, few of his class-mates remembered much about him until their memories were freshened by his prominence in the Belgian Relief. He played little part in social or athletic life, and, as far as scholarship is concerned, one of his class-mates remarked that "He got into Stanford through the personal intercession of one professor and got out of it the same way."

Dr. Samuel E. Simmonds of Sacramento, Cal., one of the President's class-mates, recently gave out an interview in which he said: "I recall Hoover as an ungainly fellow in those days. He wore thick glasses and scarcely ever looked anyone in the eye because of an inferiority complex. His face, which had some pimples, made him look even more homely."

Other of Hoover's class-mates comment on his evasive, downward glance, and nearly everyone who recalls him mentions his red rimmed eyes, acquired from the Indian playmates of his childhood.

Nevertheless, Hoover knew exactly what he wanted and usually got it. A salaried post as professorial assistant, lucrative vacation jobs, lecture bureaus and laundry agencies were his for the asking. He even got paid for his laboratory work—and he got credits, too. And although his biographers do not stress his popularity, he was elected to one of the three positions of power in the Student Body. Politics was his obvious bent and even in those days he must have been a masterly wire-puller.

That wire pulling *was* his special talent, is suggested by the 1895 Annual in which there are pictures of "Sosh" Zion, Sam Collins, and Hoover with laurel wreaths surmounting their large photographed heads and with Grecian robes adorning the smaller bodies. This verse appears underneath:

We are the great Triumvirate  
The awful Trinity of Fate  
On things scholastic or athletic  
We speak with utterance prophetic  
This place, we Three, by love inspired  
Have scientifically wired;  
And so (our motives all the best)  
When an election comes, with zest  
We press the buttons and do the rest.

His lecture bureau and various under-graduate activities so seriously cut into Hoover's studies in his senior year that he flunked in elementary German and was conditioned in chemistry. Neither had he removed the condition in English composition which was imposed when he entered college. Besides, Hoover had stayed with Lindgren until snow closed the mountain passes in the Sierras; he had not returned to Stanford until five weeks after the semester had opened. His case had been considered by the faculty; there was a grave question whether he could make up enough credits to be graduated with his class. Meanwhile, to complicate matters still further, he had fallen in love.

Lou Henry came to Stanford as a freshman in Herbert Hoover's senior year. Her parents lived in the old mission town of Monterey where her father was cashier of the bank. Lou Henry had been born in Waterloo, Iowa, not far from Herbert Hoover's own birthplace, but her parents had moved to California because Mrs. Henry was threatened with tuberculosis. Lou Henry was an athletic out-of-doors girl. Naturally enough she registered in Dr. Branner's class in geology—and Herbert Hoover was still Branner's assistant. Will Irwin hazards the guess that they "fell into a conversation over the carboniferous period," but my own opinion is that the closeness of their birthplaces probably served as an introduction and the similarity of their tastes inevitably drew them together. He owes no small measure of his success to the spurring of her ambition—but more of this later.

As commencement day drew near in the spring of 1895, bets were laid on the campus as to whether Herbert Hoover would be graduated. He had excellent marks in mathematics and geology, but he had been conditioned in chemistry and had failed outright in German, at the end of the first semester of his last year.

Prodigious digging had made up requisite work in chemistry, and the German teacher finally said he was satisfied. But the old condition in English remained. Almost on the eve of commencement the faculty brought up his case for final consideration.

The records were plain enough; technically he had failed. On the other hand, he had been active in student affairs, and there was gratitude in high places for his straightening out of tangled athletic finances which had threatened a serious scandal. More-

over, Swain, Branner, Angell, and Smith were his backers. President Jordan was his personal friend. It was Professor T. P. Smith who finally came to his rescue. Hoover had written a paper on geology. It showed thorough knowledge, but the spelling and English were atrocious. Smith had had Hoover rewrite it, and showed him how to correct the spelling and obvious crudities of construction. Smith now presented this to the faculty as Hoover's production and was warmly supported by Branner. Their appeal carried the day. It was decided to grant Hoover a diploma.

He left Stanford in May, 1895. He did not return to Oregon. He was not quite 21, but he had a good job with Lindgren in the United States Geological Survey, and, according to some of his associates, in working his way through Stanford he had accumulated nearly \$2,000. He already had won a flattering meed of recognition in his chosen field; he had made influential friends like Dr. Jordan, Swain, Branner, and Lindgren. Among his classmates his cool efficiency was conceded. He had met the girl whom he intended to marry. He was not worried about the future. Calmly he surveyed the situation. He meant to succeed and the years in Stanford and the years before that in Salem, had taught him the formula.

## CHAPTER IV

### *AUSTRALIA—A COUP THAT FAILED*

**Y**OUNG HOOVER was graduated from Stanford in May, and went to work immediately in the high Sierras with the United States Geological Survey. He was an extremely competent surveyor. Lindgren often has said that he never had an assistant who could cover so much ground in a day, or do the job more thoroughly. Hoover stayed with the government service until late in October when the snow came down on the mountains and forced suspension. He wanted some practical mining experience, so he went to Nevada City—made famous by Mark Twain and Bret Harte—and finally got employment in the Mayflower mine.

Times were hard; many mining engineers as well as miners were unable to obtain work. Hoover was fortunate in getting anything; he took what was offered. The job was "mucking out" the debris in a mine shaft. The pay was \$2.50 per day. It was hard, dirty labor. He shoveled ore into dump cars and helped push them up the incline to the main shaft. Ten hours a day was the usual shift and then men nibbled their cold luncheons deep in the mine without going to the surface. He stuck at the job for two months. Then he quit. He made no secret of the fact that he was utterly disgusted with this first taste of practical mining.

In the evenings, after he had "washed up" and had supper, Hoover loafed about the hotel lobbies and bar-rooms with other mining engineers. He met a class-mate, E. B. Kimball, and Kimball introduced him to George Hoffman, a rising young engineer. Hoffman suggested to Hoover that he go to San Francisco and try to get a job with Louis Janin. The Janin brothers, Louis, Henry, and Alexis were about the best known mining consultants in the West. Their interests ranged from Alaska to Mexico. French by birth, they had been educated in German universities and were extremely practical miners as well as trained technicians. Alex was a metallurgist; Louis an authority on mining law. The Roth-



schilds and Guggenheims paid high fees to have them pass opinions on mining properties. They were frequently called into litigation as expert witnesses. George Hoffman knew that Louis Janin was soon to appear in an important suit against the Carson City Gold & Silver Company, which involved the North Star mine's apex rights. Hoffman also knew that Hoover had only recently gone over this very area for the United States Geological Survey. So he sent Hoover to San Francisco in January, 1896, and Hoover landed the job partly on the strength of Hoffman's introduction, but mostly as the result of his detailed knowledge of the geological strata in the pending litigation. Hoffman's hunch had been a good one.<sup>1</sup> Janin immediately set Hoover to work preparing a memorandum of the geology in the Sierras, and his previous surveys with the government service had put the information he required almost at his fingers' ends. The North Star mine won its case largely as the result of Janin's testimony and he frankly gave young Hoover credit for his thorough-going preparation.

Janin started Hoover at \$75 per month. Soon this salary was raised to \$150 per month. In little more than a year Janin was paying Hoover \$250 per month. Janin was getting old and corpulent. He found it increasingly difficult to go up and down mine shafts on shaky ladders. More and more he used Hoover to help him. His son has told me how his father would remain at the top of a shaft, while Hoover, below in the darkness, would shout up descriptions of the ore bodies, the workings, and all sorts of geological data, which Janin would enter in his note book. Charles Janin says his father declared that he never saw a man who could survey a mine with the same speed as Hoover. This also was Lindgren's testimony. As his confidence in the young geologist grew, Janin sent him out alone to report on mines in California, Arizona,

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<sup>1</sup> Hoover's "official biographers," as usual, have coated over with some sickly romancing the manner in which young Hoover made this extremely fortunate connection with Louis Janin. Will Irwin states that "probably he (Janin) caught that subtle aura of mastery and integrity which made us at Stanford, Hoover's followers all; only with his French talent for rapid intellectual contacts he perceived it instantly instead of gradually." Vernon Kellogg improves on this story. He says that Janin offered to take Hoover "tentatively on" and that Hoover surmised his staying steadily might depend upon his knowing typewriting. Emerging on the street on Friday, according to Dr. Kellogg, Hoover immediately rented a typewriter and returned to Janin's office the following Tuesday "an experienced typist." The only thing the matter with this story is that I have it on the authority of Janin's son that his father did not have a typewriter at that time.

Nevada, Colorado, and New Mexico. The son still preserves some reports written in Hoover's almost illegible scrawl.

At this stage of his career there occurred an incident which may help explain why Herbert Hoover hates horses—although it probably is mostly due to the fact that he was forced to take care of Dr. Minthorn's steeds, and later was compelled by the United States Government to pay \$40 for a mount which had been strangled by careless hobbling when Hoover was spending his second summer with the Geological Survey.

Hoover made Nevada City his headquarters while working for Louis Janin. It was his habit to ride to town, tie his horse to a hitching post, and go about his business without first loosening the saddle cinch. Probably it was not intentional neglect on Hoover's part, but among horsemen to fail to loosen a cinch on an animal left tied to a post for an hour or more is considered almost criminal. A few of the cowboys and hangers-on decided to cure young Hoover of this habit.

One day, after he had tied his horse and walked away, the cowboys loosened the cinch, and then the whole crowd waited for Hoover's return. He came finally, walked briskly to his mount, untied the bridle reins, and putting his foot into the stirrup, started to vault into the saddle. Instead, the loosened cinch failed to hold; the saddle turned; and Hoover sprawled in the gutter amid a delighted roar of laughter.

Some lurid language <sup>1</sup> penetrated the dust, but Hoover quickly arose, brushed himself off, and departed. It is said, however, that the lesson was effective, for when he next returned to town he was careful to loosen his horse's cinch.

It was while he was working his first summer for Janin that he was called upon to make a decision which might have drastically changed the whole direction of his career. He received a letter from Waldemar Lindgren offering a permanent position with the United States Geological Survey. The salary was almost the same

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<sup>1</sup> Whether Hoover acquired his profane vocabulary as a boy farm hand, as a real estate agent, in college, on the Geological Survey, or as an assistant to Cornish miners is not certain, but the fact remains that he is extremely proficient in vituperation and does not allow his talent in this respect to lapse because of lack of practice. Some of his religious supporters doubtless would be shocked if they ever heard him when he is really angry.

he was getting from Janin; Lindgren liked him; there was a good prospect for advancement if he cared to make geological research his life work. Service with the government meant a permanent job. His instructor, Dr. Branner, had followed this profession; David Starr Jordan, Swain, Smith, all his professorial friends at Stanford had chosen science as a career. Should he, too, pursue geology? It meant security, friends always close at hand, probably no small measure of scientific recognition. Or should he follow the career of a mining engineer? Probably it would lead him to far places—but it might bring him millions and land him in a position of power.

As a young man of 22 years, Herbert Hoover stood squarely at the cross roads of his destiny. How deeply he debated the question of following pure science I have no means of knowing, nor whether he ever hesitated in arriving at a choice. Certain it is that finally he declined Lindgren's offer with thanks—and only a few months later the road that he had chosen led him to Australia, and thence to China, where he won an early fortune in one cleverly consummated deal.

Hoover's first big independent job was with the Steeple Rock Mining Company on the Gila River, Arizona. The Exploration Company of London, a Rothschild firm, owned this mine and Janin was commissioned to make a geological survey and to map out a development program. Janin entrusted the actual field survey to Hoover and his work won high praise both from Janin and the Rothschild mining experts. By hard work and ability the young geologist already was becoming recognized in his profession and his lucky association with Louis Janin was affording him unusual opportunities. So matters stood in the winter of 1896 when the London firm of Bewick, Moreing & Company, then among the foremost mine managers in the world, cabled Louis Janin to send two field men for work in Australia. The salary was \$5,000 a year and all expenses. Janin asked Hoover if he wanted to go and he fairly jumped at the opportunity. Not only was the salary unusually large for a young man of 23, only two years out of college, but it meant seeing the world and Bewick-Moreing's far-flung interests spelled endless opportunity. Small wonder that Hoover was tremendously elated.

Theodore Hoover was living in Berkeley with his sister May

and their cousin Harriett. Herbert also stopped there whenever he was in San Francisco and it was a gathering place for their friends.<sup>1</sup> Now there were congratulations on his good luck and hasty calls at the libraries for books on Australia. There were visits to the tailor, too. Heretofore Herbert Hoover had been inclined to be careless about his clothes, but the hard-headed Lester Hinsdale, who was still his advisor, insisted that with this new position he must dress for the part. One biographer says that Hinsdale picked out a tweed walking suit over Hoover's protests. A year or so later Hinsdale received a bulky package from Australia. He opened it expectantly. It was the tweed walking suit—unworn. "Since you like the damned thing so well take it," read a laconic note pinned to the coat. His biographers also report that Hoover grew a mustache in the hopes of disguising his youth, which he thought might militate against his chances of promotion. However, none of his many photographs taken about that period show any signs of such hirsute adornment.

Hoover was paying visits to the Henry home in Monterey whenever he could snatch the time. His friendship with the freshman girl geologist had ripened rapidly into deep affection; almost from the first there had been little doubt in either's mind that they were intended for one another. It was merely a matter of waiting until she had graduated from college and he was able to support a wife. His salary now was sufficient, but West Australia was a rough, crude country. It was decided that she should complete her college course.

Neighbors of the Henrys, who met Hoover on his frequent visits to Monterey during this period, describe him as a reserved and unusually serious young man—and one who was determined to make his mark. As was not unnatural, in view of his years of bitter poverty, he had fixed his mind on making money. That was

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<sup>1</sup> Tad had quit Penn college just before Herbert had left for Stanford and had become a linotype operator. Herbert had helped get him a job on *The Salem Statesman*, where he had some influence thanks to the advertising which the Oregon Land Company controlled, and Tad was still working at his trade in Berkeley. He nursed the desire to become a writer—or at least a newspaper man. Herbert, always realistic, discouraged the idea. For one thing he didn't think Tad possessed literary genius. Secondly, writing didn't pay. He encouraged Tad to enter Stanford and to study mining. He offered to help him through college and Tad finally accepted. He entered Stanford in 1897 and in 1901, soon after his graduation Herbert brought him to Australia and placed him in a good paying position.

one reason why he was eager to go to Australia. It was the most active gold camp in the world; there would be many opportunities for an able young man who used his brains. I have it from more than one person that Hoover described his ambitions then in almost these words.

Hoover and Lewis Goldstone, the other engineer recommended by Janin, left San Francisco early in 1897 for London. C. Algernon Moreing, senior member of the firm, wanted to see his assistants before they went to Australia. On the way to New York, Hoover stopped off for two days in West Branch. He called on his relatives, teachers, and boyhood playmates. I have it from several of them that he could not resist a bit of justifiable boasting about the new position and his prospects.

C. Algernon Moreing, the dominant member of Bewick, Moreing & Company, was primarily a promoter. He had become associated with Thomas J. Bewick, an eminent English engineer in 1885, and later a partnership was formed, with Thomas Burrell Bewick, the son, taking a third interest. The Bewicks had technical training, but Moreing's genius lay in financial manipulation. He was a big man, with a booming voice, a masterful nose and a jutting jaw. Like most promoters, he seemed to have almost hypnotic powers when it came to convincing a few confreres or "selling" a skeptical group of shareholders. Although he was not a graduate engineer, he knew as much about practical mining as most of his generation, and some of the biggest men in England were always ready to plunge upon his "tips." When Moreing had a "good thing" he never had much trouble in raising money for a private flotation. Moreing already had promoted the London & Western Australia Exploration Company and had obtained a third interest in the wealthy Hannan's Brownhill mine. The firm of Bewick, Moreing & Company was managing more than a dozen gold mines in West Australia. Goldstone and Hoover had been hired to search out and examine fresh prospects.

Moreing liked Hoover at the first searching glance. As the shrewdest mine promoter in Great Britain, he had to know how to judge men as well as ore bodies. Despite the difference in their ages, there was a natural kinship between them. Both had had to fight for position. Moreing sensed young Hoover's relentless will

and driving power, and knew he could put it to effective service. There was nothing particularly prepossessing about Herbert Hoover at that time; in fact many of his friends declare his ultra-reserved manner was likely to make an unfavorable impression at first appearance; but Moreing saw certain iron qualities beneath the surface. For more than ten years their fates were closely intertwined—and so were their finances.

Some extravagant claims have been made by his "official biographers" concerning the status of Herbert Hoover when he was first employed by Bewick, Moreing & Company. They have contrived to create the impression that this youth of 23 was sent to West Australia to "install American methods" and virtually reorganize the firm's enormous business. One biographer declares that Hoover was placed in charge with a resident partnership soon after his arrival; and another avers that it was his personal efforts which first put the West Australian mines on a paying basis. He also is given credit for introducing new and more economical processes of ore reduction.

It must be patent that an old, conservative firm of British mine managers would hardly seriously consider putting a 23-year-old youth in charge of their Australian business, especially when he was an American, wholly unfamiliar with the field, and a geologist instead of a mining engineer. As a matter of fact, Hoover and Goldstone were hired as "mine scouts," and both served in that capacity for months, reporting on prospects, examining going properties, and obtaining what information they could about new workings in rival mines. Later Hoover *did* become general manager in Australia for Bewick, Moreing & Company, but that was not until 1902.

When Hoover landed in Perth on May 13, 1897, he was assigned to the Coolgardie office under the personal supervision of Edward Hooper, general manager of Bewick, Moreing & Company in West Australia. In October, 1897, Thomas Bewick, senior, died, and Edward Hooper was called back to England to take over a junior partnership. Hoover had hoped to succeed to the resident managership, but Hooper recommended the appointment of Ernest Williams, a Welshman, then located in South Africa. Williams, however, did not arrive in West Australia until March, 1898, and in

the six month interval Hoover had charge of the Bewick-Moreing interests in West Australia.

It was a fortunate "break" for the young American. He was bitterly disappointed over his failure to get a permanent appointment as general manager—from that day he never liked Edward Hooper—but nevertheless Hoover did not waste time sulking. Instead, he proceeded to demonstrate his own abilities in a way that was sure to commend itself to his employers. He cut costs and increased production, thus swelling the profits of Bewick, Moreing & Company—and Hoover carried out this program, according to the accounts of former colleagues, with the single-minded view to his own advancement and with absolute disregard for the feelings of anyone else.

He found the Australian miners were using the old double-jack system, where one man holds the drill and another man pounds it with a sledge. Hoover sent to America for single-jacks, where one man operates the drill with a hand hammer. It was a labor saving device, but the Australian miners refused to use the single-jacks. Hoover was adamant. Strikes resulted, but times were hard and it was possible to get men who would use the new methods. And get them he did, brusquely overriding the protests of the unions. Rose Wilder Lane, his first biographer, says he not only replaced every man on his original staff but refilled some positions several times; and this doubtless explains why he was so cordially hated by a great majority of the mine and office workers in the Bewick-Moreing organization.

This did not worry Hoover. Determined to make a notable record during his brief opportunity, he did not intend to let the personal equation stand in his way. Clerks and accountants who had been with the firm for years were dismissed at the slightest hesitancy to adopt his changed methods. Usually he was dealing with older, more experienced men, and the knowledge of this accentuated his severity. Rose Wilder Lane writes that "when he heard that he was known in West Australia as a hard and ruthless man he did not deny the indictment," and again she states that "His reputation for ruthlessness increased as he went through the organizations, making them over to his own pattern."

Hoover, obviously, had determined to climb to the top and he

was shrewd enough to realize that his progress would be swifter if he could surround himself with partisans. Therefore, he began to supplant the English and Australian mine superintendents with personal friends and former classmates from Stanford. Deane Mitchell, George B. Wilson, Arthur Diggles, Jack Means, W. J. Loring, and R. M. Atwater were some of the young Americans who were brought to Australia by Hoover and installed in positions of authority.

There is no doubt that Hoover showed marked ability on his first executive job in West Australia. He worked incessantly and his dynamic energy spurred other men to renewed efforts. He began to be known as a "driver," but he did not spare himself any more than he spared others. He knew that he would be judged by results, and his one demand was dividends, dividends and yet more dividends.

Hoover was on the go day and night. The properties under his supervision were widely scattered and it required hard traveling to visit them even infrequently. Each mine had a separate problem. Usually he journeyed in a high English trap with three horses driven tandem. Sometimes camels provided the transportation. Hoover's health was bad. He was thin and still suffering from his old eye trouble. The water disagreed with him and he had violent attacks of indigestion. Often he was so ill that he would have a mattress placed on the bottom of a Cape cart and lie on it studying reports as the conveyance jolted over the rutty roads.

Hoover was not yet a mining engineer—as has been previously pointed out there was no such course at Stanford—but he was an excellent geologist and one of his early associates told me that "Hoover could almost smell hidden ore." Also, from the very first, he had a swift, sure instinct for converting his discoveries into personal financial gain. Moreing was quick to recognize these traits in his subordinate and turned them to mutual profit on many occasions. Indeed, Hoover's first real recognition by his employers came as a result of a quick decision which netted Bewick, Moreing & Company more than half a million dollars in a single promotion.

This deal involved the purchase of the Sons of Gwalia mine. Several of Hoover's "official biographers" have flatly declared



that Hoover discovered and developed this enormously valuable mine. Neither claim has the slightest foundation in fact. As its name suggests, the Sons of Gwalia mine was discovered by a group of Welsh prospectors, and it was purchased for \$25,000 by G. W. Hall in 1896. Hall was working the mine with adequate equipment and a large force of men before Hoover landed in Australia. Hall, however, was a dealer in mines rather than a producer, and soon decided to sell the property. As yet its great potential wealth had not been revealed.

Hoover inspected the property and sensed its possibilities—or perhaps he had obtained some definite knowledge from some of the underground workers. In any event, he cabled C. Algernon Moreing in code, urging him to buy the mine. That astute financier acted on Hoover's suggestion. The mine was capitalized at £300,000 (\$1,500,000) and the promoters kept one-third of the shares. Then Hoover's glowing reports were made public and the stock soared in the mining exchange. Moreing's clients made a big clean-up and the promoter did not forget that it was Hoover's sixth sense for ore and instinctive secrecy which had provided this profitable opportunity.

On another occasion Hoover heard about a rich strike in a remote region and started there post haste. He arrived only half an hour ahead of a well financed party headed by G. W. Hall, but the half hour start was all that Hoover needed. He worked so fast in buying up options that there was little left for the rival promoters when they arrived. This mine also turned out well for its purchasers.

Rose Wilder Lane mentions another incident of how Hoover planted an employee in a rival mine—which was sandwiched between two of Bewick-Moreing's properties—to spy out in which direction a rich new ore body was extending, and then cabled the information to London where it was used for another big financial *coup*. It is an interesting story, but let Miss Lane tell it in her own words.

George B. Wilson is supposed to be talking to Herbert Hoover:

“Say, H. C., you know the Associated, down at Kalgoorlie? They're getting out a lot of good ore lately. Working full blast. I'm wondering—”

The legs of his (Herbert Hoover's) chair came down abruptly. He leaned forward, alert.

"Associated? That lies between two blocks of our Aroya. Which way are they working?"

"Well, if their lode runs north or south—"

Back in the game again, the Great Game! The matching of wits; quick mind against quick mind; watching the other fellow; seizing unguarded openings, down there at the furthest outlands, and moving with his movements the kings of the City and the thousands of pawns behind them.

"If they've struck something big it means that Aroya will boom when the secret's out. Get after it, G. B. Find out what they are doing."

Six weeks later, swinging around the desert circuit again on his job as consulting engineer, he came into the Coolgardie office late at night, tired, looking for mail. The box-like room, hot as an oven, was deserted. He sat reading for the second time the letter he wanted, when Wilson came in, bringing an air of controlled excitement.

"They told me I'd catch you here. Well, H. C., I've got it. Been working as shift boss for the Associated. They're following a three foot lode straight into Aroya. I've been surveying all night; they're within twenty-five feet of the Aroya line."

"Where's the codebook?"

He worked out the cablegram in pencil, Wilson clipping a fresh sheet of carbon between two blanks and typing it out as he read it aloud. A cablegram telling the London office to get control of Aroya, quickly. They caught the telegraph man just before he closed his office and it was on its way to the day lighted side of the world. Four hours later the big men in the City would be quietly gathering up Aroya on the London stock market, preparing for another big flotation.

Perhaps it is unfair to expect mine scouts always to be ethical; and West Australia was a hard, pitiless school. Promoters, speculators, and sharpsters from all the world congregated there, most of them ready for any short-cut to fortune. Old timers have told me—and laughed cynically in the telling—that a great majority of the mine managers had private connections with stock brokers

in Albany or Perth, and that customarily reports of new "finds" were made known to these brokers before they were cabled to the home office. A man who didn't play the game for his own advantage was looked upon as a fool. Young men, fresh from college, were apt to lose whatever illusions they had if they remained many months in West Australia.

West Australia was a desolate, flat, sun-baked desert. There was a fringe of green along the sea coast, but hundreds of square miles in the interior consisted of unending "bush," as level and more monotonous than the sea. The only towns were raw mining camps, with a few hundred corrugated tin shacks haphazardly built along straggling streets. Roads were abominable; the hotels wretched beyond description. The climate varied from extremes of heat to sudden bitter frosts. Blinding dust storms came almost weekly. Water was nearly as precious as gold, and timber expensive and difficult to obtain. Only the promise of hidden gold could tempt men to such a barren country—nor is it surprising that they sometimes became utterly careless about the methods by which the gold was obtained.

There is a story still current among the old timers in West Australia concerning one young district superintendent. He was in the habit of meeting several subordinates at a central point, collecting their bullion, and taking it to the bank at Bath. About this time the district superintendent bought an abandoned "tin pan" mine, which, to the surprise of everybody, suddenly began to produce richly—or at least so its new owner reported. Curiously enough, there was a falling off in the profits of one of the properties under the district superintendent's supervision—and this particular mine manager and the superintendent happened to be bosom friends. Investigation disclosed that when the bullion from this mine was smelted, one bar of gold was set aside and not ticketed like the rest. It began to be suspected that this bar was banked to the credit of the superintendent's "tin pan" mine. This suspicion became almost a conviction when the district superintendent departed to new fields and the purchasers of his "tin pan" mine could not make it continue to yield pay ore. The "salting" of mines was another not infrequent practice—though not a healthy one if the "saltings" were detected.

For years there had been a boiling stock market in West Aus-

tralia mining shares. Speculation and promotion came first—mining was only secondary. In less than a decade, British investors poured more than \$120,000,000 into West Australian stocks and hardly five per cent of it went into the actual development of mines. The rest of this vast sum was diverted into the pockets of the promoters. It was there that Horatio Bottomley made his fortune. No "blue sky laws" handicapped "rugged individualism" in Australia and during the height of the boom the shares of any hole-in-the-ground prospect found eager purchasers in London. It required the collapse of Whittaker Wright's grandiose schemes, with his subsequent indictment and dramatic suicide in the prisoner's dock after conviction, to finally prick the financial bubble. Hoover came to West Australia when the re-organization period was just beginning.

Ernest Williams arrived from South Africa in March, 1898, to take charge. He and Hoover clashed almost from the start. The young American still felt resentful because he had not been made permanent general manager when Edward Hooper left. When Williams came it was perfectly natural that Hoover should compare his own administration to that of his successor, and he was not backward about declaring himself the more capable. His native self-esteem was sustained by his Stanford friends.

Williams, likewise, was too conceited to be conciliatory. The arrogant little Welshman was not the easiest person in the world to get along with. Their temperaments set them apart. Hoover mimicked the extreme mannerisms of his new superior, and Williams made no bones about the fact that he looked upon the young American as "a bloody bounder." Yet Williams was far too good an executive to let personal pique blind him to Hoover's rare abilities as a mine scout. Indeed, Williams not only tolerated Hoover, but promoted him to be chief field engineer of the Kalgoorie district, with eight mines under his supervision, and allowed him a fairly free hand.

Dean Mitchell, Arthur Diggles, Jack Means, George Wilson, Lewis Goldstone and R. M. Atwater were now working under Hoover's direction. All these men except Atwater and Goldstone owed their jobs to Hoover; they were fellow-Americans; and it was not difficult to build up in most of them the psychology that their loyalty was to Hoover rather than to Williams. After all,

Williams was an alien by birth, education and habits. These young engineers were stationed in remote outposts. Hoover saw each of them at least once a month. He brought news from home; gossip from other scattered class-mates; consulted with them about their work. Most important of all, it was *his* recommendation by which they would rise or fall; and gradually Hoover made most of them believe that Williams was unprogressive in his methods, unappreciative of their abilities, and prejudiced against Americans—although their very presence in Australia should have disproved that.

Wilson, Goldstone, Mitchell and two other Americans were strong Hoover partisans. So was John A. Agnew, a New Zealander, who later went with Hoover to China and London. Diggles and Atwater attended to their own business and played no favorites as between Williams and Hoover.

The friction between the general manager and the chief field engineer was becoming more and more acute. Tale bearers carried back to Williams many of Hoover's indiscreet remarks. Hoover himself was becoming openly contemptuous of Williams and more than once flouted his authority. The organization was divided into two camps and its morale suffered as a consequence. It was becoming apparent to all the Bewick-Moreing employees in West Australia that either Hoover would replace Williams or Williams must remove Hoover.

It was well known among the office force—and doubtless to Hoover himself—that Williams already had sent several cables to C. Algernon Moreing in London strongly protesting against the growing insubordination of Hoover, and demanding that he be disciplined or removed. Only Hoover's services in obtaining the Sons of Gwalia mine prevented Williams from discharging him outright. But that deal had made huge sums of money for Bewick, Moreing & Company and its clients, and Williams dared not be too precipitate.

Hoover knew well enough how matters stood and he finally brought on the crisis. American engineers were in charge of the important mines in West Australia, thanks to his shrewd manipulation. Suppose all the American engineers could be induced to sign a statement that they would no longer work under Williams? Suppose that this round robin with the resignations of all the Amer-

icans attached was cabled to Moreing at London? These men could not be replaced at a moment's notice. Besides, their production records were good. Moreing would think twice before he permitted his whole organization to be disrupted because of a dispute between Hoover and Williams. If Hoover could get the backing of all the important mine managers, would he not be almost certain to emerge the victor when the issue was clearly drawn?

So he must have reasoned as he dashed from mine to mine over the rutty roads behind his bouncing tandem-drawn trap. Certain it is, that he skilfully fanned the flames of resentment in his compatriots. It was not difficult. They were lonesome and hated the country. Williams' brusque conceit had grated on them. Hoover had brought them here—they had marked him as a coming man—and his methods were their methods. He was in constant contact with them and they seldom saw Williams. It is not at all surprising that Wilson, Goldstone, Mitchell and several others finally decided to stand or fall with Hoover. Diggles was non-committal. Atwater laughingly said he was a mine manager and not a politician.

Hoover's attempted *coup* was cunningly arranged. The Americans had control of all the key mines except the Brownhill which was managed by W. R. Feldtman, another South African, and a good friend of Williams. Unfortunately, for the success of Hoover's scheme, the Brownhill was the best paying mine in West Australia. Feldtman was loyal to Williams. If the superintendent of the most important mine refused to resign it would imperil the whole plan. Hoover laid his wires to bring another American engineer to Australia to supplant Feldtman. Then, with the arrival of this man, Goldstone, Mitchell, Wilson, and the others were to come to Coolgardie, sign the round robin declaring that they would not work any longer under the direction of Williams, and word would be cabled to C. Algernon Moreing in London. They all were confident that this could only result in the dismissal of Williams, and it was naturally presumed that Hoover would succeed to the general managership.

It is not to be supposed that General Manager Williams was idle while this plotting was going on. He knew all about the threatened general strike of superintendents and he took steps accordingly. The American engineer who was to supplant Feldtman at the Brownhill mine suddenly developed a strange reluctance to pro-

ceed with his part of the plot. Meanwhile, Hoover and his satellites had gathered in Coolgardie, ready for their intended *coup*. Williams beat them to it. He already had arranged to bring in competent and friendly engineers to replace any vacancies.

Ready for the issue, Williams met the conspirators. He let it be known that he was aware of their machinations. He blandly suggested that if they were not satisfied with his leadership perhaps it would be well for them to seek other employment. Always hot-headed, Hoover burst into recriminations. Williams' own smooth irony turned to rage.

"You're through," he bluntly informed Hoover. "I am sick of your disloyalty. Collect your papers and get out of this office. Close the door behind you when you go. And do not come back."

There were intemperate words on both sides; charges and counter-charges. Hoover, choking with rage, withdrew, only to rush to the cable office to appeal personally to C. Algernon Moreing in London. The other Americans remained, chagrined and thunder-struck by the swift and unexpected turn of events. Williams had regained his temper with the departure of Hoover. Now he was urbanity itself.

He informed the other Americans that he had no complaints with their work. Indeed, he was pleased with their production sheets. But there couldn't be two heads to an office. If they wanted to be loyal to him they could remain; otherwise—well, they could see for themselves how matters stood. They saw plainly enough. They withdrew, awaiting the results of Hoover's long distance negotiations with Moreing in the London office. Possibly Hoover might be sustained. Then their jobs would be safe. Hoover, too, was all anxiety.

Moreing's answer laid his hopes in ruins. Despite his protests, young Hoover was definitely informed the London office was supporting Williams, and that the London office was fully apprised of the situation. Mr. Moreing was not unappreciative of Mr. Hoover's efforts—on the contrary, he had a high regard for his ability—but discipline must be maintained and no organization could tolerate open defiance of its general manager's orders. If any employees could not give Mr. Williams their whole hearted support it would be best that they resign. The hint was plain enough.

Crestfallen over the complete collapse of his carefully planned *coup*, Hoover returned to his equally disheartened followers. They all realized that they had been outgeneraled by Williams, and they also realized that it meant the end of their careers in Australia with Bewick, Moreing & Co. There was but one thing for Hoover's friends to do. They did it.

Ernest Williams, suave and smiling, accepted their resignations with expressions of polite regret. Decently enough, he offered to keep them on until they found new jobs. Nor were their ruffled feelings soothed by the knowledge that there was general rejoicing over their downfall among the clerks at the Bewick-Moreing offices. "The American clique has got the sack" was the word that went around, and the news caused even more jubilation when the miners poured up through the pit mouths that evening and flocked to the bar rooms to celebrate.

But the incident was far from being a closed one with Herbert Hoover. Urging his friends to stay on the job as long as possible, and assuring them that he still had some cards to play, Hoover hurried to Perth and boarded a vessel for England. He arrived in London in the early Fall of 1898 and immediately interviewed Moreing. He was prolific with charges against Williams and insisted that he and his American friends were almost entirely responsible for the improved showing in West Australia.

Moreing was anxious to placate Hoover and to prevent an open break. Rival mine managers were in the field and he could not afford to have it whispered around London mining circles that the properties under his control were not capably operated. Moreover, he had liked Hoover from the first and was sincerely appreciative of the good work he had done in West Australia.

Moreing had only recently returned from China where he had made some highly profitable investments; and it is probable that when Hoover reached London the British promoter already was laying his plans to acquire at least a part interest in the Kaiping coal fields of China. It so happened that Chang Yen-mao, the largest stockholder in the Chinese company working these fields, and recently created head of the Bureau of Mines of Chihli Province, had written to Moreing that he wanted a technical advisor.

Possibly it occurred to Moreing that this amazing young American with his dominating energy, strong desire for wealth, and



demonstrated talent for secrecy and wire pulling, might be the very man for the job.<sup>1</sup> In any event, Hoover's wounded feelings were assuaged with an offer of the post, and he promptly accepted. His salary was to be \$15,000 a year and travelling expenses. He could pick several assistants. Hoover cabled Mitchell, Wilson, Means and Agnew to join him in China.

Then Hoover sent another cablegram—to Lou Henry this time. Presumably he received an affirmative answer. In any event he booked passage for California and he and Lou Henry were married at Monterey on February 10, 1899, by the Reverend Father Ramon Mestres, a Roman Catholic priest.<sup>2</sup> A few hurried visits with relatives and friends and the Hoovers embarked for China.

En route to the Orient, for all his honey-mooning, Hoover was poring over hastily collected books on China and coal mining, thirstily accumulating knowledge. His Australia hopes had gone sadly awry, but his busy mind already was speculating on the opportunities which might open as the result of this new mission on which C. Algernon Moreing had dispatched him.

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<sup>1</sup> That Hoover was not picked primarily for his technical qualifications is indicated conclusively by the fact that Chang's property was a coal mine and at that stage of his career Hoover had never been down a coal mine. His limited experience had been confined exclusively to gold mines.

<sup>2</sup> There is no especial significance in the fact that Mr. and Mrs. Hoover were married by a Catholic priest. As a matter of fact, all the Henrys were inclined towards free thinking, and Hoover himself never took religion seriously—at least in his early days. It merely happened that Father Mestres, a charming man, was an old friend of the Henry family. Lou Henry once jestingly told him that if she ever married he would officiate, and she remembered this promise on the eve of her wedding.

## CHAPTER V

### *IMPERIALISM AT ITS WORST*

CHINA marked the turning point in Herbert Hoover's career. He spent only a little more than two years there, and after leaving, never returned, but certainly no other period of his life saw such swift strides forward in his struggle for material success—to say nothing of their effect upon his character.

China saw his development from a mining engineer to a man who thought of a livelihood in terms of financial manipulation. China cemented his relations with C. Algernon Moreing and the London group whom he represented. China brought him wealth in one deal. China gave him a post-graduate course in dollar diplomacy. It was in China where he first formed close associations with the Belgian financiers who later drew him into the relief work that won him world wide fame—and ultimately the Presidency. Salem, Stanford, and Australia all helped shape him, of course, but it was China that definitely set him on the path he was henceforth to follow.

He went to China when history was in the making. The Old Empire was going to pieces like a ship in the breakers, and the world powers stood by hungrily waiting to salvage choice bits of wreckage. England, Germany, France, Russia, and Japan already had grabbed off fat slices of territory or were seeking "spheres of influence," while the United States, a trifle behind in the race, was urging the "open door" policy so that its concessionaires—as grasping as the rest—might not be crowded out entirely. China was the largest unexploited market in the world; its undeveloped resources were rich beyond computation; and the sordid imperialism displayed then by diplomats and industrialists sowed the seeds of at least two wars and still are bearing a bloody crop of anarchy in China itself. Hoover had come to Australia right after the collapse of a speculative bubble; in China, oddly enough, his arrival also coincided with collapse—the collapse of the world's last

stronghold of feudalism. In both continents he profited by his opportunities.

C. Algernon Moreing was the foremost mine manager in Australia, but like Alexander the Great, he sighed for more worlds to conquer—or rather for more mines to manage. To him would come geologists and engineers with reports from all corners of the globe and he long had known that China held rich mineral opportunities. It pays a man to be forehanded about such affairs, and as early as 1898 he had gone to China at the invitation of the liberal-minded Viceroy Li Hung Chang for the purpose of conferring with the Chinese government about the possibility of interesting European capital in its undeveloped mines. On that occasion Mr. Moreing met Chang Yen-mao, who had just been appointed by Imperial decree as Director General of Mining Operations for the Provinces of Chihli and Jeho, and Assistant Director of Chinese railroads.

Mr. Moreing's trip was not wholly without profit. Through the good offices of Gustav Detring, a German who was Commissioner of the Chinese Customs Service, and advisor to Chang Yen-mao, Mr. Moreing arranged a loan of \$1,000,000 at 12 per cent interest on debentures of the Ching Wang Toa harbor improvement project, an enterprise started by the Kaiping Mining Company. Mr. Moreing kept half of this loan for himself and parcelled \$500,000 out to companies in which he was interested.

Moreing knew that Detring had great influence with the Chinese government and, as he testified later in a London court, he tried to persuade Detring to resign from the Chinese customs and accept employment with his firm. If Moreing had succeeded in hiring Detring, it is probable Hoover never would have seen China and his history might have been vastly different. But Detring declined, whereupon Moreing says he arranged to give Detring a half share in any mining or financial business which he could develop in China. Detring denied there was such an agreement, but in the light of subsequent events his denial can hardly be taken seriously. In September, 1898, he wrote to Moreing, asking him to send to China a mining expert to act as assistant and technical advisor for Chang Yen-mao at a salary of \$15,000 a year and all expenses. It was right after this that Hoover so opportunely arrived in London after his dismissal in Australia. This explains how Hoover, then only 25

years old, and with decidedly limited technical experience, came to be selected as advisor to the Chinese Minister of Mines.

The time has come when we must make some very plain statements about the actions of Mr. Hoover. Heretofore, as the reader can testify, we have given him the benefit of every doubt. But it is impossible to justify his course in China—he could not justify it himself when he was called to the witness stand of a British court of law, and the decision of the judge in that case clearly shows that he, too, considered Hoover's conduct extremely reprehensible. That is why his "official biographers" have taken such elaborate pains not to let their readers know the part that Hoover really played in the "conversion" of the immensely valuable Kaiping Mines from their Chinese owners into the hands of a few British and Belgian financiers.

The "official biographers" have tried to make it appear that Hoover intervened as a sort of protector after repeated requests by the Chinese stockholders, who feared their property might be confiscated; and in the subsequent court proceedings they represent Hoover as coming forward voluntarily and testifying to such effect that the property was restored to the Chinese owners. They even distort the judge's decision so that many persons believe Hoover was not a defendant and was not referred to in the scathing remarks which the judge delivered from the bench. In short, the facts have been so persistently misrepresented that even some foes of Herbert Hoover's have come to believe his actions in the Chinese Engineering Company case are not open to criticism.

The truth is that the "conversion" of the Chinese coal mines was marked by fraud, force and financial chicanery at almost every step of its proceedings. It was a deal so utterly discreditable that it cannot be defended when all the facts are known. The British judge denounced it as "a flagrant breach of faith which would not be tolerated in any country" and the Chinese government referred to the documents which Hoover procured as "a stealthy and illicit contract." This language will seem restrained when all the details are brought to light. The whole affair partook more of brigandage than business, and making every allowance for sharp commercial practices, it is simply impossible to uphold transactions founded on false promises, unfulfilled pledges and actual coercion.

It is not surprising, therefore, that some of Mr. Hoover's de-

fenders gloss over or entirely misrepresent the long series of episodes which we are about to describe. According to his chroniclers, Herbert Hoover's two years in China were spent in undertaking a comprehensive survey of the mineral resources of the vast empire (a task which couldn't even be outlined in two years); in drafting a new mining code for China (this was done six years later by trained legal experts); in distinguishing himself by prodigies of valor at the siege of Tientsin (these exploits were not mentioned in any newspaper accounts or by contemporary historians); and finally in re-organizing and re-financing the coal mines of his friend and employer Chang Yen-mao so that this property might be kept out of the hands of the "grasping powers."

Every patriotic American would like to believe this account of Herbert Hoover's activities in China between 1899 and 1901, but unfortunately the favorable picture presented by his friends simply does not conform with the facts. There need be no uncertainty whatever concerning Mr. Hoover's connection with the "conversion" of the property of the Chinese Engineering & Mining Company. Every step in the proceeding can be retraced and Mr. Hoover must share the obliquity just as he participated in the reward.

Court records, including the sworn statements of Mr. Hoover himself; diplomatic dispatches recorded by the British Blue Book on China; documents contained in the official White Book issued by the Chinese government; two judicial decisions in the British lower and higher courts; letters written at the time by Mr. Hoover in an attempt to justify his conduct; the pages of the *British Mining Manual*; contemporary Chinese newspaper accounts of meetings of protest held in Tientsin and Shanghai by angry stockholders who cited their specific grievances; and lastly the long drawn negotiations conducted between the British Foreign Office and Chinese government, which ultimately resulted in partial restitution by the British and Belgian promoters some 12 years after they had "converted" the mine from possession of its original owners, are all available to prove the precise part which our President played in consummating a deal which might have provoked a war if China had possessed sufficient military might to resist the aggrandizement of the British Empire. For first and last the London Foreign Office supported this unconscionable promotion so as

to give the English Navy a coal supply in the Orient; and so determined were the British to keep these collieries that they refused to submit the dispute to the arbitration of the Hague when this step finally was suggested by the Chinese government.

Mr. Hoover, of course, and his political managers were well aware that the skeleton of the Chinese Engineering & Mining Company case was certain to be rattled in the 1928 presidential campaign. With infinite care and considerable cunning an explanation was devised. It was a perfectly plausible explanation, too—if one accepts its premises—and not only exculpated Mr. Hoover of any improper motives, but tended to show that his conduct throughout had been unselfish and praiseworthy. But, as we shall presently prove to the complete satisfaction of any unbiased person who really seeks information, the so-called explanation concocted by Mr. Hoover's political backers deliberately suppressed certain vital facts and other equally vital facts were falsified. Consequently, this so-called explanation, although put forth with a great show of authority, bears little or no relation to the truth.

Nevertheless, the explanation advanced by Mr. Hoover's political managers served to silence any criticism during the last campaign. In the first place, for reasons best known to himself, Mr. Raskob, the Democratic National Chairman, seemed very loath indeed to have any "mud-slinging", although Mr. Smith was being viciously maligned throughout the country by a well organized whispering campaign. In the second place, no one at that time had the exact information necessary to refute the Hoover defense. The court records in England were closed to inspection; every one connected with the case was unwilling to talk; and apparently no one in this country was aware of the documents contained in the Chinese White Book and the Foreign Offices of England and China. The files of London newspapers, it is true, had carried abbreviated, although fairly accurate accounts of this trial in 1905, but this information could not be accurately interpreted without knowledge of what had occurred in China in 1900 and 1901. No one seemed to have this knowledge—which is not so strange considering that strenuous efforts had been made to suppress every bit of evidence which in any way reflected on Mr. Hoover.

When I began my research into the history of Mr. Hoover I soon ran up against the same blank wall that has baffled every other

investigator. Records were closed; officials denied the existence of certain documents; books and pamphlets had mysteriously disappeared from public libraries; and the few persons who had personal knowledge of the facts almost invariably refused to talk. I persisted, however, and finally my patience was rewarded—thanks in part to a purely lucky chance. As a result, I am now able to relate the complete story of Mr. Hoover's actions in connection with the "conversion" of the Chinese Engineering & Mining Company. It is the first time that the entire story has appeared in print, but, as the careful reader will note, every vital point is buttressed by irrefutable proof, and neither Mr. Hoover nor any of his numerous apologists can successfully challenge a single essential statement of fact.

Here are the facts—and all of them:

Chang Yen-mao, Herbert Hoover's employer, not only was Director General of Mining Operations in the provinces of Chihli and Jehol, but also was a large stockholder and managing director of the Kaiping Mines, located near the Gulf of Pechihli. The field extends for 23 miles along the Tientsin-Newchang Railway and the center of the coal field is only 62 miles from the port of Ching Wang Tao. It is an enormous field of high grade bituminous coal easily accessible by both rail and water.<sup>1</sup>

The company had been founded in 1878 by Tong King Sing who received a charter directly from the Throne. This charter declared it to be a mercantile stock company under official control. All the regulations connected with the administration of the company were referred to the Viceroy of Chihli for approval before going into effect, and the more important regulations had to be submitted by the Viceroy to the Throne for official sanction before their adoption. The Throne appointed inspectors to watch proceedings, to check the output of coal, and to see that duties and royalties were paid. The Chinese government participated in the profits and appointed representatives on the directorate. All purchases of land, though made with the funds of the company, were reported to the Viceroy of Chihli, and no new shafts could be opened without his permission. Areas also were defined in which no shafts could be sunk by rival companies. Every step the com-

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<sup>1</sup> Herbert Hoover in 1902 estimated there were 400,000,000 tons of recoverable coal in the Kaiping field.

pany took from its very inception showed that the Chinese Throne claimed and maintained sovereign rights over the area in which the company worked. Indeed, it may be stated that to all intents and purposes, the mining properties were held under lease from the Throne. Neither the company in its corporate capacity, nor the directors in their official capacity had the slightest legal authority to alienate the properties or to transfer any of the rights granted them under the charter. It is highly important to bear the above facts in mind.

The Kaiping Mines owed their inception largely to the progressiveness of Viceroy Li Hung Chang. He recognized the importance of making China independent of the European powers so far as possible, and won the Throne's assent in starting the Kaiping prospect. By 1894 the Kaiping Company was operating three big collieries and had constructed a 15-mile canal and completed a railroad to Tongku with a branch line to the ice free port of Ching Wang Toa. The Kaiping Company also operated a fleet of steamers, had made costly improvements in its harbors; possessed very valuable sites in Tientsin, Tongku, Chefoo, Newchang, Hangchow, Canton, Hsu Ko Chang and Shanghai; owned shares in the Tientsin-Tongshan Railway; also held stock in the Chang Ping Silver Mines, the Kien Ping and Yung Ping Gold Mines; and was successfully running a cement plant near Tongshan. The Kaiping Mines employed more than 20,000 men; had produced 6,525,000 tons of coal between 1881 and 1898, and according to a paper read by Herbert Hoover himself before the Institution of Mining and Metallurgy in London on July 19, 1902, customarily paid 12 per cent dividends. The stock was held almost entirely by Chinese mandarins and wealthy merchants. The foregoing facts are related somewhat in detail merely to give an idea of the magnitude of the Kaiping Mines' operations and to show that it was a going concern long before C. Algernon Moreing and Herbert Hoover first heard of the coal field. At a conservative estimate, the property of the Kaiping Mines in 1900 was worth \$50,000,000. It was the biggest single commercial enterprise in China and fully 100,000 persons were dependent upon it for their livelihood.

The Kaiping collieries had a monopoly on supplying the Chinese Imperial fleet, and warships and merchantmen of other nations putting into Asiatic ports almost perforce had to fill their empty



bunkers with domestic coal. Under Chinese control the mine had paid handsomely; with more modern improvements under European management it would yield even greater profits. There was no richer prize in all the Orient than the Kaiping Mines and more than one group of foreign financiers looked upon the properties with avid eyes.

Like vultures, circling over some wounded animal, they sensed the early death of the old Empire. England had taken Wei-Hai-Wei and the rich territory around Hong Kong. Russia, in possession of Port Arthur, already was scheming to seize all of Manchuria and then to wrest Korea from Japan. The murder of three missionaries had given Germany a pretext for annexing Kiao-Chau; and France was administering Kwang-Chau-Wang. There would be other spoils soon. Each nation dispatched its cleverest diplomats to Peking, while at Hong Kong, Shanghai, Tientsin and the other treaty ports, hardly daring to venture beyond the range of the warships' guns, a flock of international sharpers fleeced one another while they impatiently waited for the signal guns of war which would finally turn them loose to plunder with impunity.

Others besides Moreing and his British associates knew the value of the Kaiping Mines. The Rothschild interests had agents in China on the look-out for mineral concessions, and numerous German and Belgian scouts also were in the field. But, if Moreing did not have the race to himself, he certainly had the inside track. In the first place, he held \$500,000 of the Kaiping Mines' debentures—at 12 per cent interest—and Detring,<sup>1</sup> who was Chang Yen-mao's financial advisor, had been promised a 50-50 split if he could persuade his Chinese patron to permit Bewick, Moreing & Company a slice of the profits.

In the second place, Herbert Hoover had been placed in the post of technical advisor of the Kaiping Mines and this meant that another Moreing partisan always had easy access to Chang's ear.<sup>2</sup> It also meant—and perhaps this was most important—that More-

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<sup>1</sup> Detring's influence with Li Hung Chang was so great that the Bureau of Mines and Railroads was created in 1898 on his recommendation. Previously, in 1897, Detring had defeated the schemes of a group of Belgian capitalists who sought sweeping railroad concessions. The creation of the Mining and Railroad Bureau and Chang Yen-mao's appointment followed Detring's memorial to the Throne.

<sup>2</sup> When Chang Yen-mao was on the witness stand in London he said that "Hoover constantly brought before me schemes connected with the mining enterprises but I never consented to any of them."

ing would have at his disposal accurate first-hand information about the mines which Hoover acquired in his official capacity.<sup>1</sup> Despite the peculiar advantages possessed by Moreing, he did not make much headway with his plans. Chang Yen-mao was a shrewd business man. He had made several million taels by his own efforts and his successful management of the Kaiping Mines was a measure of his ability. Not unnaturally he was disinclined to give European capitalists part of his profits, and, even had he agreed, such a proposal would have to be submitted to the Imperial Throne for ratification. In any event, the records show that Chang consistently declined the promotion offers of Hoover, Detring and others.

But Moreing did not become discouraged. His inside information gave him a distinct advantage. Detring kept corresponding with him about the possibilities of converting the Kaiping Mines into an Anglo-Chinese corporation and Hoover, too, was making frequent reports. Both men were shrewd observers. Probably they warned Moreing that the fall of the old Empire was impending and at least hinted that events might force Chang's hand. Also, Moreing had another source of information from high placed friends in British diplomatic circles. Before going to China in 1898 he had consulted with Lord Salisbury, the British Premier, and Lord Curzon, Secretary of State. He also has testified that he laid Hoover's reports before Lord Salisbury. There is no doubt at all that the British Foreign Office was apprised of C. Algernon Moreing's purposes from the very first, and it gave its decided approval, for the British Navy needed a nearby supply of coal for its Far Eastern naval bases.

In June, 1899, Detring wrote Moreing a long letter, stating among other things, that the revenues of the Kaiping Mines were insufficient to carry out on a pay-as-you-go basis certain improvements planned by Hoover, and adding that the Chinese Imperial treasury was depleted. It might mean an opportunity to negotiate

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<sup>1</sup> Hoover's first activity after reaching China was to make a survey of the geology of the Kaiping coal field. He not only went into the extent of the ore bodies, but the cost of operations and all other points germane to successful promotion, and a voluminous report covering every phase of this survey—and signed by H. C. Hoover—was in Moreing's possession early in June, 1900. The report estimated the value of the coal at \$40,000,000 at the rate of \$1.50 per ton.

some more debentures—or possibly the long dreamed conversion of the Kaiping Mines into an Anglo-Chinese company could be consummated.

C. Algernon Moreing was never the man to overlook an opportunity. In conjunction with W. F. Turner and F. W. Baker, well known London financiers, the Oriental Syndicate was organized in 1899 with the names of seven clerks as incorporators. It was designed as a holding company to acquire whatever gifts the gods might offer. With this done, Moreing sailed for China in December, 1899.<sup>1</sup> The deal already had hung fire too long. It promised such tremendous profits that he dropped his other work in the hope of bringing Chang to terms.

Even Moreing's persuasive and forceful personality failed to budge the canny Chang. It was true, he admitted, that funds would be needed to carry out certain improvements, but before any foreign loan could be negotiated it would be necessary to get the sanction of the Throne. That, Chang knew, would be impossible at this time. The Dowager Empress was the dominant power in the Forbidden City and she and her closest advisors were hostile

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<sup>1</sup> On January 30, 1900, shortly after C. Algernon Moreing had sailed for China, Herbert Hoover wrote to the London office of Bewick Moreing Company in part as follows:

" . . . Unless Mr. Moreing can effect some financial arrangements whereby we can have absolute control the game is not worth the candle."

Then comes a long account of the "agony" of operating the mines with the details of "squeeze" (corruption) by Chinese under-managers and of how the laborers, too, steal part of the output. Then:

"I start out again as soon as Mr. Moreing gets away—we expect him next month . . . H. E. Chang Yen Mow has been given some authority over two more provinces and I am sending for some more young men to act as semi-engineers prospectors . . . I have been compelled to take over consulting engineership of the Kiaping Coal Mines with no authority—and the mgm't is rotten and if I kick the foreign mrg will array his Chinese supporters against us and do us damage . . . We have a general basis upon which I think we can secure advantageous control if we can put it through . . .

Sincerely yours,

H. C. HOOVER."

The letter is in Hoover's own handwriting and the mis-spellings of "Mow," "Kiaping" and "foriegn" are Hoover's. (It will be remembered that he flunked in English at Stanford.)

Another portion of the letter stated that although he could get no development work done he was carrying on prospecting all over the territory and the information be obtained would be very useful to Bewick, Moreing Company.

At that time Hoover's salary was being paid by Chang Yen-mao—later in Who's Who he claimed he was an employee of the Chinese government—yet he was obviously laying plans to get control of the mines and informing Bewick, Moreing Company of every step he took.

to European influences. After all, the improvements could be postponed. Conditions were unsettled. He would wait and see what the future might bring. Detring and Hoover, of course, advised the introduction of foreign capital, but Chang was immovable. Moreing could not cool his heels forever; pressing affairs called him elsewhere. Finally he returned to England. So matters stood in May, 1900.

Then the long-heard rumblings of discontent among the cruelly exploited masses of the Chinese people suddenly flared into the savage outbreak known as the Boxer Rebellion. The "100 days of reform" had abruptly terminated with the execution of the reformers and the cancellation of the progressive decrees. Sun Yat Sen and other advocates of democracy were in exile or hiding.

The feeble Emperor Kwang-Hsu was a prisoner in the Peking palace and his liberal advisors were in disgrace. The old Dowager Empress was back in the saddle and behind her were the elder mandarins who always had hated the Europeans and blamed the evils of the country upon their encroachment. All the arrogance of foreign diplomats; of indemnities forced under the guns of battleships; of territory seized; of rich treaty ports turned into British, French, German and Russian concessions; the resentment caused by the thoughtless acts of missionaries—in short, all the friction and hatred accumulated over decades concentrated itself into a fanatical campaign against the "foreign devils" as the Boxer bands set out to extirpate the aliens.

It is a long story and it has been told by many able historians. It need not be recounted here. Suffice it to state that missions were burned and the missionaries either murdered or driven from the country; engineers, commercial travelers and all Europeans in the outlying districts were forced to flee; and almost before the scattered news reports from the interior allowed anyone to grasp the magnitude of the disaster, the foreign legations at Peking were surrounded by howling mobs of Boxers, while almost simultaneously the 4,000 foreigners in Tientsin were besieged by an army of 30,000 Chinese irregulars. Fortunately, sizeable detachments of British, Russian, and Japanese troops were stationed at Tientsin; for within a few days the Imperial troops sent to protect the foreigners "went Boxer"—undoubtedly on the orders of the half-insane old Empress—and for the next three weeks it was

a desperate fight to hold off the yellow hordes until American, British, French, German and Russian troops could be rushed from the coast to lift the siege of Tientsin and then fight their way into Peking to relieve the beleaguered legations.

The Boxer rebellion brought Hoover his opportunity. He was at Tientsin when the storm broke. So was Chang Yen-mao. Detring also was in Tientsin. The stage was set; all the actors present; and as the curtain lifted there occurred certain events which speedily induced Chang Yen-mao to change his mind about the introduction of foreign capital into the Kaiping Mines.

What follows reads like a romance—or rather like an old-fashioned melodrama, staged amid a setting of bursting shells, with hordes of coolies howling off stage, while minor diplomats, British navy officers, army commanders from three nations, Chinese functionaries and half a dozen vitally interested civilians all played their appointed rôles. The plot was melodramatic, too, with its high climactic moment at the end of the second act when Chang Yen-mao was rescued in the nick of time just as he was to face a firing squad.<sup>1</sup> We are not, however, dealing with fiction—although the stark baldness of the proceeding invites disbelief—but with facts which are attested to by the sworn testimony of some of the chief actors, the statements of persons present who manfully protested while the events were still fresh in the public mind; the contemporary reports in Anglo-Sino newspapers close to the scene; court records and the invaluable evidence contained in the Chinese White Book and the British Blue Book.

Naturally, secrecy was a necessary precedent for the sordid scheming that went on behind bullet-proof walls while less materially minded men were dying in the defense of nearby barricades; but, although it may not be possible to reproduce precisely what this or that principal said after a lapse of 31 years, every

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<sup>1</sup>There also was the element of comic relief. One amusing incident concerns the loss of Herbert Hoover's cow, as is related by David Starr Jordan in his autobiography. Presumably he tells the story as Hoover told it to him. It seems that one night the Hoover cow was missing. Hoover's country upbringing suggested a sure method of discovering the animal. The cow had a calf, and accompanied by three or four American and English friends, with a Chinese servant leading the calf, Hoover proceeded along the shell torn streets, feeling reasonably sure the disconsolate mother would respond to the lowing of her hungry offspring. Eventually the cow was discovered in the camp of some German officers. At first they denied that the cow was on the premises, but forced at least to admit the truth they said the cow and calf should no longer be separated—and kept them both.

essential step will be reconstructed and the reader can get a clear picture of what actually occurred. Indeed, the acknowledged outcome tells its own eloquent and unmistakable story.

Chang prudently retired to his European palace in Tientsin when the Boxer bands first began to surge out of the interior. His employment of "foreign devils" at the Kaiping Mines had made him a suspect with these fanatics, and quite probably his life would have been jeopardized had he fallen into their hands. Moreover, his friendship with Detring, and with Detring's son-in-law, Constantin von Hanneken, former captain in the Prussian Guard and organizer of the modern Chinese army, had given him a very clear insight into the vast resources and military power of Europe. Chang hardly could have had any doubt as to the final crushing of the uprising when he sought the shelter of his home at the commencement of the siege of Tientsin. But when the Imperial army joined the Boxers, his position suddenly was different—and more difficult.

Chang knew that the army must be acting under direct orders from the Dowager Empress—and he owed his wealth and position to her patronage. What if these foreign settlements, which dotted China like tiny islands, *were* swept away in the rising tide of resentment—even temporarily? Inevitably this would mean his death or disgrace if he still clung to the foreigners. The roar of the battle grew louder and louder about him and he saw the increasing desperation of the defenders. Chang was a politician and of all politicians the Chinese are the craftiest. Why not be with the winning side—which ever it might be? So he must have shrewdly reasoned. After all, he was Chinese and long had been a favorite of the old Empress. It hardly could be surprising if he took steps to insure his own safety regardless of the outcome.

Chang's double-dealing has been disputed <sup>1</sup>—admittedly in that

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<sup>1</sup> William McLeish, a Scotch journalist who took an active part in the defense of Tientsin, kept a diary all during the siege in which he set down practically every occurrence of importance. Mr. McLeish, who was in position to judge, apparently took no stock in the stories of Chang's attempted treason. According to his version, Chang helped the defenders. Under the date of Thursday, June 21, Mr. McLeish made the following entry:

"The evening search party, in consequence of information received from Mr. Chang Yen-mao, visited a godown and found cases of rifles and tens of thousands of rounds of ammunition, a very valuable find for contingent troubles, as our own supply, though good was not laid in for a month's siege."

On the following day, June 22, Mr. McLeish reported the arrest of Chang as

atmosphere of tense terror it would have been easy to foment false charges against any Chinese—but nevertheless the preponderance of evidence strongly indicates that when affairs looked blackest for the defenders, Chang probably undertook private negotiations with his friends among the officers of Imperial troops in the hope of at least saving his own and his retainers' lives. Perhaps he should not be judged too harshly for yielding to the instinct of self-preservation, but he was looked upon as a renegade by some of the Europeans in Tientsin and at least one of the English-owned papers of the China Coast bitterly excoriated his treachery.<sup>1</sup>

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follows:

"By order of Capt. Bayly, Mr. Chang I., Director Tong and Mr. Lo were placed under surveillance today. Mr. Consul Carles was present. There was some silly talk about asking Mr. Chang to bribe the Chinese to cease shelling our women and children by giving them \$100,000 afterward. Failing this, Mr. Chang and other Chinese gentlemen were to be placed in the Tower so persistently shelled, and the fact was to be notified in large characters. I tabulate this a sample of the nonsense that is freely bruited about."

After reading the entries of Mr. McLeish, one wonders whether the charges against Chang may not have been in the nature of a frame-up, especially designed to wring from him the signing of the power of attorney and other desired documents.

<sup>1</sup> The *Shanghai Daily Press* of Monday, November 24, 1902, in an article headed "The Kaiping Coal Mines" said:

"The early history of the present Chinese Engineering and Mining Co. has never been published, we believe, but a knowledge of the facts will throw some light on the mysteries of the present situation.

"Formerly the Kaiping Mines were entirely Chinese owned, and Chang Yin-mow was chief director. When the Boxer trouble broke out, Chang Yin-mow was in Tientsin. He had and still has a very large house, luxuriously fitted as may be expected of a Chinese millionaire.

"When Tientsin was at the worst part of the siege, Chang Yin-mow and his house were under very grave suspicion. To begin with, Boxer charms, slips of yellow paper with talismanic signs on them were posted upon the doors of Chang Yin-mow's house. In the early days of the siege, some of the Tientsin volunteers stated positively that they had been fired at from Chang Yin-mow's house; and on a search being made, several cartloads of rifles and ammunition were found on the premises.

"Chang Yin-mow was immediately arrested and for a time was in imminent danger of being shot or hanged. Another highly suspicious circumstance was that Chang Yin-mow sent for one of the Kaiping coal steamers to come up to Tientsin to take away his household, himself, and belongings at dead of night, at a time when no steamers had been to Tientsin for months, and when, if there had been a steamer, it would have been a priceless value to the foreigners besieged.

"This little trick was nipped in the bud through the smartness of certain I.M.C. volunteers who chanced to notice the steamer in the darkness and spotted the Chinese sneaking up on board.

"The third incriminating fact was that when the foreign authorities responsible for the defence at Tientsin had been persuaded by Chang Yin-mow to let him send out a letter to the Chinese besiegers, and when Chang Yin-mow had solemnly sworn that he was appealing for suspension of hostilities for the sake of foreign

Early in the siege, before the first reinforcements sifted through from the seacoast, it was touch and go for nearly ten days. Seventeen hundred Russian troops, who had been cut off from following Admiral Seymour's expedition, were forced to remain in the city and it was only their accidental presence that saved Tientsin. But even with the unexpected aid from the Russians, the lines were thinly manned. More than once it looked as if the Chinese might overwhelm the barricades by sheer weight of numbers. Coolies and "Christianized" natives were pressed into service as trench diggers and stretcher carriers, but many proved unreliable and eventually it was decreed that no Chinaman could appear on the streets after sun-down unless accompanied by a white person. Then there was sniping from ruins in "No Man's Land" and compounds bordering the European settlement. Finally some civilian

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women and children, it was found that he treacherously substituted a totally different letter asking that the extermination of Tientsin foreign settlement be postponed just long enough to let Chang Yin-mow and his family get out.

"These are the main points of the indictment, and it is a marvel that the man was allowed to live. The facts were undoubtedly and are officially on record and have never been disputed.

"But the more potent facts were the unrecorded ones. When a Chinaman is face to face with death, and has millions of taels at his back, it hardly need to be said that all bribable persons within reach can have whatever they ask.

"Detring asked that the entire property of the Chinese Engineering and Mining Company be transferred to his name as chief director, together with considerable blocks of shares held by Chang Yin-mow. What Hanneken got we cannot say, but he is not the man to refuse whatever good gifts the gods bring. Of the German Consul we can say nothing one way or the other, and of the British Consul, Mr. Carles, we can say he is one of those weak foolish persons who can without any inducement whatever be persuaded to do any mortal thing if it is only silly enough.

"The end of it all was that Chang Yin-mow was released. And Mr. Detring floated in London his Belgian Bubble Company under the name of the Chinese Engineering and Mining Company. With such an origin nothing but trickery could be expected and the pity is that honest men have permitted themselves to be made the playthings and the tools of such persons as Chang Yin-mow and Detring.

"The facts were not known or assuredly there would not have been sensible business men in Shanghai willing to throw their money into a concern floated as described. The general public, of course, pinned too much reliance on the undoubted fact that there is good coal at Kaiping.

"The success of any enterprise depends not only on the raw material or the productiveness of the field, it depends even more vitally on the character of the men in chief command. What manner of men are in command of the Chinese Engineering and Mining Company it is for the shareholders themselves to judge. But as to the doings of Chang Yin-mow and Detring two years ago, the official records are our authority for what we have stated, and in addition we have abundant testimony of persons who were there and saw the things we have said. Of subsequent jugglery with the market we have less direct knowledge."



volunteers swore that they had been fired upon from Chang Yen-mao's palace.

The place was searched and more than 100 rifles and many thousand rounds of ammunition were discovered. Boxer talismans were pasted on the doors, while posters and inflammatory proclamations were found in possession of some of his retainers. (Of course Chang might have had no knowledge of this.) Chang was charged with communicating with the enemy and when one of the vessels of the Kaiping Mines fleet went aground near Tientsin it was suspected that he was trying to flee the city.

Captain Bayly, the provost marshal, promptly placed Chang Yen-mao and two of his subordinates under arrest. The arrest, according to irrefutable records, took place on June 22. Gustave Detring immediately visited Chang in an improvised jail in the home of T. G. Fisher.

There also is good reason for believing that Herbert Hoover interviewed Chang in jail. Eames, an English barrister retained by Hoover, testified that he visited Chang. Just what form of persuasion was employed there is no means of telling after the lapse of thirty-one years; <sup>1</sup> but Chang was in imminent danger of death by court-martial and Detring and his son-in-law von Hanneken <sup>2</sup> were probably the two most important personages in the foreign colony. If they could not save him no one could. Considering the circumstances, it is not at all strange that Chang Yen-mao speedily decided to sign a sweeping power of attorney giving Detring the right to deal with the property of the Chinese Engineering and

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<sup>1</sup> At the trial in London, Detring testified that when he saw Chang in jail at Tientsin he told him that the Russian troops had seized part of the property and Japanese troops another part and suggested that the mines be placed under the protection of the British flag. Obviously, Detring gave Chang a false impression of affairs because the Russian and Japanese troops did not move on the Kaiping Mines until early in September. However, it was known all over Tientsin early in July that the British troops *intended* to occupy the property the moment men could be spared from the relief of Tientsin and Peking. As a matter of fact, the mining property was not occupied by the British troops until September 30, although the offices in Tientsin were seized much earlier.

<sup>2</sup> Constantin von Hanneken, former captain in the Prussian artillery, came to China in 1884. He had been confidential aide to Viceroy Li Hung Chang and had charge of the modernizing of the Chinese army. Capt. von Hanneken also designed the Russian forts at Port Arthur and was an intimate friend of Col. de Wogack, who commanded the Russian contingent. It was von Hanneken's arguments with the Russian commander that saved Chang from court martial.

Mining Company "as he will think best in the interest of the shareholders." Chang had been arrested on June 22. He signed the power of attorney on the following day—June 23, 1900.<sup>1</sup>

Detring and Hanneken (Hoover's biographers claim that *he* was the chief interventionist)<sup>2</sup> immediately used their strong influence with the military authorities, and after a brief incarceration Chang was allowed his liberty, although he was still theoretically under surveillance by Provost Marshal Bayly.

Allied troops—including American veterans from the Philippines and British Tommies diverted from the campaign against the Boers in South Africa—had been rushed to Tang-Ku and the siege of Tientsin was lifted on July 13. As soon as the road to the

<sup>1</sup> Below is a verbatim copy of the power of attorney signed by Chang Yen-mao the day after his arrest:

I hereby appoint Gustav Detring of Tientsin the attorney and General Agent of the Chinese Engineering and Mining Company and give him full powers to deal with the property of the Said Company as he will think best in the interest of the shareholders.

(Signed) CHANG Director General  
 CHOU Chief Manager  
 Witness T'AN HSIAO-CH'UAN  
 PA-LA-SSU

Tientsin, 23rd June, 1900

<sup>2</sup> Rose Wilder Lane in *THE MAKING OF HERBERT HOOVER*, on page 275, says:

"It had been a wise forethought that put Wilson inside the palace walls (Chang's palace) and kept him there. Wilson had learned Chinese, and day and night he had been with Chang watching all that occurred in the compound. He was able to testify positively that the pigeons had not come from Chang Yen Mao's household (according to the Lane account Chang had been accused of communicating with Boxers by carrier pigeons) He and Herbert Hoover stood sponsor for it before the authorities and saved the life of the imperturbable Chang."

Will Irwin, in *HERBERT HOOVER, A REMINISCENT BIOGRAPHY*, says, on page 98:

"Now still more perturbing news. Chang Yen Mao, Hoover's chief in the Bureau of Mines, with Tong Shao Ye, another friendly mandarin, had taken refuge in the foreign settlement. And this mad provost had arrested them, begun drumhead proceedings against them as snipers and spies. This time pledges and threats did not move him. Now it happened that a Colonel Wozack, who had been Russian military attache in Peking, commanded a Russian detachment at the barricades. He knew these Chinese officials. Hoover rushed out and found him. As a soldier talking to another soldier and as a diplomat, Wozack backed the provost down, secured release for both Chang and Tong."

Will Hard in *WHO'S HOOVER*, on page 105, states:

"His Chinese chief—Chang Yen Mao—residing in Tientsin—got badly misunderstood by the local authorities. He was on his way to summary elimination when Hoover intervened—successfully—with a guarantee of his innocence. Thence came many consequences, lasting even till now."

seacoast was cleared, Chang Yen-mao left for Tang-Ku, 80 miles from Tientsin on the seacoast. In a few days, Hoover, Detring, von Hanneken (who henceforth figures in the affairs of the Chinese Engineering & Mining Company) and the barrister Eames followed him.

There, almost under the guns of the British battleships, several conferences were held between Chang, Hoover, Detring and von Hanneken, the barrister Eames assisting with legal advice.<sup>1</sup> Finally, on July 30, 1900, under authority vested by his power of attorney, Detring entered into an agreement with Herbert Hoover whereby "all the lands, houses, buildings, goods, and chattels, rights, interests and franchises belonging to, vested in, held or enjoyed by the said Chinese Engineering and Mining Company" were assigned to Hoover as the agent of Charles Algernon Moreing, on the condition that Moreing and Hoover form a limited liability company with a capital of £1,000,000, of which shares valued at £375,000 were to be given to the Chinese stockholders.<sup>2</sup> Chang Yen-mao was not present when this agreement was signed and his name did not appear on the document. Detring admitted later the essential details of the deed in trust which transferred property worth at least £50,000,000 to Herbert Hoover were not even explained to Chang at that time.

After the deed of trust was signed, Hoover sailed for England on the first available boat.

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<sup>1</sup> At the London trial Detring swore that during the conferences before he had signed the deed of transfer, Hoover hinted that certain capital would be set aside for flotation expenses and finally said that the share of Detring and Chang would be 50,000 shares worth £1 (\$5) each. These 50,000 shares actually were delivered to Detring in December 1902 by Moreing in person.

<sup>2</sup> If protection had been the motive the company could have been registered as British concern at Hong Kong in July. But this was not done until December 20, 1900. A Hong Kong registration would have tipped off the Chinese officials and stockholders as to what was in the wind.

## CHAPTER VI

### WITH SPOILS OF WAR

CARRYING the precious document which made possible the long schemed conversion of the Chinese Engineering & Mining Company into an English limited liability corporation, Herbert Hoover reached London on October 8, 1900. It is not unfair to assume that C. Algernon Moreing had impatiently waited his coming. He had received the cabled report of the signing of the deed, but the whole agreement was too long and too confidential for underseas transmission.

The financing of the "converted" mining property depended to a great degree upon the skill with which the document had been drawn, and it must be remembered that this was Hoover's first attempt in organizing a British corporation; while the young law professor who had assisted him was hardly more experienced. Quite naturally, Mr. Moreing and his associates in London were anxious to scan each detail at the earliest possible moment—and so were his friends in the Foreign Office.

Copies of the Hoover-Detring agreement were submitted to Lord Salisbury two days after Hoover's arrival in London, and the Premier raised no objections. Under his leadership Great Britain was then bloodily crushing the Orange Free State and Transvaal republic over a dispute which revolved almost entirely around mining rights and he looked upon imperial adventures of this sort as highly commendable commercial enterprises which were entitled to the full support of the government's diplomatic and military arms. And the "converted" Chinese Engineering & Mining Company *had* this support in the stormy period which followed.

Mr. Moreing's associates in "The City"—as the financial heart of London is called—were not so easily satisfied after scanning Hoover's maiden effort at company promotion. There were numerous legal irregularities and some glaring oversights from the pro-

motional viewpoint. For instance, in the drawing of the deed it had been specified in Section 1 that "the said Gustav Detring and the said Chinese Engineering & Mining Company do hereby grant, convey, sell, assign and transfer unto the said Herbert C. Hoover, his heirs, executors, administrators, and assigns, for the consideration hereinafter laid down, all the lands, houses, buildings, goods, and chattels, rights, interest and franchises now belonging to, vested in, held, or enjoyed by the said Chinese Engineering & Mining Company. . . ."

Unquestionably Mr. Hoover and his advisor believed this sweeping clause included *all* the property of the Chinese Engineering & Mining Company—as indeed it did—but someone pointed out that the original charter of the Kaiping Mines from the Chinese Throne stipulated that new mine shafts could not be sunk outside a radius of ten *li* (approximately three miles) from the pits then being worked. This strict limitation, which Hoover apparently had overlooked, was not at all to the liking of the British promoters. They were not only after the three mines at Tong-Shan, Lin-Si and Hsi-Shan, but had schemed to get the entire Kaiping coal field. Obviously, the deed which Hoover had brought back could not cover the larger area.

Moreing, and his associates, W. F. Turner and Edmund Davis, immediately picked out this fundamental error and asserted that it would be impossible to interest sufficient capital unless a new deed could be substituted which would include a clause declaring that the property conveyed consisted of "all the mines and all the seams of coal and minerals *geologically connected* with the seams and mines at Tong-Shan, Lin-Si and Hsi-Shan." It was pointed out to Hoover that such a conveyance would include the entire Kaiping field, however far it might extend.

There was another fatal flaw. It is an axiom of common law that no one can delegate greater powers than he himself possesses. Chang had given Detring his power of attorney, but it was power of attorney as managing director of the mining corporation, and not in his official capacity as Director General of Mines in the Provinces of Chihli and Jehol—which latter authority, of course, he could not dispose of by power of attorney. Legal experts ruled that neither under British nor Chinese law could the property of a joint stock company be disposed of by its managing director,

unless he first obtained the majority approval of the shareholders. It was doubtful, they continued, whether the document would be a legal conveyance even if Chang Yen-mao had signed it as Director General of Mines and put on his official seal (that was a matter for the courts to construe later), but the entire omission of his signature certainly vitiated the deed. Speaking bluntly, the barristers declared that this agreement would not hold water in any reputable court in Christendom.

Hoover must have been utterly abashed by the discovery that the deed was virtually valueless. In the first place, he no longer held the trump cards in his own hand. In the second place, the work must be done all over again, nor was it at all likely that Chang would again be caught in such a position as to make his signing practically obligatory. It meant long delay, too, and with the unsettled condition of China, and so many hands reaching for the mines, this might result in disaster. Only recently reports had come to London that Russian troops were occupying part of the property. But however humiliated Hoover may have felt, Moreing, Davis, Turner and their associates were not the kind of men who lost time shedding tears over spilt milk. Their one object was to retrieve the situation as quickly as possible.

Naturally, I cannot pretend to be cognizant of everything that was said and done at the numerous conferences held in London in the Autumn of 1900 by Messrs: Moreing, Davis, Turner, Hoover and their high priced barristers; but I can definitely and in chronological order cite certain significant facts—and once more it seems to me that these facts tell their own story:

1. The agreement signed by Detring and Hoover on July 30 provided that it must be ratified by C. Algernon Moreing within 90 days, or before October 30, 1900.

2. On October 30, 1900, C. Algernon Moreing had not yet formally ratified the agreement.

3. On November 9, 1900, C. Algernon Moreing wrote to Detring asking him to agree to certain alterations in the agreement signed by Detring and Hoover on July 30.

4. Gustav Detring did, without consulting Chang, make the alterations suggested by Moreing—in fact he drew up and signed a new agreement and forwarded it to London.

5. In order to persuade Detring to draw up a new agreement,

Moreing made certain representations about the constitution and management of the proposed company to Detring which were not carried out, and it was later admitted that it was very doubtful if Detring would have drawn a new agreement had it not been for these unfulfilled promises. Among other things, Moreing said that Detring and Chang would both be made directors.

6. Even after the new agreement was received from Detring containing the revisions Moreing had suggested, it was found impossible to raise in London the £100,000 cash working capital required by clause 4 of the Detring-Hoover agreement. Whereupon, certain Belgian capitalists were approached who eventually persuaded the *Bank d'outre-mer* of Brussels to advance a credit of £100,000.

7. In return for their services in obtaining the £100,000 credit, the Belgian capitalists were given large allotments of stock in the Oriental Syndicate (which had been organized by seven clerks in the Bewick, Moreing offices in December, 1899, in preparation for just this sort of a contingency).

8. After the Oriental Syndicate was taken off the shelf and put into service, the Chinese Engineering & Mining Company was registered in London as an English limited liability company on December 21, 1900. (It had been represented to Chang Yen-mao that the Kaiping Mines must be registered immediately as an English company to prevent their confiscation by the Japanese, Russians or Germans, but evidently the matter was not so urgent as had been represented, since the corporation was not actually registered until nearly five months later.)

9. After Belgian capital had been obtained, and large blocks of stock gratuitously placed among certain politically prominent British, French, German and Belgian nationals,<sup>1</sup> Herbert Hoover

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<sup>1</sup> A letter written by Herbert Hoover in London on June 27, 1902, and later appearing in the *North China Daily News* contains the following statements about the disposal of stock of the Chinese Engineering & Mining Company:

"At the moment of conversion . . . the property of the company was held by five different nationalities, certainly with objects other than that of mere military occupation . . . it was necessary before hand or foot could be moved that these people should surrender their grip on the properties and in order to attain this end they had to be arranged with.

"This arrangement took the form of interesting within the countries concerned a sufficient number of people of prominence and influence in such a manner that the governments of these countries could not continue their diplomatic intentions without injuring their own citizens. Upon this basis the entire property of the Company

set sail for China once more in November, 1900, armed with a letter from C. Algernon Moreing to Detring, which stated, among other things, that in order to conduct the business on an international basis the new company had been turned over to the Oriental Syndicate. The letter also stated a China board of directors was being created and that Chang Yen-mao had been appointed director general for life. None of these statements turned out to be true.

Herbert Hoover returned to China early in January, 1901. He was accompanied by Chevalier de Wouters, who represented the Belgian stockholders. They bore an entirely new agreement of a much more sweeping nature, which had been prepared by some of the ablest barristers of England. The new deed of sale—for such it was—provided that the Chinese owners convey to the “converted” Chinese Engineering & Mining Company “All the lands, mines and coal fields commonly known as the Estate Kaiping Coal Field situated in the Province of Chihli aforesaid and including all the mines, seams of coal and minerals *geologically connected* with the mines and seams of coal known as Tang-Shan, Hsi-Shan, Pan Pe Tien, Ma Chia Kou, Wu Shui Chwang, Ko Chang and Lin-Si, and the exclusive right to search and mine for coal and minerals within the area and coal fields aforesaid. . . .”

Obviously, as has been pointed out before, the words “*geologically connected*” could be construed to cover the entire Kaiping coal fields, and the promoters also sought the exclusive right to search and mine for coal and minerals within the same wide area, which authority, of course, could only have been granted directly by the Chinese government. Incidentally, this remarkable document which Hoover and de Wouters took back to China, contained absolutely no provision for paying the Chinese stockholders,<sup>1</sup> beyond an undertaking to assume all bona fide liabilities

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has been recovered, at some cost, of course, which in this case took the form of shares.”

<sup>1</sup> In referring to this so-called agreement in his decision of March 1, 1905, Justice Joyce of the High Chancery Court of London mentioned this document in the following language:

“Now his Excellency Chang, being urged by the defendants and the Oriental Syndicate, through their agents in China, including Mr. White Cooper, solicitor from Shanghai, and also being advised by Detring to transfer the property of the Chinese Company to this defendant company, personally objected, and as it has turned out, very wisely, and declined positively to execute the transfer when submitted to him, because it did not contain any statement of the arrangement for which he had



then existing, and it is pertinent to point out that more than half of the outstanding debentures already were held by Moreing and his associates.

Chang Yen-mao was in Peking when Hoover and de Wouters arrived in China, and after some preliminary conferences with Detring and various foreign diplomats at Tientsin they followed him to the Chinese capital which then was in possession of the Allied troops. Hoover, according to the sworn testimony of Chang at the London trial, explained that everything had been arranged satisfactorily in England, presented the new deed of transfer, and pressed Chang to sign. The old Chinaman declined. He testified later that he had not been consulted about the first agreement, and this second document was even less satisfactory.

Hoover and de Wouters were insistent. Chang finally referred them to Detring. This probably was an evasion, for doubtless Chang knew by this time that the first contract which Detring had signed was not binding. There were several long drawn interviews. Chang said the agreement was unfair and declared he would not sign unless protecting clauses were written in. Ultimately Hoover and de Wouters departed without Chang's signature on the document which they had brought from London.

On February 9, Hoover wrote to Detring informing him that he and de Wouters were now ready to meet the objections which Chang had raised in Peking. It was specifically promised that the Chinese board would have full control of the property and Chang was to be director general for life. Detring relayed these promises to Chang and as a direct consequence of this letter Chang came to Tientsin. Hoover, de Wouters and Detring had been waiting there, maturing their plans. They had brought over Alfred S. R. White-Cooper, a well known Shanghai solicitor. He was retained in the name of the Oriental Syndicate. There also had been discussions with Claude M. MacDonald, the British Ambassador to China, Minister Conger from the United States, and E. de Cartier,

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stipulated in respect to, among other things, the constitution and management of the new company into which the Chinese company was to be transformed. The documents did not appear to him to be adequate to protect his Government, or the Chinese shareholders or himself, and, in this he was perfectly right. In particular, as I observe, it did not even provide for the 375,000 shares being given or paid to the shareholders of the Company's property. . . ."

Belgian *Charge d'Affairs*, and later Belgian Ambassador to the United States.

When Chang came to Tientsin he was immediately importuned to sign the new agreement—and the promises in the letter to Detring were entirely disregarded—but let us allow Chang to tell the story in his own words as reported in *The London and China Express* during the London trial:

“On February 15, 1901, the witness (Chang Yen-mao) returned to Tientsin and saw Mr. Detring. Hoover and de Wouters subsequently told witness that the arrangements made in London provided for his continuance in the position of director general of the company and that the company would be continued as before. A document was produced but witness refused to sign it.

“Mr. Younger (counsel for the plaintiff Chang). Why did you decline?

Witness said the clauses were not in accord with his instructions or intentions or the memorandum. When they (Hoover and de Wouters) were told this they replied that the document was simply for registration and the procedure would not be in accordance with the document. Witness still refused to sign and the men went away. Next day they called again and produced a supplementary agreement. After a discussion lasting the whole day they could not agree; witness objecting on the ground that although they said his grievances were disposed of in the second document he thought the supplementary document was tantamount to a sale of the company to the other side. (This exhibition of shrewdness—the account says—drew loud laughter.)

Then they tried to frighten him. They said that if he did not sign the British and American and Belgian ministers would go to the Chinese Foreign Office and crush him. Witness still refused, asserting that he would never assign to them property which belonged to a number of Chinese merchants. So they went away again. The next day they tried to get over him by saying that a similar action had taken place in connection with a Chinese steam navigation company during a war between France and China.

Mr. Younger. Who were the four men?

Chang. DeWouters, Hoover, Detring and White-Cooper. There was a heated discussion and matters became very warm. There was a row and the parties left the room one by one until only White-Cooper remained with his Excellency.

Did they return on the fourth day?

Chang. Yes, and brought a supplementary agreement. Hoover went away and returned with Professor Tenney of the Tientsin Chinese College.<sup>1</sup> The professor asked why he did not sign the agreement and he (Chang) said he did not like it because it took away all the privileges of the Company. The professor spoke to Hoover who replied that the second agreement would be the ruling one. Chang said that if they meant to stand by the supplementary agreement it must be changed. Hoover endeavored to bring him around to their way of thinking, but finding Chang impervious gave vent to an expression of disgust that Chang said would not bear repetition.

Mr. Younger. Was it Chinese?

Chang. Yes.

Chang's account of what occurred is marked by surprising moderation, considering all the circumstances. As a matter of fact, he was practically third-degreed into signing the transfer. For four days, Hoover, de Wouters, Professor Tenney, Detring and White-Cooper alternately tried to cajole and coerce him.<sup>1</sup> Hoover, in particular, repeatedly threatened the old Chinese. Chang's position was very difficult. He was alone and confronting five determined Occidentals. The district was under military control and Chang had ample reason to suspect that some of the Allied diplomats were financially interested in furthering the schemes of the British and Belgian promoters. The Kaiping Mines was a semi-official corporation and the Allies already had presented huge claims for indemnities against the Chinese government. Chang

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<sup>1</sup> The London and China *Express* neglected to state that Prof. Tenney at that time was an official of the Tientsin Provisional Government which had the district under Martial Law.

<sup>1</sup> The following excerpt from the decision of Justice Joyce on March 1, 1905, will substantiate the above statement. Justice Joyce said: "Hoover, as he himself admits, went so far as to use various threats to His Excellency. I need not go through the statement, but it will be found at page 80, 164 and 307 of the shorthand notes."

realized only too well that the property might be confiscated to satisfy these claims.

Russian troops even then had possession of the largest mine, and British and Japanese troops had their flags planted on other portions of the property. The Russian occupation, however, was really a source of protection, for General von Hanneken had become dissatisfied with the outcome of the negotiations and was now using his influence with the Russians in an effort to have the mines restored to Chang. Hoover and his associates were informed of this by their diplomatic colleagues. Hence their desperate haste to have Chang sign.

It is highly probable (though in the very nature of the deal impossible to prove) that certain of the Allied diplomats conspired to the end that sufficient pressure was brought to bear to induce the Russian troops to withdraw. Thirteen British soldiers, headed by a sergeant, were then hurriedly dispatched from Tientsin to seize the mine and Chang then knew his last hope was gone.<sup>1</sup>

That the foregoing statement is not a far-fetched hypothesis is shown by the testimony of Herbert Hoover, himself, in the London trial. Mr. Hoover's own words virtually confirm the above account in every particular. Mr. Hoover's testimony on February 1, 1905, was quoted in the *London Times* of February 2 as follows:

"When Chang raised difficulties about signing the transfer of February 19, 1901, witness [Hoover] thought that he was being thrown over. *After the Russian troops had been displaced by the British at the mines, there was an apparent difference in the tone of the negoti-*

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<sup>1</sup> INTERNATIONAL RELATIONS OF THE CHINESE EMPIRE, written by Hosea Ballou Morse, states on Page 321: "By virtue of her superior force at Tientsin, Russia had seized the railway from Tientsin to Peking, but was compelled to surrender it for joint use and occupation; and the coal mine at Tong-Shun, which she restored to the Chinese ownership of Chang Yen-mao, owing to Mr. Detring's influence with the Russian authorities. . . ."

It is not generally known, but a fact none-the-less, that the diplomatic struggle between Russia and England for the Kaiping mines caused strained relations between the two Powers. For a week, before the Russians were supplanted, British and Russian sentries were jostling each other on their nearby outposts and one diplomat remarked that if there had been "a hasty bayonet thrust the fat would have been in the fire."

Mr. Morse is in error in stating the mine was actually restored, and it was von Hanneken and not Detring who was working to this end; nevertheless the reference confirms the impression that from the first the Kaiping Mines were looked upon as legitimate spoils of war and the object of international intrigue.

ations. Witness had an interview with Chang and spoke very plainly to him, and there was a very heated argument. Chang said witness was causing him to 'lose his face'—i.e., insulting him. After an apology Chang's requirements were discussed and the memorandum was eventually drawn up and together with the transfer was eventually signed."

In the face of all the pressure that could be brought to bear in the torrid four day session at Tientsin, Chang flatly refused to sign the deed of transfer until Hoover and de Wouters drafted a supplementary memorandum which finally met all the objections he had raised to the document brought from England. Chang was told—and probably believed—that this memorandum would be the ruling document and the basis for the conduct of the company. Moreing had written him that its provisions already were incorporated in the articles of association of the new company and Hoover gave renewed verbal assurance on the same point. It was not disputed at the London trial that Chang would not have signed the transfer deed if Hoover and de Wouters had not first signed the supplementary memorandum.<sup>1</sup>

The memorandum which Chang Yen-mao insisted upon was partly designed to "save his face" with the Chinese government. He could not help knowing that he had absolutely no legal right to sign away even a part of this property without first obtaining the consent of the other shareholders and the Chinese government. He had reason to believe that he might face serious consequences when his actions became known to the Throne. An attempt at self-justification undoubtedly dictated its preamble; but at the same time it is also probable that Chang was sincerely solicitous for the welfare of the other Chinese stockholders and

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<sup>1</sup> In his decision on March 1, 1905, Justice Joyce said: "Ultimately His Excellency was induced with difficulty to accede to a proposal of Mr. White-Cooper that the terms, on account of the absence of which from the transfer he declined to execute, should be embodied in another document being the memorandum I have already spoken of to be executed previously to, and at the same time with the transfer. Under this arrangement His Excellency was assured by the representatives of the other parties to the transaction that the memorandum was, as it was expressed, to be the ruling document and to be acted upon, or, in other words, would be binding and would be carried into effect. It was upon the faith of and in reliance on these assurances that His Excellency was induced to affix his seal to the two versions of the transfer."

so far as he was able sought to protect their interests and the interests of the Chinese government in the fourteen specific stipulations which followed.

Briefly, the memorandum provided that the capital of the company consist of one million pounds sterling; that the Chinese shareholders receive 25 shares for each original share of 100 taels value; that all bona fide liabilities of the old company be paid; that the loan and duties due the Imperial government amounting to 200,000 taels be paid out of the first funds available; that shareholders whether European or Chinese have equal votes at all meetings; that the management be conducted by two boards, one in China and one in London; that the property in China be under management of the China board and that Chang Yen-mao remain as director general. It was finally agreed that "the company will be managed in such a spirit as to make Chinese and foreign interests harmonize on a fair basis of equality and to open an era of co-operation and protection that will enrich the government and the people."<sup>1</sup>

Despite the high handed manner in which control of the company had been wrested from its Chinese owners, there was the possibility that all would have gone well if the European stockholders had been willing to conduct its affairs in the spirit of harmony and fairness mentioned in the concluding paragraph of the memorandum; but the ink on that document had hardly dried before its signatories were laying plans to disregard its essential provisions.

After signing the deed and memorandum, Chang Yen-mao went to Shanghai, leaving his interests in the hands of Detring. It had been verbally agreed that Detring and de Wouters were to act as temporary managers, and that Hoover was to retire from any direct connection with the company. But Hoover remained—at de Wouter's request—and actually directed the mining end of the business while de Wouters took possession of the business offices at Tientsin. Detring was ignored almost from the first<sup>2</sup> and on

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<sup>1</sup> This agreement is printed in full in the appendix as Exhibit A.

<sup>2</sup> At a meeting of the Chinese stockholders of the Chinese Engineering & Mining Company, held at Tientsin on November 28, 1902, Gustav Detring, in describing the events after the transfer, stated:

"It was understood that Chang Yi (Chang Yen-mao) was to be director general and the management of the company's property was to be left to the Chinese board.

March 9, 1901, Hoover wrote to Moreing that he had inaugurated changes with the object of giving the new manager (nominally de Wouters) "complete control immediately on arrival" in order that "the future administration might be preserved from any interference from the China board."<sup>3</sup>

Hoover had seized by force some of the title deeds of the Chinese property and the White Book of the Chinese government also quaintly remarks that "It would seem that amongst other things annexed by Mr. Hoover was Chang Yen-mao's Imperial seal of office." When Chang returned to Tientsin on March 22, Hoover immediately demanded the surrender of all other title deeds and apparently took some of them by force.<sup>4</sup>

After the seizure of Chang's official seal and titles, deeds and other papers, de Wouters and Detring met with Yen Fuh and

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According to verbal understanding, Mr. Hoover after the transfer should have retired and left the management in Mr. de Wouter's hands. But he stayed notwithstanding this undertaking, at Mr. de Wouter's request, undertaking the functions of acting manager with Mr. de Wouters as his assistant. I immediately began to notice a disposition on the part of these gentlemen to act on their own initiative and to disregard the terms of transfer. I remonstrated and further I asked for a financial statement showing exactly how matters stood in London. This was promised repeatedly but did not appear."

<sup>3</sup> Mr. Hoover not only disregarded the terms of the memorandum but boasted that the Chinese board was "nothing but a Daly opera." At the London trial, when Hoover was on the witness stand, he was cross-examined as follows:

Mr. Levett. Do you remember describing the Chinese board as a Daly opera?

Mr. Hoover. Yes.

Mr. Levett. Was it not yourself and Mr. de Wouters who reduced the action of the Chinese board to a Daly opera?

Mr. Hoover. No, it was turned into an opera by the interference of every single member of the administration.

Mr. Levett. Did you not in summing up your six months' work, say, "The management is now in foreign hands with the Chinese board as a consulting board. The latter may prove useful but certainly harmless?"

Mr. Hoover. Yes.

Mr. Levett. Do you think that is what Chang meant when he signed the memorandum?

Mr. Hoover. No.

<sup>4</sup> At the London trial, referring to this point, Justice Joyce spoke as follows: "I also find as a fact nor do I believe it was seriously denied, that the terms of this memorandum have not been performed as alleged by the Statement of Claim and not denied by the defence of the Defendant Company and as proved by the evidence, the Defendant Company and its Directors have declined to recognize the memorandum as having any force or effect or to abide by the provisions thereof, and they did this down to the time of the trial, although they had somehow managed to get possession of the property and were claiming it under the transfer. Incidentally, it appears by a letter of Mr. Hoover on the 22nd of March, 1901, that he actually took possession of some of the title deeds of the property by main force."

Liang Cheng, who were representing the Chinese stockholders, and agreed to deposit the documents under an escrow agreement in a Tientsin bank. They also signed certain provisional regulations which were to govern the conduct of the company for a period of 18 months until the reorganization could be completed. Not a single one of these 23 stipulations of June 4, 1901, was ever carried out.<sup>1</sup>

Matters were becoming embarrassing alike for Detring, Hoover and de Wouters. Detring was being assailed by his colleagues on the Chinese board who accused him of betraying their interests. Under this stimulus, Detring was making things unpleasant for Hoover and de Wouters. The whole affair had been noised about the Chinese Coast, and as many of the Chinese stockholders had European friends, there was much unfavorable comment. Hoover and de Wouters had put their names to the memorandum on February 19; it was difficult to explain almost daily why its manifestly fair provisions were being disregarded. As the British promoters were not carrying out the agreement, obviously it would be sound policy to bring in some new manager who at least could disclaim knowledge of the memorandum. It was decided to have Hoover and de Wouters retire from active control.

In July, 1901, Emile Francqui, formerly Belgian consul at Shanghai, made his appearance in Tientsin. He had been sent out to represent the Belgian stockholders. (You will hear of M. Francqui again when we come to Belgian relief.) He promised to give Detring a financial statement, but never kept his promise. In August and September, M. Francqui was followed by nine Belgian engineers and two British accountants. An American named Duggan arrived in September and was said to be the general manager. He was followed by many other foreigners.

Poor Duggan had an unhappy time. All the Belgian stockholders had relatives or friends whom they "wished upon" the new

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<sup>1</sup> On July 7 de Wouters wrote a letter to the Board of Directors at London, which, after stating that he and Hoover had done everything in their power to set aside intervention by the Chinese board and to take over complete control of the company, added:

"You already know the memorandum is absolutely without value . . . everything is going on quietly. Mr. Hoover and myself are doing what we want, informing the China board only of those things which it may know without danger and going squarely to the front without it whenever necessary." Hoover testified that he knew of this letter and let it be sent to London without protest.



administration, and there were soon more men than jobs. Duggan did not stay long. He was succeeded by E. T. Wynne and largely for diplomatic reasons, Mr. Wynne was succeeded by Major W. S. Nathan, a British officer of engineers, who was on the active list.<sup>1</sup> His assistant also was a British army engineer still in active service.

Hoover and de Wouters left for England late in September. In November, shortly after his return to London, Herbert Hoover's cleverness in China was suitably rewarded. He was made a junior partner in Bewick, Moreing & Company and his contract called for one-sixth interest in the firm's earnings for a period of ten years. He also had acquired 50,000 shares of the Chinese Engineering & Mining Company, Ltd., worth better than \$5 each on the London Stock Exchange.

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<sup>1</sup> Major Nathan was a brother of Sir Matthew Nathan, who just had been appointed governor of Hong Kong.

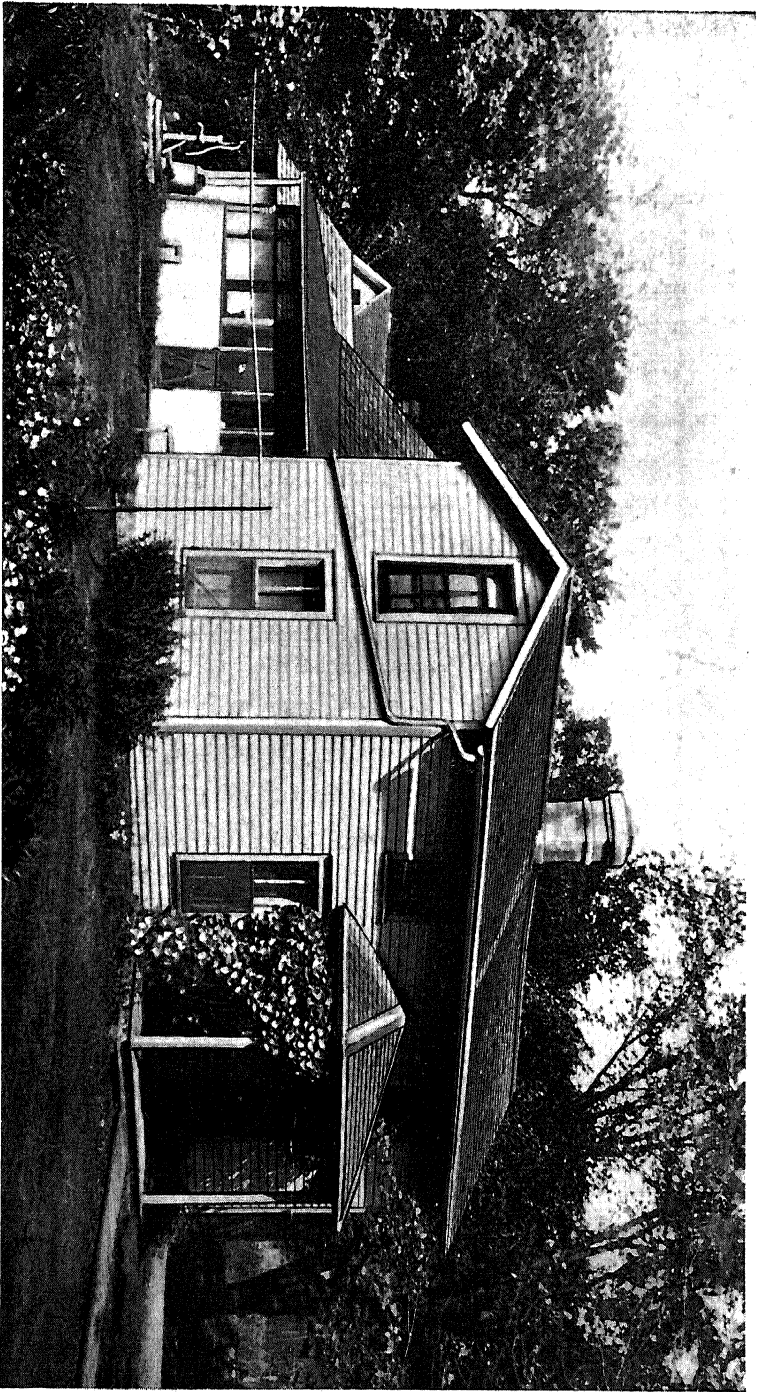
## CHAPTER VII

### *A STORM BREWS IN CHINA*

C. ALGERNON MOREING and his Anglo-Belgian financial friends had not been idle while Hoover, de Wouters, and their diplomatic confederates had been taking over the vast Chinese Engineering & Mining Company properties in China. In fact, so confident were they the deal would be consummated, that the new Chinese Engineering & Mining Company, Limited, was registered in London on December 21, 1900, before Hoover and de Wouters had arrived in China. Incidentally, its articles of association were drawn with the obvious and deliberate design of excluding the Chinese shareholders from any participation in the management of the company, although both Moreing and Hoover had repeatedly assured Chang Yen-mao and Detring that the terms of the memorandum of February 19 would be incorporated in the articles of incorporation.

The inside story of the organization of the Chinese Engineering & Mining Company, Limited, and the Oriental Syndicate, which was born in the offices of Bewick, Moreing & Company for the specific purpose of acquiring the properties in China, and then passing them on to "innocent third purchasers," is a complicated and amazing tale of financial chicanery. But it is worth the telling because of the clear insight which it gives into the minds and the methods of the men concerned; for Herbert Hoover got his real promotional schooling with these men and remained their close business associate for many years.

The Oriental Syndicate, as was mentioned before, was incorporated in December, 1899, by seven clerks in the Bewick-Moreing offices. The actual money shares consisted of £7—or \$35—which was put up for these figure-heads and apparently is the total amount of actual money which its original promoters ever invested



**HOOVER'S BIRTHPLACE**  
*The old homestead on Downey Street, West Branch, Iowa.*

Underwood & Underwood



into the enterprise. The Moreing associates doubtless intended to raise among London bankers the £100,000, which was required to comply with the first deed of transfer, but the Boer war was disturbing the money market and shrewd investors probably smelled something wrong with the deal. In any event, the promoters had to go to Belgium, where a group of capitalists close to King Leopold knew about the property and were willing to take a chance. At that, they didn't take a very big chance. A credit of £100,000 was arranged with the *Bank d'Outre-mer* of Brussels, but it is very doubtful indeed if any of this money ever left the bank. When the credit was guaranteed the bank sent a telegram to Detring; and Hoover, then at Tientsin, asserted that this condition in the transfer had been fulfilled.

Nevertheless, the British promoters had to pay dearly for their credit in Belgium in the disposal of shares. There were 1,000,000 shares in the Oriental Syndicate with a par value of £1 each. Fifty thousand shares were allotted as fully paid up to C. Algernon Moreing (these were intended to be given to Detring for his services) and 150,000 shares were allotted as fully paid up to the Oriental Syndicate for its promotional services. The Chinese stockholders were allowed 375,000 shares, according to the terms of the amended agreement; and 424,993 shares—or all that remained of the entire capital stock after deducting the seven paid-up shares issued to clerks in Moreing's office, were distributed as paid-up shares to the promoters and their friends in and out of the diplomatic service. In other words, out of a capital of approximately \$5,000,000, the actual owners of the property received stock valued at \$1,875,000 and the promoters, who had hardly advanced a penny, helped themselves to stock worth \$3,125,000.

We are accustomed to some pretty steep promoters' fees in the United States, but I venture to state that no "blue sky commission" in America would permit such a bare faced grab—and, it must be remembered that the Chinese Engineering & Mining Company was not a new and untried venture, where capital risked was entitled to a large return, but a going concern which had operated successfully for years and was then paying large dividends.

The promoters tried to make this unconscionable division look better by explaining that 250,000 shares had been allotted as a bonus to subscribers of the £500,000 new debentures. It developed,

however, that only £200,000 actually was raised on new debentures; that only a very small portion of this money ever left the bank; and that the bulk of these shares were allotted to the holders of old debentures drawing 12 per cent interest who simply turned in the old debentures, accepted new long term debentures at 6 per cent, and were given £80 in fully paid-up shares for every £100 they accepted in new debentures. Mr. Moreing, who was one of the largest holders of the old 12 per cent debentures, profited very handsomely by this arrangement. Incidentally, the new debentures were "issued," if the term may be used, without the knowledge or consent of the Chinese stockholders and in flat contravention of the terms of the February 19 memorandum.<sup>1</sup>

Assuming that the issuance of 250,000 shares as a debenture bonus was legitimate—which it emphatically was not under the circumstances—and allowing for the 375,000 shares to the Chinese stockholders and 50,000 shares to Detring, there remained 325,000 shares to be accounted for—worth \$1,625,000 at par value.

Probably these were the shares which were distributed, to quote Mr. Hoover's own words, among "a sufficient number of people of prominence and influence in such a manner that the governments of these countries could not continue their diplomatic intentions without injuring their own citizens." The promoters, too, collected ample compensation for their acuteness. C. Algernon Moreing confessed on the witness stand that his personal profit was £43,000—or \$215,000—not counting bonus shares for his debentures, and I have been confidentially told that Herbert Hoover likewise netted a similar sum as the reward for his cunning dealings with Chang Yen-mao and Detring which "converted" the greater portion of the revenues of the Chinese shareholders into the pockets of the Anglo-Belgian promoters.<sup>2</sup>

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<sup>1</sup> It seems probable that the new debentures were issued to strengthen the "diplomatic" position of the company. In case of trouble the plea could be raised that the bonds had been purchased by "innocent widows and orphans."

<sup>2</sup> In discussing this phase of the case, Justice Joyce in his opinion of March 1, 1905, said: "Now the Plaintiffs, very naturally (as it seems to me) complain of this transaction. Suppose it be granted that the 50,000 and even the 150,000 (making together 200,000 shares) were to go for promotion profits—if indeed that were allowable—why were 424,993 fully paid up shares of the company to go among the nominees of the Syndicate for no consideration that I have been able to discover? In short, it appears to me upon that facts that transpired in the course of this trial, that there are at least plausible grounds for contending that the Defendant Com-

The shrewdness with which the huge block of gratuitous shares had been placed among "people of prominence and influence" had smoothed away the diplomatic difficulties arising from the natural jealousies of the varied Allied nationals, who also had coveted the Kaiping coal fields, and the promoters had reason to believe they could count on the support of Lord Salisbury and the British Foreign Office to over-ride any protests the feeble Imperial Chinese government might make. Nevertheless, while the promoters were dividing the spoils in London and Brussels, and preparing to increase the profits by economies of management, a storm of protest was brewing along the China Coast which began to threaten serious consequences.

Some of the stock had been distributed among British, French, Belgium and German nationals in China—doubtless for services rendered—and other shares had been purchased by foreigners in Tientsin, Shanghai and Hong Kong, who knew how profitable the mines had been and figured on the stock going above its par value—which it soon did. And, of course, there were the 375,000 shares belonging to the original Chinese owners. Almost from the day of its "conversion," the owners of stock in China—both foreigners and native—were disgusted with the manner in which the affairs of the new company were conducted, and they were not at all backward about expressing their displeasure.

The company was not well managed. Too many Europeans were

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pany has been defrauded of nearly 425,000 shares, to the injury entitled to the 375,000 shares. These shares, as I understand, are not of a merely nominal value, but are being or have been sold at a price above par; for the plaintiffs say, and it seems to me with reason, that the value of the 375,000 shares coming to the shareholders of the Chinese Company for the purchase of their property, undoubtedly of great value, is substantially—it may be to the extent of one-half—reduced by the issue, for no consideration whatever, of these fully paid up shares, to the promoters or their nominees.

"The Defendants have endeavored to excuse the promoters by saying that of these shares 250,000 had been given as a bonus or additional consideration to persons who subscribed £500,000 to the Company upon the security of debentures, which debentures were issued without the consent or knowledge, so far as I can make out, of the Chinese shareholders. The Plaintiffs reply that it was not necessary to issue nearly so large an amount of debentures, and the money raised, £200,000 or thereabouts, has never been expended, but is still to the credit of the Defendant Company, with their bankers, and also that the money, if required could have been obtained without sacrificing the shares. No offer of the debentures was made to the public, but the promoters, as I understand, distributed the shares and allotted the debentures among themselves and their friends, who I suppose still hold the debentures and the 424,993 fully paid up shares, for which nothing in fact has been paid."

sent out merely to hold jobs and some of them were grossly incompetent. There was a constant conflict of authority. The first year after their conversion the mines paid considerably less dividends than they had under exclusive Chinese ownership. Men like Detring, von Hanneken, Fisher, Buck and others in Tientsin could not fail to detect the waste and confusion.

Even the Europeans in China were outraged by the brazen manner in which the new owners disregarded their solemn covenant of February 19. This breach of faith reflected on all foreigners. Their Chinese friends were constantly twitting them about this evident lack of commercial honesty. It caused general distrust along the whole China Coast and made other Chinese reluctant to enter into contracts with foreigners. This feeling was heightened by the fact that the old Chinese board of directors had been more successful in managing the mine than the outsiders who replaced them.

Another cause of criticism was the knowledge that the British and Belgian promoters had taken the lion's share of the new stock. Efforts were made to shroud the financial affairs of the London directorate with secrecy, but bit by bit information seeped back to China, and what the Chinese stockholders slowly learned did not make them any happier. From scattered reports appearing in the London papers it was evident that a deliberate effort was being made to "squeeze out" the shareholders in China.

They were not notified of meetings; they had no chance to vote; for a long period they received no official reports; and the dividends due them were actually withheld—possibly with the hope they would sell out—while the promoters juggled with the stock on the London market. When the London directors finally did deign to render a report to the Chinese stockholders, late in 1902, it was so obviously designed to conceal the true condition of affairs that it was received with satirical comment by several English newspapers published in China.<sup>1</sup>

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<sup>1</sup> The Peking and Tientsin *Times* declared of this report that "Assuredly one gathers from an examination of its contents that the continued ignorance of the shareholders is the object to be attained . . . there is much in the history of the flotation of this company which needs explanation: the home directors however seem strongly disinclined to give more light. . . . Indeed, if only a portion of all that was recently said on this matter in the Shanghai meeting of China shareholders be true, our pride in the British title of the company will have to yield to a "feeling of regret."



Repeated representations were made by Chang Yen-mao, Detring, von Hanneken and other shareholders to Duggan, Francqui, Wynne, Trouet, Nathan, and the other managers sent from Europe who succeeded each other in rapid succession, but no definite information could be elicited from any of these men. The one outstanding fact, however, was that the London directorate apparently from the first intended to disregard the provisions contained in the memorandum of February 19. Finally, when all other methods had failed, the widespread discontent among the stockholders in China crystallized in two well attended meetings of protest which were held almost simultaneously at Shanghai and Tientsin.

To give an idea as to the temper of these shareholders and to fully verify my own previous statements, it is worth while to read the report of the Shanghai meeting which appeared in *The Pall Mall Gazette* of London on February 2, 1903. This report appears in full in the Appendix as Exhibit B.

Reports of the complaining stockholders' meetings in the Far East, coupled sometimes with caustic comment, were beginning to appear in the London newspapers as well as the Anglo-Chinese press. Possibly it was with the hope of shutting off this unfavorable criticism that C. Algernon Moreing sailed for China in the Autumn of 1902. He carried with him 50,000 shares of the reorganized Chinese Engineering & Mining Company, now worth considerably in excess of \$250,000. When Moreing reached China in December, he sought out Detring and presented him with the 50,000 paid-up shares—presumably for service rendered in accordance with their tentative agreement extending since 1898.

Detring accepted the shares, but almost immediately afterwards

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"The dissatisfaction of the China shareholders with the present methods of administration is by this report and these accounts obviously justified," the *Times* continued. "Everybody knows that the China shareholders are excluded from any control of the management of the company. The chairman of the recent meeting at Shanghai pilloried the vicious system by which a small coterie in London and Brussels entirely controls the management in defiance of the terms of incorporation. . . . No previous statement having been vouchsafed to the public, one would naturally expect in the first report and accounts to have some information as to the particulars of flotation which would set at rest the misgivings which it would be idle to deny now fill the breasts of Chinese shareholders. Not one word is said in elucidation of these mysteries, and the benighted shareholders in the Far East will find the accounts, as presented to them, Greek in this respect. . . . Our fiscal darkness after reading them is Cimmerian."

he went before the German consul in Tientsin, made a declaration as to the precise manner in which the shares came into his possession, and left the shares in escrow pending the determination of the suit which Chang Yen-mao was preparing to bring in London. Probably Detring's acceptance of the shares deceived Moreing as to his attitude. In any event, Moreing soon returned to England, and eventually Detring went to London to testify in Chang's behalf, and, as Justice Joyce succinctly remarked at the time, "I cannot help suspecting somewhat to the disappointment of the defendants."

In the meantime, while the complaints of the stockholders continued unabated, the Imperial Chinese government finally found out the true nature of the transfer—which Chang at first attempted to conceal—and was making vigorous protests to the British Foreign Office. From first to last the transaction was a flagrant violation of China's sovereignty, and had Great Britain been treating with a power of equal strength it is not likely that her diplomats would have dared to attempt to justify a deal which the Chinese Government, at least, considered legally and morally indefensible.

On July 11, 1901, Chang Yen-mao had reported the transfer to the Imperial Throne in a memorial which was far from being an accurate and candid account of what had actually occurred. He represented that it had been necessary to bring in foreign capital to save the mines from confiscation, and added that its management would be conducted under joint control. There was nothing in the memorial which would give the idea that he had transferred everything the Chinese company owned—and many things it did not own—to a foreign corporation. In the troubled period immediately following the Boxer rebellion it is extremely unlikely that his memorial received much consideration in Peking.

Yuan Shih Kai, the new Viceroy of Chihli province, later first President of the Chinese Republic, had been appointed in November, 1901, but did not take office until August, 1902, when the Tientsin Provisional Government set up by the Allied powers ended its control. His attention was called to the situation at the Kaiping Mines when British soldiers insolently pulled down the Imperial Chinese dragon flag which had been hoisted over the company's property by a native employee on the occasion of the

Empress Dowager's birthday. When the Viceroy protested this insult, saying the property was jointly owned and the flags of both Great Britain and China should fly side by side, he was bluntly informed that the Chinese Engineering & Mining Company was now a British concern. This led to an investigation, and for the first time the Chinese authorities had an opportunity to examine the deeds of transfer which had signed away government-owned as well as private property.

As soon as Yuan Shih Kai discovered the real nature of the transaction, he denounced the action of Chang Yen-mao in a scathing memorial addressed to the Imperial Throne. The first part of the memorial rehearses the early history of the transaction and accuses both Chang and Detring of double dealing. The conclusion of the memorial is published here because it reflects the official attitude of the Chinese government. After pointing out that much of the property transferred belonged to the government, Yuan stated:

"The memorialist begs to observe that mining land is the property of the state and that the shares represent the life blood of the people. Ports, canals and lands are the domain of the Sacred Dynasty. How can it be permitted that one or two men, without authority applied for or delivered from the Throne, should surreptitiously transfer and take delivery of such property?"

"As for Chang Yen-mao and the rest they cannot in their extremity do otherwise than prevaricate and procrastinate in order to try and save themselves, but while this procrastination is going on other people (the British promoters) will organize their plans at leisure and so render the position more obscure with the result that the whole of the ports, canals, lands and mining property may be lost beyond recovery.

"At the time of the troubles of 1900, troops were sent to China from all parts of the world and yet no territory was lost in China. How then can our territory be suffered to be annexed on the evidence of an illicit agreement contained on a slip of paper?"

"Ever since last winter, the memorialist has investigated this question for days and days and has argued it so many times that his tongue is nearly worn out and his lips are parched, but the two parties (Chang and Detring) each adheres to his story, and up to the present no course of action has been arrived at. If further prevarication and procrastination are permitted, as time goes on there is reason to fear that the position of the usurpers will become more and more secure and our line of action will be still more restricted.

"It becomes therefore the duty of the memorialist to request Their Majesties to direct the Wai Wu Pu [Foreign Office] to lose no time in communicating officially with the British minister and stating in distinct and emphatic terms that the Kaiping Administration was founded by Li Hung-chang, late Governor General of Chihli, with share capital made up of official and private funds, and that it was inaugurated by Imperial sanction, as is widely known to Chinese and foreigners far and near; that

Hoover's illicit contract was not reported to the Throne and our government cannot possibly recognise it; that it is impossible that a British company can be founded upon such a contract; and that our ports, canals and territory cannot be transferred to the control of such a company. If the British insist upon joint management, their demand must be submitted to the Wai Wu Pu who will, in conformity with the mining regulations submitted to and approved of by the Throne, draw up a special code of regulations for the working of mines under joint Chinese and foreign management and submit them to the Throne for approval. By this means a way may be found for retrieving the situation and we may reap the benefits of our own resources instead of giving them over on an empty pretext into the hands of foreigners."

As a result of Yuan Shih Kai's memorial, the Chinese Imperial government instructed Chang Yen-mao to take immediate steps to recover the property. Nothing was said as to the nature of the action he should take. The Chinese government certainly had the legal and moral right to expel the foreign occupants of the mine, but the property was then guarded by British troops, and after the disorganization that had followed the Boxer uprising, with strong detachments of Allied soldiers still garrisoned in the treaty ports, it was impossible for the Chinese government to do anything except make an appeal to Great Britain through diplomatic channels for justice.

The appeal was made, but the foreign employees of the British-Belgian company continued to work the mines, and nothing at all was done to carry out the supplementary agreement of February 19, 1901. The British government disregarded the protests of the Chinese government until June 19, 1903, when the foreign manager of the mine proposed to sink a new shaft, but was met with a refusal by Chang Yen-mao, who asserted no new shafts could be sunk without first having the approval of the Chinese government.

The British *charge d'affaires*, Mr. Townley, then wrote to the Chinese government, calling attention to the fact that litigation had been instituted in London by Chang Yen-mao to enforce the terms of the supplementary agreement, but that Chang himself was violating the agreement by refusing to allow the new shaft to be sunk. The Chinese government still refused to permit the shaft to be opened, whereupon Sir Ernest Satow, British Minister to Peking, sent an official dispatch to the Chinese government on January 9, 1904, calling attention to the publication in the Tientsin newspapers of the terms of the Imperial decree instructing the Viceroy Yuan to insist upon the recovery by Chang Yen-mao

within a given time of the Kaiping Mines and the property of the company at Chin Wang Tao. Sir Ernest announced that the Kaiping Mines were the property of a British company, registered under British law, and asserted that the Chinese government had no right to take forcible measures to annex it. He also claimed that as litigation on the subject had been commenced by Chang Yen-mao, it was not right to give publicity to a decree of the nature referred to, and a hope was expressed that the terms of this decree were incorrectly reported. The dispatch went on to say that any arbitrary action on the part of the Chinese government would be forcibly opposed by the British government. A similar communication was addressed by the British consul general in Tientsin to the Viceroy Yuan, who replied in the following terms:

“The Kaiping Mining Administration was a company working under Imperial charter; it was subsidised by government and was specially founded for the supply of coal for government purposes. The Imperial government could naturally not recognize an agreement entered into by Chang Yen-mao without application to the Imperial government for permission to make such an agreement. His desire was to secure the rights and limitations which had previously been exercised by the Imperial government over the conduct of the affairs of company as well as to protect the rights and privileges of the Chinese shareholders, but there was not the slightest intention of proceeding by way of forcible usurpation.”

Meanwhile, as Chang Yen-mao had done nothing to retrieve the situation created by his unauthorised acts, the Viceroy Yuan again memorialised the Throne on December 10, 1903, calling attention to the fact that nine months had elapsed since the issue of the decree instructing Chang Yen-mao to undo what he had done, and stating that Chang Yen-mao was trying to gain time on the pretext that he was instituting legal proceedings.

All this time, the Viceroy went on to say, the representatives of the British company were carrying on active work at Chin Wang Tao and Kaiping regardless of expense. If further delay were permitted, these men would establish themselves more firmly than ever and pile up expenditures which would render future settlement of the matter more complicated than it already was by the addition of claims for compensation.

No one, Yuan asserted, from the date of China's existence as

a nation, had ever possessed the power of disposing of government lands by sale and it was utterly impossible to admit that the British company were the owners of the property in question, nor could they be permitted to open new shafts.

"The Kaiping Mines are the most renowned in Eastern Asia, and Chin Wang Tao is one of the most important seaports in northern China," Yuan continued. "During the troubled times of 1900 the late Viceroy Li Hung-Chang, directly he came up to Taku, asked the Russians to send troops to protect the mines, so that from first to last there was no question of their seizure. In the commencement of the following year matters began to be somewhat settled, and it is a most deplorable thing that a stealthy and illicit contract should then have been entered into with Englishmen [Hoover and Moreing] who made off with it like a hawk with its prey.

"Now, at the time this transaction took place Chang Yen-mao was merely a departmental officer and Hoover was only a foreign merchant. If people of this standing are permitted to dispose and take delivery of Imperial government property and the government is to have no remedy against their action, their example will be followed by others, and where, it may be asked, is the government to look for redress?

"It only remains for the memorialist to renew his request that the Wai Wu Pu may be instructed to direct Chang Yen-mao to take prompt steps to recover the property in obedience to the earlier decree, and at the same time to discuss the matter most carefully and thoroughly with the British minister with a view to retrieving the situation."

In answer to the above memorial, the following decree was issued on December 15, 1903 by the Imperial Throne:

"Yuan Shih Kai has presented a memorial requesting that commands may be issued for the prompt recovery of the Kaiping coal mines and the port of Chin Wang Tao. The Kaiping coal mines were started as an initial enterprise by the State with a large amount of capital and Chin Wang Tao is a port opened by Our own initiative. With them are bound up grave questions of territory with attendant rights and privileges. How can We permit these to be sold away unauthorisedly?

"We previously issued a Decree calling upon Chang Yen-mao to take steps to recover these, and We stated if there was any

delay he would be held responsible. Several months have now elapsed; he has had the audacity to make excuses and to procrastinate, and has not yet recovered these properties, whereby he has assuredly rendered himself liable to punishment.

"Let Chang Yen-mao, as a preliminary step, be stripped of his rank, and let Yuan Shih Kai give him strict orders to recover these properties within a given limit of time. There must not be the slightest shortness for incompleteness in this recovery.

"If there is further procrastination, the offence of the said cashiered official will assuredly be punished with the utmost severity. The said Governor General will also use his utmost endeavors to retrieve integrity of Our lands and Our sources of wealth be duly protected."

It having also been discovered that the seal of office issued to Chang Yen-mao in his capacity of Director General of Mines had disappeared,<sup>1</sup> the fact was also reported to the Throne and a decree was issued giving orders for its recovery.

On the issuance of these decrees, Chang Yen-mao, who had been consulting legal opinion in England, reported he had been advised to go to London to bring an action against the directors of the British Company to compel specific performance of the supplementary agreement.

The Chinese government, willing to do anything in its power to bring about an amicable solution of an intolerable state of affairs, consented to allow Chang Yen-mao to go to London to prosecute this suit at his own expense; and, in order to give him a certain status, a button of the third rank was bestowed on him. It was well understood that he appeared as plaintiff only in his capacity of manager of the old company and not as the agent of the Chinese government, which had never ceased to maintain that his acts were illegal from the first.

The Chinese government took the stand that as a sovereign power it could not appear as suitor in a British court under any circumstances whatever. The government held, quite properly, that the question was one for diplomatic negotiation, but as it had been suggested by the British Foreign Office that matters should be left in abeyance pending the result of the litigation that had been instituted by Chang Yen-mao, the Imperial Throne so far acquiesced

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<sup>1</sup> It was seized by Hoover.

as to refrain from further correspondence for the time being. It never admitted that the decision of a British court of law was binding on the government of China in matters concerning her own jurisdiction or sovereign rights, and in taking this stand the Chinese were in strict accordance with international law.

All this time the agents of the British company were in possession at T'an Shan under the protection of British troops; they were acting without reference to the high provincial authorities; the obligations they took over were not satisfied; the royalties due to the Throne continued to accumulate and the provisions of the memorandum of agreement were systematically ignored.

Any impartial critic will surely admit that in taking no immediate steps to put an end to a state of things so derogatory to its dignity, the Chinese government, whose sovereign rights were set at defiance, displayed a patience and regard for the maintenance of friendly relations far in excess of what might have been expected.



## CHAPTER VIII

### *THE TRIAL IN LONDON.*

THE action between Chang Yen-mao and the Chinese Engineering & Mining Company of Tientsin, plaintiffs, versus Charles Algernon Moreing, Bewick, Moreing & Company, and the Chinese Engineering & Mining Company, Limited, of London, defendants, was finally brought to trial on January 18, 1905, before Justice Joyce in the Chancery division of the High Court of Justice in London. Fifteen days in January and February were consumed by the testimony of the witnesses and the arguments of counsel. On March 1, 1905, Justice Joyce delivered from the bench a long verbal decision in favor of the plaintiffs. During the course of his remarks, the Justice made several observations which showed a painful lack of esteem for Mr. Hoover's character and conduct.

The complaint, after briefly citing the history of the negotiations, asked for a declaration that the memorandum of February 19, 1901, be held binding, with an order from the court instructing the defendant company to carry out its provisions; and alternately, in the event of the memorandum being held not binding, asked for a court order setting aside the transfer of the property on the ground it had been obtained by fraudulent representations by Hoover, de Wouters and Moreing. A general claim also was put in for damages.

Both sides were represented by an impressive array of counsel. Mr. Levett, K. C., Mr. C. F. Gill, Mr. Younger, K. C., and Mr. George Lawrence appeared for Chang; while Mr. Hughes, K. C., Mr. Rufus Isaacs, K. C., and Mr. Hart appeared for C. Algernon Moreing and Bewick Moreing Company; and Mr. Haldane, K. C., Mr. W. F. Hamilton, and Mr. Vernon acted for the Chinese Engineering and Mining Company, Limited.

In his opening statement, Mr. Levett told the Court that Chang had come to London under instructions from the Imperial Chinese

government to recover the property and that the personal consequences to himself would be serious if he failed to do so. Mr. Levett concluded by stating that the trial was important, not only because of questions of character which would be raised, but also the decision might seriously affect the future of British commercial relations with China if such "dubious Western methods of company promoting should be sustained."

Chang, arrayed in flowing silken robes, was the first witness. He did not enter the witness box, but was given a chair on the bench. Sir Walter Hillier acted as interpreter and his knowledge of the Chinese language was thoroughly tested as Chang fluently gave his testimony with many vigorous gestures.

Chang described the circumstances under which he signed the deed. (Evidence on the signing of the power of attorney when Chang was imprisoned was not at issue.) He said he repeatedly refused to sign the transfer because its terms did not agree with his instructions to Detring, nor with his agreement with Hoover. Upon being told by Hoover that the deed was merely meant for the purpose of registration in England, and that the memorandum would be the ruling instrument, he eventually signed, though with reluctance.

Chang then described how he had been denounced by the Viceroy Yuan Shih Kai on a charge of "fattening" himself on the proceeds of a fraudulent sale of government property. He had been deprived of his rank and was threatened with severe punishment if he failed to recover the property.

Under cross-examination by Rufus Isaacs,<sup>1</sup> Chang disclaimed all knowledge of any proposals made by Detring to Moreing—prior to the Boxer rebellion—for the introduction of foreign capital into the Chinese company. Hoover, he said, was merely an employee of the Chinese company. Chang admitted that Hoover was constantly approaching him with various schemes to get foreign capital into the company, but he never consented to any of them.

Chang also denied any knowledge of the 50,000 shares which Moreing gave Detring in 1902, until Detring handed the shares to him and he in turn refused to accept them. Chang declared the

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<sup>1</sup> Rufus Isaacs, who formerly was Hoover's attorney, later became Lord Reading and now is Great Britain's Secretary of State for Foreign Affairs. They also served together after the World War on the Inter-Allied Economic Council.

memorandum of February 19 had been systematically violated; that Chinese stockholders were not even notified of meetings; that his own powers were curtailed; that the debts of the old company were not paid; and that the duty owing the Chinese government was still delinquent and amounted to several hundred thousand taels.

Chang asserted the Chinese directors had not been consulted when £500,000 of debentures had been issued on the property. He also averred the money raised for developing the property had been unwisely spent and said that the administration was marked by extravagance.

Chang told in detail of the threats made by Hoover and de Wouters. He was informed that the mines would be confiscated by the Allied governments and that he and the Chinese stockholders would get nothing. Chang said that some of Hoover's remarks were so obscene they would not bear repetition.

Detring was the next witness and he gave a graphic account of conditions in Tientsin during the Boxer uprising. He visited Chang in jail and told him the mines were in danger of confiscation. He suggested putting the property under the protection of the British flag. Chang gave him power of attorney and they also discussed the question of introducing foreign capital. Detring then told of signing the deed of June 30, 1900, which conveyed the property to Hoover and admitted altering the terms of the deed later on the written suggestion of Moreing. Detring said Hoover had hinted to him that he would receive 50,000 shares for what he had done, but he denied any specific agreement with either Hoover or Moreing.

Detring said that for two or three months after the signing of the February 19 documents, the provisions of the memorandum were carried out, but that afterwards efforts were made to "squash" the Chinese board. A manager was sent out who professed to know nothing about the agreement and official headquarters were removed from Tientsin. When Moreing handed him (Detring) the 50,000 shares in December, 1902, he made a declaration before a consul as to the circumstances under which he took them and the shares were deposited in the custody of a third party. He denied he ever received any personal profit from the deal. Detring said he was willing to accept responsibility for signing the deed of

June 30, 1900, as neither he nor Hoover explained its terms to Chang.

Detring denied that he ever told de Wouters that the memorandum was prepared merely so that Chang could "save his face." He said the memorandum represented Chang's ideas and that he would not have signed the final transfer had he not been repeatedly assured by Hoover and de Wouters that its terms would be faithfully lived up to. Detring said that the Chinese government was very much disturbed by the alienation of its property and that the Viceroy Yuan Shih Kai would not be content with anything less than the cancellation of the whole deal.

In opening the defense, Counsellor Hughes made a long speech in which he protested against charges of fraud or misrepresentation being lodged against his clients. He maintained that Messrs. Moreing and Hoover had always taken the view that the memorandum's terms were binding. (This plea Justice Joyce later refuted) Mr. Hughes defended the issuance of 625,000 shares of promoters' stock and added, "Mr. Moreing did not profess to go to China as a philanthropist."

At the conclusion of the defense counsel's address, Mr. Hoover took the witness stand. He said he was a mining engineer and had been a partner of the firm of Bewick, Moreing since November, 1901. He was sent to China in 1899 and inspected the mines. Chang, he said, had told him he hoped to get capital from Moreing.

Mr. Hoover was then examined as to the negotiations leading to the signing of the documents. He said Detring had told him that the deed of July 30, 1900, had been approved by Chang. (Both Detring and Chang denied this.) Hoover said he explained the division of profits to Detring and was under the impression that Detring had accepted the 50,000 paid-up shares.

When Chang raised difficulties about signing the transfer of February 19, 1901, Hoover said he thought he "was being thrown over." He admitted "speaking very plainly" to Chang and there was a "hot argument." Finally Hoover apologized to Chang. He said there had been "an apparent difference in the tone of the negotiations after the British troops replaced the Russians at the mines."

Hoover declared he had considered the memorandum binding, and always had insisted that it be carried out. On cross-examina-

tion he said he did not know, until he arrived back from China late in 1901, that the memorandum's provisions had not been incorporated in the articles of association. He also disclaimed knowledge of the financing. He said he understood he was "acting as a stake-holder." On cross-examination he reluctantly admitted that he "thought" he was to get some shares if the matter went through. He heatedly denied that he had attempted to bribe Chang or Detring when he mentioned to them the 50,000 free shares which later were presented to Detring by Moreing.

Hoover was on the witness stand for two days. Under cross-examination he said that he had told Chang and Detring that the provisions of the memorandum were incorporated in the articles of association, and that he had not known differently until he returned to London. He admitted that the whole of his negotiations with Chang and Detring when he returned to China had been on an "incorrect basis." He could not say whether Chang would have signed had he known the true state of affairs.

Counsellor Levett produced a letter written by Hoover to Detring on February 9, 1901, and asked him if it were true that he had said "the China board would have in itself the entire management of the company's property in China, and that H. E. Chang would be director-general for life." Hoover admitted the statements were not true, but explained that when he wrote the letter he thought them true. He declined to state whether he believed this letter had been the means of persuading Chang to sign the transfer.

Hoover said he always had considered the transfer and the memorandum equally binding. He had tried to carry out the terms of the memorandum and so long as he was in China thought he had succeeded. Then he was shown a letter written on March 9, 1901, by himself to Mr. Moreing, which stated that the changes which he had inaugurated had been for the purpose of giving the new manager "complete control immediately on arrival" in order that "the future administration might be preserved from any interference from the Chinese board."

Asked if that letter indicated he had been trying to carry out the terms of the agreement, Mr. Hoover replied that he had meant it was necessary that the detailed administration of the mines should be in the hands of a manager subject to the board. He also

admitted reading a letter which de Wouters had written to the board of directors in London on July 7, 1901, in which reference was made to the efforts of de Wouters and Hoover to take complete control of the mine without reference to the wishes of the Chinese board. Hoover admitted he had not asked de Wouters to alter the letter, or not to send it, but insisted nevertheless that he was not in accord with de Wouters on this point and that the letter did not correctly represent the situation then existing.

Hoover was then asked if he had written a letter to Moreing in which he stated that the Chinese board would be a valuable body if its powers were limited to suggestions and complaints to London. He had added "It is a Daly opera now." He defended this letter by saying that he meant the Chinese board might be improved and denied he intended to break it down. Finally he was forced to admit that this was not what Chang had intended when he signed the memorandum.

J. Bromley Eames, the young British barrister who had helped Hoover draw the July 30 deed, was the next witness. He admitted that Chang was under arrest by the British naval authorities when the matter of signing the deed was brought up. His testimony otherwise was not important, although it was brought out on cross-examination that he thriftily had bought some shares in the company before leaving China.

C. Algernon Moreing was the next witness for the defense. He said his firm did not do a financial business and that the transaction was his own. (This may explain why Edward Hooper sold out to Hoover just after the deal was consummated.) Moreing said he first went to China on the invitation of Li Hung Chang, to advise him about mining in China. He had discussed the matter with Premier Salisbury and Lord Curzon of the Foreign Office before sailing. He told of arranging a £200,000 loan at 12 per cent and swore he had arranged to give Detring a half share of any subsequent profit which was thrown his way. In 1898 Detring asked him to send out a mining expert and he sent Hoover, of whom he entertained a high opinion.

He then related the story of the negotiations and told in some detail of the formation of the Oriental Syndicate and the subsequent financing of the new company. He admitted writing a letter to Detring, which Hoover carried to China, declaring that a China

board was being created and that Chang would be made director general for life. He explained when he wrote that letter he had seen a draft of the company's articles of association containing such a provision, and that he did not know until later that this had finally been excluded. He didn't learn this until he became a director later in 1901. He said he had constantly urged that the memorandum of February 19 be adopted in its entirety. He admitted notifying Lord Salisbury of his progress after Hoover returned from China in the fall of 1900. Counsel did not press this point, evidently feeling it might not be discreet to reveal the extent to which the Foreign Office was cognizant of and supporting the entire negotiations.

Cross-examined vigorously by Mr. Levett for the plaintiff, Mr. Moreing said that he had exchanged his old Ching Wan Toa harbor bonds for debentures in the new company. He got a bonus of 85 per cent in fully paid-up shares. His capital was doubled and he had received dividends on the shares of seven and one-half, five and seven and one-half per cent in the past three years. He admitted the Oriental Syndicate had given away 425,000 shares to induce people to lend the £500,000 pounds of security on the debentures. He was then shown a report by Hoover which stated that the coal in sight was valued at £8,125,000 on the basis of 6d per ton. He identified the report and admitted the property probably was worth £10,000,000 (\$50,000,000) if capital could have been found to work it properly. His own profit was £43,000, but this did not include the 20,000 free shares he got for converting his old debentures. He characterized the raising of money by the debentures as "an able piece of finance."

Moreing then was severely cross-examined on his letter of November 9, 1900, to Detring. He admitted that he had not told Detring the true position, but denied deliberately deceiving him. He could not say whether Detring would have altered the deed as he (Moreing) suggested if he had known the real situation.

Mr. Moreing said he did not become a director of the Chinese Engineering Company until July, 1901. He denied that he had remained off the board purposely so that he could later profess ignorance of the fact that the memorandum had not been carried out. He finally made the reluctant admission that the memorandum had not been carried out as Chang Yen-mao under-

stood it, but said that his associates were to blame. He, himself, he explained, from the very first, always had consistently tried to carry out all the provisions of the memorandum.

De Wouters was the last important witness. His testimony consisted of an attempt to explain his letter of July 7, 1901, in which he had told how he and Hoover were doing everything in their power to set aside the agreement. He asserted Detring had been consulted on every important step (Detring had denied this) and said that the China Board had real powers.

Confronted with his letters, he said his frame of mind at the time must be taken into consideration. He had been blamed for going too far in giving the Chinese board real powers. The only other witnesses were M. Leon Trouet, one time manager in China, and an accountant who testified to the profits which the enterprise had paid.

Two days were taken up by the final arguments of counsel. Both sides indulged in the usual special pleading, but it is noteworthy that Mr. Haldane, K.C., for the defendants, urged the court not to rule that Chang Yen-mao had "entire domination over the property," as in that case the Chinese government might be encouraged to take active steps to cancel the deed. This, said Mr. Haldane, would considerably embarrass the British Foreign Office. The Court, he concluded, had not to deal with any ordinary case, merely involving the rights of the contending parties, but one of far-reaching, diplomatic significance.

Justice Joyce took the case under advisement and on March 1, 1905, handed down a decision against the defendants, who were ordered to carry out the terms of the memorandum; and the Justice added that unless they did so within a reasonable time the Court ought to restore to the plaintiffs the mines and property.

The Justice also suggested "that there are at least plausible grounds for contending that the defendant company has been defrauded of nearly 425,000 shares, by the Oriental Syndicate, to the injury entitled to the 375,000 shares," (belonging to the Chinese owners), and he suggested that the plaintiffs might have recourse to further suits on the grounds of misrepresentation.

Justice Joyce assessed the costs against Moreing and his fellow defendants, remarking that "their course of conduct and the attitude which they have maintained until a late period of the trial"



had increased these costs; and on the question of damages he reserved judgment until his decree had been carried out.

The defendants appealed against this decision and the appeal was heard in January, 1906. On January 24, 1907, the British Court of Appeal confirmed Justice Joyce's decision that the memorandum was binding on the defendants, but added that the powers conferred on Chang Yen-mao as director general under the terms of the memorandum were such as could not be exercised by him beyond those that could be validly conferred on a managing director of the company. The judgment of the Court of Appeal went on to say that this decision was without prejudice to any other action which the plaintiff might take on the grounds of alleged misrepresentation, whether fraudulent or otherwise.

Mr. Hoover's apologists have always tried to maintain that he was not in any way personally involved in the suit which Chang brought to compel the enforcement of the supplementary memorandum of February 19, 1901, but the facts crushingly refute this claim. The suit was brought against the firm of Bewick, Moreing & Company as well as C. Algernon Moreing personally, and Mr. Hoover was a partner in the firm. The complaint also named the Chinese Engineering & Mining Company, Limited, and Mr. Hoover at that time was a director in the company.

Mr. Hoover's apologists also try to make it appear that Hoover was the key witness upon whose testimony the plaintiff won his case. Once more the facts fail to coincide with this explanation. Mr. Hoover was called as a witness by the defense, and in his direct testimony he sought to convey the impression that Chang knew all about the agreement of June 30, 1900, although Detring swore that he had signed this agreement which conveyed the vastly valuable mining property to Hoover without even consulting Chang.

It is true that Hoover testified the memorandum was binding, but this was drawn out of him under cross-examination. He was compelled to admit that less than a month after the transfer he had written to Mr. Moreing that he had made certain sweeping changes with the purpose of giving the new manager "complete control immediately on arrival" in order that "the future administration might be preserved from any interference from the China board." He also referred to the Chinese board as "a Daly opera"

and was forced to confess that he had seen a letter from de Wouters to Moreing which stated "You know the memorandum is absolutely without value. . . . Mr. Hoover and I are doing what we want, informing the China board only of those things which it may know without danger, and going squarely to the front without it when necessary."

Hoover sought to explain and justify his own and the de Wouters letter, but his squirming on the witness stand failed to conceal that from the very first he had personally violated the terms of the February 19 memorandum; and he also was forced to confess that he had taken deeds and titles from Chang by force and repeatedly threatened the old Chinese.

Moreover, the defendants *did* deny that the memorandum of February 19 was binding. Their answer to Chang's complaint, filed in the Chancery Court, raised a number of captious objections which Justice Joyce termed "not very creditable;" and they did not admit that the agreement was binding until the trial was well under way and Detring's sensational testimony had thrown a bomb shell into their camp.

There is some reason for thinking that Detring's appearance on the witness stand came as a distinct shock to the defendants. Moreing had personally presented Detring with 50,000 shares of stock in 1902—when a suit was first threatened—and apparently they had not expected him to come to London to testify in Chang's behalf.

Justice Joyce strongly hinted as much in his decision when he said "Ultimately, His Excellency (Chang) *and Mr. Detring, as I cannot help suspecting somewhat to the disappointment of the defendants*, came over to this country for trial and gave their evidence before me. At length, after the evidence and cross-examination of His Excellency was completed, and Mr. Detring and the other witnesses on the part of the plaintiffs had been examined and cross-examined on behalf of the Moreings, and in the midst of his cross-examination by the leading counsel of the defendant company, *a remark of mine elicited the statement, then made for the first time*, that the defendant company did not dispute the memorandum. Indeed, in my opinion, after the evidence had been given, they could not have done so with the slightest prospect of success, or indeed, *as I think honestly.*"

The Justice went on to say "that to allow the defendant company, while they insist upon retaining the benefits of the transfer, to escape from the obligations of the memorandum upon any such pretext that Hoover or de Wouters were not authorized to agree to its terms, or that it was impossible for the defendant company to perform some of these terms without altering its constitution, would be contrary to one of the plainest principles of equity. It would be to sanction such a flagrant breach of faith as in my opinion could not be tolerated by the law of any country."

Justice Joyce, in summing up, said "I hold and declare that the memorandum dated the 19th of February, 1901, is binding against the defendants and that the defendant company was not and is not entitled to take and retain possession or control of the property comprised in the transfer, or the benefits thereof, without complying and without performing the provisions and obligations contained in the memorandum. In other words, I am of the opinion that unless within a reasonable time the provision and obligations be complied with and performed, this Court ought to do what it can to restore to the plaintiffs the mines and property, the subject of the transfer, and probably, by injunction if necessary, to prevent the defendant company, its agents and servants from obtaining possession."

Justice Joyce in conclusion stated: "I think perhaps I ought to add one other observation, which is that in the investigation taken before me of the transactions in question, it has not been shown to me that His Excellency Chang has been guilty of any breach of faith or impropriety at all, which is more than I can say for some of the other parties concerned." Mr. Hoover was not mentioned by name in this stinging rebuke, but in view of the acknowledged fact that he was the moving spirit in the "transactions in question" there is little doubt indeed that Justice Joyce was directly adverting to his activities.

The above observations by the Court would seem to dispute the statements of ex-United States Senator Irving Lenroot, who prior to the last campaign, had inserted in *The Congressional Record* a long letter in which he wrote "I am able to say categorically that neither the evidence nor the judgment reflect on the character or integrity of Mr. Hoover."<sup>1</sup>

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<sup>1</sup> Shortly after undertaking the pre-election defense of Mr. Hoover, ex-Senator

Ex-Senator Lenroot's letter (which is printed in the appendix) went on to declare "On the contrary, his (Mr. Hoover's) connection with the matter was honorable in every way and it was largely upon his testimony that the Chinese were restored to their rights."<sup>1</sup>

The above statement is a reckless distortion of the facts—for the truth is that C. Algernon Moreing and his fellow defendants (the directors of the Chinese Engineering & Mining Company, Limited) did *not* restore the Chinese to their rights. They promptly took an appeal from the sweeping decision of Justice Joyce. The British Court of Appeals considered the case and on January 24, 1907, handed down an opinion sustaining Justice Joyce. Even then the Chinese were not restored to their rights. The directors of the Chinese Engineering & Mining Company blandly ignored the decision of the British Court of Appeals and retained possession of the property without making any efforts whatever to carry out the memorandum of February 19.

Let us trace the subsequent history of the case to ascertain just how energetically Mr. Moreing, Mr. Hoover and their fellow directors labored so that the "Chinese were restored to their rights."

The directors of the Chinese Engineering & Mining Company, Ltd.—and Mr. Hoover remained on the board until 1911—studiously ignored the two court decrees and were abetted in this de-

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Lenroot was appointed as judge of the U. S. Customs Court, a life job which carries a salary of \$12,000 per year. At the time ex-Senator Lenroot wrote the letter, he had accepted a \$20,000 retainer from the Power Trust to direct its lobbying activities in Washington.

<sup>1</sup> During the 1928 campaign *The Engineering and Mining Journal* of New York carried several articles quoting excerpts from the Lenroot letter and assuring its readers that Mr. Hoover had acted honorably throughout this deal and declaring that any charges to the contrary were based "on envy, hatred and malice." Therefore it is interesting to know that on May 18, 1905, *The Engineering and Mining Journal* on page 953 of No. 20, Vol. LXXIX, ran the following editorial:

"It is a matter of regret that the new mining laws and regulations to be issued by the Chinese Department of Mines appear to be definitely postponed. The minister under whose direction they were being prepared went into official mourning for his father, and during this period of a year the work has been sacrificed to the exigencies of a complex official system. It is uncertain now whether these regulations, based largely on the mining laws of Mexico, will be promulgated; for Chinese sentiment toward British and American enterprise has suffered severely by the scandals arising from the Chinese Engineering Company and the recent litigation in London. This affair has made it increasingly difficult for foreigners to secure mining concessions, and not even the evident justice of the decision given by the British court is likely, for some time to come, to allay the suspicions, of the Chinese. Mining laws without mining will be of no service."

fiance by the British Foreign Office, which apparently considered a coal base in China far more important than the decisions of its own courts or the Chinese government's repeated appeals for a just and honorable settlement.

Year after year dragged by with the British Foreign Office deaf to the Chinese government's appeals, while the directors continued to pocket abnormally large profits. Between 1905 and 1910 the gross profits averaged close to \$1,400,000 a year and the concern paid from 10 to 15 per cent dividends on its watered stock.<sup>1</sup>

In 1910, the revolutionary party of Sun Yat Sen became ascendant in Chinese politics, and Yuan Shih Kai (the first provisional President of the Chinese republic) insisted upon reopening negotiations with Great Britain to the end that the Kaiping Mines might be restored to their rightful owners. The British Foreign Office was more amenable than it had been in the past, for it could foresee the creation of the Chinese republic and wanted to be on friendly terms with the new government; but the British directors (of whom Herbert Hoover was still one) continued to refuse to return the property unless they were paid £2,400,000.

Yuan Shih Kai wasted no more time in negotiations. Instead he gave his full support to a rival native undertaking called the Lan Chow Mining Company, which started with a capital of 1,200,000 taels, 500,000 of which were being supplied by the Chinese government. Modern machinery was purchased, the management was entrusted to Germans, and several pits were opened on government land. In 1911, the Chinese company started a rate war with the result that the price of coal was cut from \$6.40 to \$3 per ton. This ruinous price abruptly reduced the exorbitant profits of the Chinese

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<sup>1</sup> The tremendous profits are partly explained by the low wages paid—coolies got 10 to 15 cents a day; native miners 12 to 20 cents, and skilled mechanics only 24 to 36 cents—but another explanation was given by Herbert Hoover himself in a paper which he read before the Institution of Mining and Metallurgy in London on July 19, 1902. In discussing the labor problem, Mr. Hoover said: "The disregard for human life permits cheap mining by economy in timber, and the aggrieved relatives are amply compensated by the regular payment of \$30 (Mexican) per man lost. Cases have been proved of suicide for the amount, and other cases where six grief-stricken fathers claimed the reward for the same man."

Putting it plainly, the above statement can only mean that Mr. Hoover as manager for the British promoters found it cheaper to pay \$30 Mexican whenever Chinese laborers were killed by the cave-ins than he did to properly timber the mine. The amazing callousness of this statement would defy belief if it were not that the author has a photostatic copy of the paper read by Mr. Hoover.

Engineering & Mining Company and it was forced to borrow money.

Facing a series of lean years, the British directorate suddenly decided to compromise with the result that on January 27, 1912, an agreement was signed under which the two companies were to remain separate as regards mining, each retaining its share capital of £1,000,000 sterling, but the British company was to receive 60 per cent and the Lan Chow Company 40 per cent of all profits up to £300,000, and the profits in excess of that sum were to be divided equally. With a view to eliminating competition and expanding the business, a joint administration was formed called the Kailan Mining Administration, under the control of the directors of the two companies acting through a deliberation board of six members, three from each board. One million taels were paid to the Lan Chow Company for settlement of its debts; 1,000,000 taels were paid to Chang Yen-mao for damages he had suffered by reason of the first illegal contract; 500,000 taels were paid to the province of Chihli for back taxes and royalties; and £50,000 was paid to the Kailan Mining Administration. The Lan Chow Company also was given an optional right to purchase the Chinese Engineering & Mining Company's rights after the expiration of a certain period.

Shortly after this agreement was consummated, Mr. Hoover retired from all active connection with the Chinese Engineering Company. It is said that his continued presence on the directorate would have proved extremely distasteful to the members of the Chinese board.

## CHAPTER IX

*LONDON—A MAN OF BUSINESS*

IRONICALLY enough, during the period when C. Algernon Moreing and his new partner were devoting almost their entire time and attention to the "conversion" of the Chinese Engineering & Mining Company, a junior partner, Anthony Stanley Rowe, who had bought in at the same time as Hoover, was conducting another "conversion" operation on his own account—and it was one which almost wrecked the re-organized firm.

Rowe had been secretary of Bewick, Moreing & Company for about nine years. In 1901 Moreing proposed that Rowe be admitted to a partnership. E. W. Hooper, who had one-third interest, flatly refused to agree to this arrangement, declaring that Rowe was crooked and had persistently misused his reports from Australia to manipulate the market so as to further his stock gambling. Moreing insisted that Rowe be admitted. Hooper, who already was disgusted over the Chinese Engineering Company deal, finally said that he wouldn't accept Rowe as a partner, but that he would sell out his own interest. Moreing agreed, whereupon Rowe and Hoover each purchased a sixth interest, and T. W. Wellsted also was sold a sixth interest.

Rowe, who was a business man and not an engineer, continued to act as secretary of Bewick, Moreing & Company, and also as secretary for several other mining companies which the firm managed. One of these concerns was the Great Fingall mine. It was a Bewick-Moreing promotion, and chiefly financed by the stockholders of the Sons of Gwalia mine. Moreing and his friends controlled the board of directors. Rowe had been gambling in Great Fingall shares for several years, using his advance knowledge of the mine manager's reports to buy or sell shares on the London market. That he had made a small fortune at this practice was indicated by his wife's testimony at the bankruptcy proceedings.

She said Rowe had £60,000 pounds in the bank before he bought into the firm of Bewick, Moreing.

Rowe not only continued his gambling operations in Great Fingall shares after he became a full fledged partner, but greatly increased the magnitude of his speculations. His manipulations were made all the easier because on January 20, 1902, the company's authorized capital of £125,000, in 250,000 shares of 10 shillings each, was doubled by the simple process of issuing 500,000 additional shares with a par value of 10 shillings. A month after the new capital was authorized, Herbert Hoover, who had gone back to West Australia as resident manager for Bewick, Moreing & Company, began to cable to London extremely optimistic reports on the mine.<sup>1</sup>

Naturally, publication of these reports ran up the quotations of Great Fingall shares on the London exchange and Rowe profited accordingly. Obviously, Rowe was using Hoover's reports for speculative purposes, just as he had misused E. W. Hooper's reports. Incidentally, years before Rowe had been sentenced to nine months in jail by a London judge for embezzlement, and before that he had robbed his first employer, a jeweler, but had repaid the money and was not prosecuted. E. W. Hooper, it seems, had ample justification for refusing to act as a partner with Rowe.

While he apparently profited by his speculation in Great Fingall shares, Rowe had many other irons in the fire and lost huge sums when Kaffir stocks fell on the London market. The first intimation that Rowe was in difficulties came in the Autumn of 1902 when he borrowed £15,000 from Lionel Robinson, a broker, giving as security 5,000 shares of Great Fingall, which then had a market value of £30,000. Later Robinson learned that the stock certificates

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<sup>1</sup> *Skinner's Mining Manual* for 1903 gives the following excerpt from a circular issued by the firm of Bewick, Moreing on February 10, 1902, shortly after the new capital was authorized:

"Cablegrams received from Messrs. Bewick, Moreing & Company, the general managers, state that Mr. Herbert C. Hoover of that firm has examined the mine and estimates the value of ore blocked out above number 7 level and above the distance 190 ft. driven at number 8 level at the time of his visit, to £1,180,000. Mr. Hoover further states that the average width over the distance 190 ft. driven at number 8 level is 14 ft. 6 inches, the drive not having yet reached the widest portion of the chute of ore. Mr. Hoover adds that the average value of the ore exposed in number 8 level is 2 oz, 5 dwt. fine gold per ton and that the actual ore inside between number 8 level and number 7 in respect only of the distance of 190 ft. driven on number level is 53,800 tons."



were forgeries and threatened to inform the public prosecutor. Rowe promptly paid back the loan and apparently stole funds for this purpose from Hannan's Brownhill mine, another Bewick-Moreing company. In the aggregate he forged 40,000 shares of Great Fingall stock and issued them to various brokers at the height of the boom. Late in December, 1902, Rowe absconded to Canada, owing somewhere between \$500,000 and \$600,000.

There was a mild panic on the London Mining Exchange when Rowe suddenly vanished and the extent of his defalcations became known. C. Algernon Moreing, who had gone to China to deliver in person 50,000 shares of Chinese Engineering & Mining stock to Gustav Detring—probably in hope of stilling the rising clamor in Tientsin and Shanghai—hurried back to London. In the meantime the board of directors of the Great Fingall mine appointed a committee to investigate the affair and a warrant was issued for Rowe.

On January 8, 1903, an informal "indignation meeting" of the shareholders of Great Fingall Consolidated, Ltd., was held in Winchester House to discuss the company's affairs. On the day of the meeting Bewick, Moreing & Company issued a circular in which they announced their intention of making good Rowe's defalcations. The chairman, P. A. Horn, in opening the meeting, asserted that "many shareholders are anxious to ascertain the exact state of affairs. It was the original intention to appoint a committee to strengthen the hands of the board of directors, but in view of the honorable intentions of Messrs. Bewick, Moreing & Company . . . that they undertake to make themselves responsible for the defalcations of Mr. Rowe, the aspect is quite changed. Some of us have been in communication with representatives of the company who have candidly expressed their willingness to accept as directors two gentlemen nominated by the shareholders."

This concession, however, did not entirely allay the wrath of all the shareholders, and when the regular meeting of the Great Fingall Company was held on April 23, 1903, some very severe criticism of the "peculiar relations" between the firm of Bewick, Moreing & Company and the Great Fingall mine were voiced by W. A. Horn, a member of the Australian Parliament, who declared that "The disclosures which followed upon Mr. Rowe's abscond-

ing have aroused the most serious misgivings in the mind of every shareholder."

"We were told," said Mr. Horn, "that Bewick, Moreing & Company would make up Rowe's defalcations. Statements of a wholly ambiguous nature were made on their behalf as to the complete protection they would afford to the company and to others damaged by Rowe's conduct. Mr. Moreing, instead of proceeding at once to carry out the promises made in his name, proceeds to bargain that if he carries out these promises he shall first have a seat [on the board of directors] and secondly that the term of his firm's engagement as managers shall be extended five years. Why, in view of recent events, the necessity for this indecent haste?"

Edgar Storey, another large shareholder, also vigorously criticized the directors for handing over the management of the mine to Bewick, Moreing & Company, "lock, stock and barrel."

"In my opinion," Mr. Storey said, "the position which Mr. Moreing now holds is quite improper. He is both master and servant and I say it is a position which is indefensible and ridiculous and in every way intolerable and should not be allowed to continue."

Mr. Storey went on to say that when the forgeries of Rowe were first pointed out to the directors on December 23, they took no steps to investigate until six days later, and instead of putting auditors on the books, Rowe was allowed ample time to doctor his accounts and remove the most incriminating papers.

Mr. Storey concluded his speech by nominating a new director in place of Thomas Bewick, who had resigned, and this was carried by acclamation. Mr. Moreing, however, retained his post as chairman, and, as the result of his agreeing to pay off Rowe's thefts of £30,000 in Great Fingall stock, he also was given a five year extension of his contract as manager of the properties. This contract amounted to £28,000, and with new share issues authorized and dividends piling up, it is probable that Rowe's defalcations of Great Fingall shares were mostly paid out of Bewick, Moreing & Company's profits from the mine.

Hoover's connection in the case did not terminate until after long-drawn litigation. Edgar Storey filed suit against him, alleging that Hoover and Rowe had been jointly interested in dealing with

Great Fingall shares. The case was heard before Justice Ridley and a special jury in London on May 19, 1903.

It was shown that in September, 1902, Storey wanted to sell 3,000 shares of Great Fingall stock. It was done through Rowe, who on September 24, 1902, wrote Storey as follows:

“Hoover and I are taking your shares on joint account and I arranged a loan on them, reckoning them at £7 net, of only £15,000, meaning to put up the rest of the money myself. Since then, owing to the fall in Kaffirs, I have to find money unexpectedly and shall take a little time to turn around. Would you mind the balance of £6,000 standing as a second charge on the shares until next account? I would send you the £15,000 on Friday and would also send you other shares as security if you wish.”

Storey agreed to this proposal, but after Rowe had absconded he sued Hoover to collect the balance. Hoover's defense was that he had not authorized any joint account. His attorney, Sir Rufus Isaacs, later Lord Reading, in open court said:

“Rowe's frauds amounted to £140,000 and naturally he had hidden them from his partners. Rowe had transactions of £14,500 shares of the Great Fingall which he had bought for a rise, but which fell badly. Rowe sold 1,500 shares to Hoover at £7 including a dividend, a different price from what Rowe paid. Hoover never received any of the shares from Rowe, but had paid £3,500 on account, which sum he (Hoover) had absolutely lost.”

The jury, after listening to the evidence, gave a verdict for Storey, holding that Hoover had had a joint understanding with Rowe and was liable for the £6,000 still due.

Hoover appealed the case and on November 18, 1903, the verdict was set aside in Court of Appeals by the Master of the Rolls on the technical point of insufficient proof as to an understanding between Rowe and Hoover. The Master said that “for Storey to succeed it was absolutely necessary for him to show power or authority in Rowe to make a bargain on Hoover's behalf. . . . The only piece of evidence in addition to the letters which had been suggested as fixing Hoover with responsibility was a conversation he had with Storey after Rowe had absconded. His Lordship held that the true interpretation to place on that conversation was that

Rowe had approached Hoover after he had concluded his bargain with Storey, and that Hoover after agreeing to purchase 5,000 pounds' worth of shares, refused to join Rowe in taking the 3,000 shares on joint account."

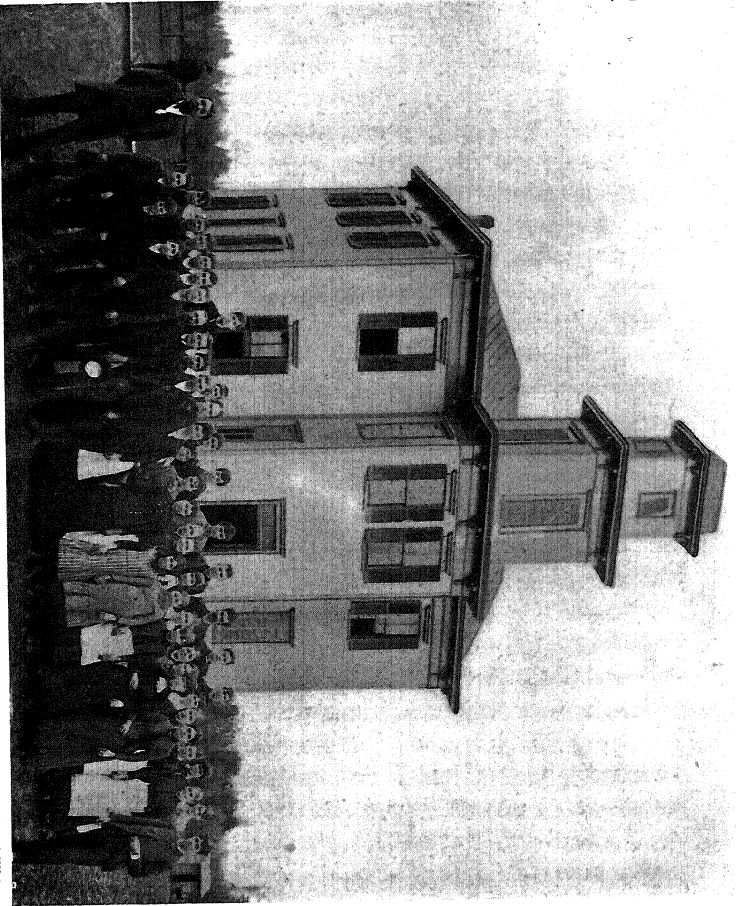
Storey, in turn, appealed from this verdict to the House of Lords where on June 30, 1905, the Lord Chancellor and Lords Macnaghten and Robertson upheld the Court of Appeals in setting aside the verdict, the Lord Chancellor declaring there "was not a particle of evidence to go to the jury to support the plaintiff's contention that the shares were purchased by Rowe on the joint account of himself and Mr. Hoover."

Rowe was arrested on September 17, 1903, at Toronto, Canada, and returned to London for trial. He pleaded guilty on December 18, 1903, and was sentenced to prison for ten years. He fainted when sentence was passed and had to be carried from the dock.

The firm of Bewick, Moreing & Company was "reconstructed" again after Rowe's defalcation. Hoover took over Rowe's forfeited sixth interest which gave him a one-third-share. Moreing lent the money for this purpose and carried him until the indebtedness incurred by Rowe had been wiped out. In 1904 the last of these sums had been paid. Hoover was at Kalgoorlie, West Australia, when he received a cablegram that the firm finally was out of debt, and I am told that he celebrated by opening a bottle of wine—not an unnatural reaction considering the circumstances.

When Hoover became a junior partner of Bewick, Moreing & Company in November, 1901, it was with the understanding that he was to be made resident manager in Australia. It has been said of Mr. Hoover that "he never forgets and never forgives." Apparently he was still smarting over the earlier check-mating of his Australian plans. Ernest Williams had resigned in 1900, but some of his friends were still with the firm. Hoover hardly had his chair warmed after his arrival in Coolgardie before he began discharging numerous employees who, in his opinion, had not supported his abortive *coupe* in 1899.

There were 25 fairly large producing mines in West Australia when Hoover returned in the spring of 1902, and the majority of them were under the management of Bewick, Moreing & Company. In addition to a fixed retainer for managing a mine, Bewick, Moreing & Company received a certain percentage of the profits,



PACIFIC ACADEMY, NEWBERG, OREGON

Alfred Witter

*This picture shows the pioneer class at Pacific Academy. Dr. John Miniborn is the man standing at the extreme left. Hoover is the small boy in the first row, third from the left.*



and Hoover, struggling to retain the money swept away by Rowe's defalcations, was forever demanding increased production.

Hoover knew that while shareholders usually were ignorant of the technique of mining, the average person with money invested was likely to scan the operating costs in relation to the tonnage production. He had almost an obsession to increase the prestige of Bewick, Moreing & Company by making the firm known as "The low cost managers of Australia." Probably this suggested to Hoover the brilliant idea of changing the system of bookkeeping in all the mines under his direction.

British and Australians customarily reckon by the long ton of 2,240 pounds, but Hoover instructed his accountants to substitute the American short ton of 2,000 pounds as the unit of measurement. Automatically, of course, this lowered the "book" cost of production, since the change resulted in a ten per cent increase of "tonnage," while the operating costs were decreased by the same ratio, although the actual returns of gold were much the same. Shareholders, who had not been informed that the Bewick-Moreing mines had changed from the long to the short ton, were delighted with the consequent good showing.

Determined to reduce costs to the lowest possible minimum, it is not surprising that Hoover also tried to beat the wages of his employes down below the prevailing levels. Several of his "official biographers" have asserted that Hoover always went out of his way to hire union labor and never had any serious difficulty with his workers. Incontestable public documents—which are available for verification—show that Herbert Hoover looked upon labor as a commodity and always tried to purchase it as cheaply as possible. His record in Australia proves he not only sought to import low paid aliens, but that he also habitually violated the provisions of the mine inspection act and tried to save money by skimping in timbering.

Unionism always has been strong in Australia and Hoover first came into conflict with organized labor in 1897-98, when he was acting as temporary general manager of Bewick, Moreing & Company, and discharged many workers because they would not readily consent to the substitution of single-jacks for the double-jack system then in vogue in Australian mines. When Hoover returned to Australia in 1902, with most of the largest producers of West Aus-

tralia under his management, he immediately helped set in motion machinery to bring about the importation of unorganized workers from Italy. The competition of these workers materially helped to lower the prevailing high wages among Australian miners.

The situation became so serious that in 1904 the government of Western Australia appointed a Commission on Immigration which held more than thirty hearings during June, July and August. The Commission on Immigration compiled a lengthy report, showing that the immigrants from Italy were met at the Western Australian ports of entry, supplied with tickets, and directed to the leading mines. The Great Fingall, the Sons of Gwalia, the Lancefield, the East Murchison United and the Ivanhoe mines—all of them under the management of Bewick, Moreing & Company—were specifically mentioned as properties in which a “distinct preference has been shown to Italians;” and in another Hoover-controlled plant it was pointed out that the only British worker was a tool sharpener.

Even more serious were the repeated allegations, which were finally discussed on the floor of the West Australian Parliament, that mines under the management of Bewick, Moreing & Company were negligent in installing timbers and disobeyed the inspectors’ orders to limit the height of the stopes. This flagrant neglect of the safety of their employes will be referred to again later in this chapter in discussing the dismissal of Bewick, Moreing & Company as managers of the Golden Horse Shoe mine.

More and more Hoover was coming to rely upon American assistants. Theodore Hoover had graduated from Stanford in 1901 and after serving a brief apprenticeship at Bodie, California, his brother brought him to Australia. W. J. Loring, another Californian recognized as an expert on extracting the greatest possible values from refractory ores, also was imported. So was W. A. Prichard, and a dozen other young engineers from “the States.” Putting them in charge at scattered outposts, Hoover would hold them responsible for pushing up the output and pushing down the costs. He, himself, was constantly on the go from mine to mine, listening to reports, inspecting new processes or examining ore bodies.

“He never was afraid to go down in a mine,” one subordinate said of him, and that partially explains his success. He was always



willing to learn from more experienced men, and eventually he became an excellent metallurgist. But while Hoover's driving energy certainly kept his subordinates up to the mark, and his keen mind suggested many improvements, some perfectly ridiculous claims have been made by his "official biographers" in attempting to show that he personally invented or perfected the ore reduction processes which "rehabilitated" the West Australian mines.

The filter-press process, for instance, was first tried on Australian ores in Germany in 1895—before Hoover had graduated from college. It was re-installed in 1897 by Dr. Diehl of Hamburg, consultant for Bewick-Moreing, and one of the highest paid experts in the world. Tube-mills had been used in Butte, Montana, in 1894. It is very doubtful if Hoover ever saw a tube-mill before coming to Australia. It is absolute nonsense to declare, as does one of his biographers, that "As fast as he could work out methods of extracting ore, he had plant and equipment designed under his direction, and placed his orders with American manufacturers."

As a mine manager Hoover showed himself very receptive to new methods, but he lacked both the metallurgical and mechanical training necessary either to perfect ore processes or to design machinery. His biographers, in order to exalt him, have robbed such men as Loring, Prichard, and Dr. Diehl of the recognition rightfully due them. On the other hand, Hoover did introduce drastic economies, and he had the good sense to send to California for men like Loring and Prichard, who were trained technicians and practical miners. As a consequence many thousands of tons of heretofore unpayable ore were made payable and new life was given to several pinched out mines.

Hoover as a junior partner did not permanently reside in West Australia after he had installed Loring and Prichard as joint managers in 1903. It was his habit to visit Australia at approximately eighteen-month intervals, and on each trip he would remain from three to four months. He also was inspecting prospects in the Dutch Indies, Burma, New Zealand and South Africa. It was during this period that Hoover first became acquainted with Francis Algernon Govett, an astute New Zealander who had made a fortune in mine promotions, and later was to be associated with Hoover in many stock flotations. Hoover also met G. P. Doolette

at this period, and Doolette, too, was associated with him in many subsequent deals.

In the first years immediately after his return to Australia, Herbert Hoover gave most of his attention to problems of mine management; but as time wore on and several of the largest producers of Western Australia began to "pinch out" with a consequent decrease in dividends, more and more he began to devote himself to promotion and financial manipulation. Labor trouble and disputes with the Australian government also cut down dividends. It often required years to develop a mine until it would pay a fairly good return, but in promotional enterprises the profits were swift and sure—at least for the promoter.

In 1903 the Kalgoorie quartz fields were definitely on the down grade, through the exhaustion of paying ore bodies, and the same was true of the gold mining areas in Queensland and Victoria. It was at this stage of the game that Bewick, Moreing & Company, largely at Hoover's suggestion, turned from quartz mining and promoted several placer propositions in Victoria.

Fifty years earlier the Berry mine in the old Ballarat gold field had been a famous producer. Bewick, Moreing & Company, under Hoover's direction, purchased options on some neighboring areas from the semi-defunct London & Globe Finance Company—a Whittaker Wright concern. Then Hoover sent to California for his old friend, Waldemar Lindgren, who during the Stanford years had given him vacation jobs with the United States Geological Survey. Lindgren had a splendid reputation as a geologist, and his long service with the United States government seemed almost a guarantee of integrity. Hoover hired Lindgren to make a survey of his Victoria placer holdings, and upon the strength of a favorable report, glowing prospectuses were issued which referred to the Berry mine as though it were a contemporary producer, and blandly ignored the fact that Whittaker Wright had failed to find any gold on these identical properties.

In rapid succession Bewick, Moreing & Company floated the Cathcart Gold Mining Company, the Victorian Deep Leads and the Moolort Goldfields. There were frequent puffs in the London financial press and Lindgren's honorable reputation was heavily traded upon. The investing public of London rose to the bait.

Within a few months more than \$4,500,000 had been subscribed for shares in the various enterprises.

The hazards of these particular operations were never honestly explained to the shareholders. "Deep lead" mining, as it was termed in Australia, had always suffered from too much water—and I am not referring now to watered stock. The supposedly auriferous sands in Victoria were traversed by subterranean rivers—hence the name "deep leads"—and as soon as shafts were sunk they filled with seepage. The cost of the incessant pumping exceeded the returns—and this was precisely why Whittaker Wright had failed to make a profit in the same field. There also was constant trouble with the Victorian government, which protested against dredging as it ruined the streams for future agricultural purposes.

The history of the "deep lead" mining in Victoria was marked by appalling inefficiency, if nothing worse, and those who were lured into investing on the strength of Lindgren's name were later victimized by what bore every appearance of deliberate market rigging. As the result of discouraging reports and high operation costs, the Cathcart mine shares were selling on the London stock exchange for almost nominal sums in 1904. The London mining press reported that 36,000 shares had been dumped on the market when cablegrams came from Australia declaring that a rich pay streak had been uncovered. It was alleged that gold dust was running as high as 18 ounces to the square fathom—and it was said that 12,000 fathoms were "in sight." Naturally there was a stampede to buy back the discarded shares which had soared within a few days from almost nothing to \$32 each—and the insiders profited accordingly.

Reports of these rich strikes in the Cathcart Mine—which later turned out to be wholly unfounded—enabled Bewick, Moreing & Company to float the Victorian Deep Lead and Moorlort properties, and shares in these concerns also were snatched up by an excited public. Later the Berry United Deep Leads and the London and Globe Deep Assets Company were organized. The prospectuses for these later companies were so flagrantly misleading that the Western Australian government issued a bulletin to correct some of the many misrepresentations. Unfortunately, this warning came too late, although it may have prevented additional

flotations. The Victorian, Moorlort and Cathcart companies were liquidated in 1908 with almost total loss to the investors. *The Mining Magazine* of London remarked of these failures that "the geological vision was not translated into mining realization because the geologist made his inferences without sufficient data on two essential points: the distribution of gold and the pressure of water in the deposits."

Papers in Sidney and Melbourne were less reserved in their comment, and they had a right to be indignant, for it was speculative scandals of this sort in West Australia that made "Westralianism" a term synonymous with shady dealing on the London Stock Exchange and injured the repute of honest mineral developers.

"It is idle to deny that the 'Westralian' market enjoys in London a reputation so unenviable that some of the finest mines and some of the finest mineral belts suffer a boycott disastrous alike to the existing mines and the whole industry," Premier Scaddan of West Australia stated in a public interview in 1905. "The conviction in the state—founded upon the accumulation of many pointed indications—has always been that important positions in companies always have been held by men anxious to secure a market rise rather than a good mine; that development is subordinated to share dealings; and that reports are colored more by the possibilities of the market than the probabilities of the mine."

Some of the West Australia mines like the Oroya Brownhill, Sons of Gwalia and Golden Horse Shoe had such marvellously rich ore bodies that engineering was hardly a factor in the early stages of their development. The Oroya Brownhill paid as high as 80 per cent dividends in a single year, and the Golden Horse Shoe paid back in dividends every cent of its £1,500,000 capital long before it reached a point where lower grade ore and deeper workings decreased its profits. Incidentally, it was in connection with the Golden Horse Shoe mine that serious charges were levelled against Bewick, Moreing Company by Sir John Purcell, chairman of the board of directors, shortly after the deep leads fiasco.

Some readers may, at first thought, deem it unfair to revive a 27-year-old controversy, where the points at issue were admittedly in dispute; but it must be remembered that the charges, which affected both the technical skill and integrity of Bewick, Moreing

Company, were widely published at the time without provoking a libel suit; and the affair not only is illuminating as to methods commonly employed in West Australia, but helps explain why Herbert Hoover's reputation was none too good in the less speculative spheres of the London mining world.

The charges against Herbert Hoover and Bewick, Moreing & Company were aired in the seventh annual meeting of the Golden Horse Shoe Estates shareholders held in Winchester House, London, on April 25, 1905. After reporting large dividends, and showing the company was in splendid financial condition, Sir John Purcell, chairman of the directors, referred to the trouble with Bewick, Moreing & Company:

A contract had been made with Bewick, Moreing & Company on February 23, 1904, on representations made by Mr. Hoover, whereby they took over the management of the mine for a flat fee of £1,000 a year and one per cent of the dividends on the express condition that they reduce the working costs to 25 shillings a ton. On September 17, 1904, Sir John Purcell and the other directors formally dismissed Bewick, Moreing & Company from the management of the Golden Horse Shoe mine on the following alleged grounds:

(a) Failing to reduce ore costs to the level promised by Mr. Hoover when the mine was taken over.

(b) Failing to estimate correctly the additional money needed to develop the mine.

(c) Failing to furnish the Golden Horse Shoe directors with information necessary to judge the progress of its development.

(d) Trying to involve the Golden Horse Shoe directors in Bewick, Moreing Company subsidiary stores, foundry and insurance company.

(e) Mismanaging the property so that production dropped and costs actually increased.

(f) Neglect in timbering mine shafts which endangered lives of workers and disregard of consequences when the government inspectors twice warned Bewick, Moreing's manager of the immediate risk to the lives of the workers.<sup>1</sup>

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<sup>1</sup>It will be recalled that in writing about the Chinese Engineering & Mining Co. Herbert Hoover said it was cheaper to pay \$30 Mexican for killing "an

(g) Supplying secret data to rival representatives, while withholding this data from the Golden Horse Shoe directors.

(h) Refusing to relinquish the mine when dismissed (Hoover stating that they would have to be forced out) which compelled the Golden Horse Shoe directors to take legal action.

(i) Retaining £14,000 of the Golden Horse Shoe's gold bullion to pay for supplies alleged to have been furnished by the Bewick, Moreing stores, which also compelled legal action to bring about the return of the money.

Sir John Purcell also charged Bewick, Moreing & Company, through the instrumentality of Mr. Hoover, of virtually trying to get hold of the mines themselves:

"It was soon borne upon my mind," Sir John said, "that having got their foot in, Messrs. Bewick, Moreing & Company were laying themselves out to be the masters of the mine. This I was determined not to allow. Mr. Hoover—"

At this point a shareholder arose and asked:

"Is this Herbert Hoover the same person whose actions have been so criticized in the recent Chinese case before Mr. Justice Joyce?"

"Yes, this is the same Herbert Hoover," Sir John Purcell replied, "but thank God the chairman of your board is not a Chinaman." A burst of derisive laughter swept the meeting.

Sir John went on to explain that in April, 1904, the directors addressed a letter to the manager of the mine calling for certain explanations, but received no reply whatsoever until late in July when a letter accidentally fell into their hands showing that the mine manager long before had written secretly to Bewick, Moreing & Company in London admitting that the costs could not be reduced to 25 shillings per ton if they kept up the development work to the same standards as in 1903.<sup>1</sup> It was then, he said, that the directors

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occasional Chinaman" than to timber the mines. Despite rigid governmental inspection he apparently tried to affect the same "economy" with the Golden Horse Shoe Mine.

<sup>1</sup> After explaining how Bewick, Moreing & Company had not kept their agreement as to the rendering of accounts, Sir John Purcell gave the following version of the incidents leading up to the dismissal of the mine managers, as reported in *The London-Mining World* of April 29, 1905:

"Cable information reached the Directors from Paris to the effect that contrary

took steps to remove Bewick, Moreing & Company from the management, only to be told by Hoover that "the directors will have to force us out."

When the directors took legal steps to get back their own mine, Bewick, Moreing Company retained £14,000 in gold bullion. Upon another suit being threatened, the gold was returned and the Golden Horse Shoe Company paid Bewick, Moreing £10,000 in settlement of money due for supplies and all claims, subject to later adjustment by joint auditors.

The charges made by Sir John Purcell against Bewick, Moreing & Company were answered in a long letter—whose stylistic peculiarities mark it as the production of Herbert Hoover's pen—in which most of the allegations made by the Golden Horse Shoe directors were vigorously denied. This letter made some charges of its own—namely that the Golden Horse Shoe directors were interested in a smelter which increased the costs by excessive smelting fees; and also accused the directors of urging Bewick,

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to the specific terms of the agreement a certain person was allowed to go down the mine and sample it. This was indignantly denied by Mr. Moreing in London and by his representative at the mine. The Directors had, however, in their possession a sworn affidavit proving that this person was actually at the time stated taken through the mine by Mr. Moreing's representatives, and that he was furnished with assays and the latest plans. In fact, this person was given information which was not, at the moment, in the possession of the Directors. According to his own statement, made before the Australian Commission on the Boulder Deep, this person was an employee of a company whose business it is to deal in mining shares, and he was also a writer for certain financial newspapers. This person was, no doubt, following his vocation in pursuit of suitable knowledge for the purposes of his employers. But to say nothing of the fact that they acted in direct contravention of their agreement, he (the Chairman) left the Shareholders to judge as to the propriety of the conduct of their then Managers in opening the mine to a person whose business lay in the particular direction indicated. It would be gathered from the foregoing that matters were not proceeding smoothly. The Board tried, however, to place them, if possible, on a better footing; and accordingly, in April, a letter was addressed to the Manager of the mine calling for certain explanations and a clear estimate of the position. They were without an answer to this letter until the middle of July, and then obtained it only through the mere chance of a copy of a reply dated June 4, having no doubt accidentally got into the usual weekly correspondence, dispatched to them from the mine. It was at once suspected that the original had, contrary to the terms of their agreement, been sent under cover to Messrs: Bewick, Moreing and Company in London and that it had been kept back by the firm. This letter, under the hand of Messrs. Bewick, Moreing and Co's representative at the mine, clearly showed that according to the view of their Australian partner the firm could not carry out the promised reduction in costs to 25/ per ton, whilst keeping developments up to the same level as in 1903. After this, the Directors came to the conclusion that the time had arrived when steps should be taken."

Moreing Company to join a speculative pool and then to cable reports to London which would affect the share market. Hoover virtuously protested that this suggestion was refused and he concluded his letter by declaring "gold mining companies will remain under a cloud as long as they are managed by boards of directors consisting of titled guinea-pigs, who are ignorant of mining, and stock exchange speculators."

Part of the dispute undoubtedly was caused by a fight over side profits. These had formerly gone to concerns in which some of the Golden Horse Shoe directors were interested. Bewick, Moreing & Company also had stores, foundries and insurance companies, and Hoover thriftily switched this business to his own crowd. There also was the fear expressed by Sir John that "having got their foot in, Bewick, Moreing and Company were laying themselves out to be the masters of the mine." This undoubtedly referred to what Sir John suspected was an attempt to influence the price of shares on the London market by means of the suppressed letter which accidentally fell into Sir John's hands.

Sir John Purcell is dead, but his secretary, E. R. Jones, who attended the stockholders' meeting, well remembers the history of the case. He says:

"We knew Hoover and his people couldn't do what they promised in reducing costs. But because Hoover personally convinced our folks that they knew the mine and could do it, they had to be given a try. When we traced that suppressed letter we perceived what they were up to despite all their attempts at concealment. That Bewick, Moreing stores scheme was about finished by our exposure of them. We saved our mine. Just what they hoped they were going to get away with I refrain from saying. But Sir John thought he knew and he was not going to have them do to us what they had done to others."

Whether Sir John had provable basis for his fears probably cannot be determined at this late date. At least he thought them justified at the time and in dismissing Bewick, Moreing & Company from any further connection with the Golden Horse Shoe Mine he was unanimously supported by his fellow directors and the shareholders. The revelations of the Chinese Engineering Company "conversion" were still fresh in the public memory and when Sir John stated that he feared Hoover and his friends were "laying



themselves out to be masters of the mine" he undoubtedly had in mind the testimony at the Chinese Engineering Company trial (only a few weeks before) in which Hoover's fellow director de Wouters wrote in a letter read at the trial: "step by step we have become the masters. It [the contract] does not bind us to anything."

Basically, the whole mining business was a cat and dog fight between greedy directors and scheming mine managers, with the stockholders left in two classes:—those "standing in" with the directors and the shorn sheep. The nub of the whole racket lay in the mine manager's report. Stocks rose or fell according to brief cabled messages from distant parts. Sending in false reports or suppressing true ones were common methods in manipulating the mining market. By collusion between managers and gamblers in stocks it was easy to get control of really rich mines. That this practice was real and not imaginary is testified to by H. J. Curle in his book, "Gold Mines of the World," where describing the nefarious "domination of the promoter with his secret system of information" he goes on to mention "managers who deliberately wreck a mine for stock jobbing purposes."

Francis Algernon Govett, interested with Hoover in a score of promotions and "reconstructions," once admitted before a shareholders' meeting that "There can be no gainsaying that by collusion between market operators and mine officials grave scandals have arisen . . . As the law stands at present it is next to impossible to get a conviction." This reveals the method by which many young engineers laid the foundations of their fortunes in failing to resist the temptations of promoters, and Sir John Purcell and his fellow directors of the Golden Horse Shoe undoubtedly believed that they had saved their mine from a speculative raid.<sup>1</sup>

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<sup>1</sup>In his speech to the shareholders Sir John Purcell said:

"They (Bewick, Moreing and Company) declined to surrender the mine—Mr. Hoover adding that the directors would have to force them out. This the Board regarded as an idle threat, but it proved not to be so. . . . In the course of a few hours they learned that Bewick, Moreing and Company's partner (in Australia) acting on instruction (as he stated) from his firm, declined to surrender the property, and it was not until the company's solicitor on the spot put a power of attorney into force that they obtained possession of the mine. Upon obtaining possession they (the directors) found that mullocking and timbering had been neglected; so much so that twice over, formally by letters (found in the office at the mine) the Government Inspector of Mines had warned Bewick, Moreing and Company's representative of the consequences and danger to working men arising from this neglect. The directors had no intimation whatsoever of this state of affairs and if the mine had been shut down, I leave

That Mr. Hoover *did* habitually speculate in the shares of mines, in whose management he was active, can be well established. No small share of his fortune came as the direct result of such speculation; his closest friends and future business associates, Francis Algernon Govett and George P. Doolette were the foremost promoters in Australia, and these facts, taken in connection with the recent Chinese Engineering & Mining Company "conversion," undoubtedly made the suspicions expressed by Sir John Purcell seem reasonable to his fellow directors.

Hoover made considerable money in one quick turn in 1908 when G. P. Doolette brought him in on the reorganization of the Great Fitzroy mine in Queensland. With a total issue of 375,000 shares valued at £1 each, the directors only issued £37,500 shares for working capital. In the eleven months the mine returned an actual net profit of £12,187—or more than 33 per cent on the real money invested, and at the same time glowing geological reports were made public showing 900,000 tons of ore in sight. Naturally, there was a scramble to obtain shares, but it developed that the directors had given themselves and their friends first call on 100,000 shares at £1 each. They profited, therefore, whether they retained their shares or sold them at going market prices. There is no suspicion of anything illegitimate about the Great Fitzroy reorganization. It is merely cited as an example of how tremendous profits could be made in promotions and to show why Herbert Hoover inevitably was attracted to the financial side of mining and became less and less interested in its managerial phases. It was this tendency that finally brought about the break between Hoover and C. Algernon Moreing after a close association of more than ten years.

Hoover advocated more promotions and also wanted the firm to purchase and operate mines on its own account. Moreing insisted that the managerial end be stressed. The profits might not be so large, but it was safer. He had been considerably shaken by the failure of the various Victoria deep leads companies, and the resultant criticism by Australian newspapers had not helped the firm. He blamed Hoover for dragging him into that mess and dur-

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the shareholders to imagine what an opportunity such an incident would have afforded market operators."

ing the early months of 1908 their relations became decidedly strained.

Hoover took their differences of opinion very seriously. Friends say of him that he cannot stand opposition, and under a gruff exterior he is extremely thin-skinned. More than once, after a bitter dispute with Moreing, he would return to his own office and throw himself on a couch in a state bordering on nervous prostration. The long drawn disputes over policy affected his health to such an extent that he was threatened with a breakdown. So matters stood on July 1, 1908, when Hoover at last decided to terminate his partnership.

W. J. Loring of California, the expert metallurgist whom Hoover had brought to West Australia, and who had later succeeded Hoover there as resident manager, was ready to purchase Hoover's third interest if Hoover could get his partnership extended. Originally, it had been arranged for a term of ten years which would expire in November, 1911. Hoover asked Moreing to extend it seven years, so that he could sell his interest to Loring. After some discussion Moreing agreed—he, too, was tired of the constant bickering—but only on condition that Hoover sign a stipulation that he would not act as general manager of any mine within the limits of the British Empire for a period of ten years. In case Hoover financed any mines, it also was agreed that the firm of Bewick, Moreing & Company should be selected as managers.

Hoover signed this covenant and sold his third interest to Loring for \$169,000, of which \$50,000 was paid in cash and \$10,000 every three months until the entire purchase price was discharged. Before he signed the covenant Hoover apparently intended to return to the United States, but after signing he suddenly changed his mind. In any event, less than three months after retiring from Bewick, Moreing & Company, Herbert Hoover was interesting himself in mines in Australia, South Africa and California, and 18 months later he was busily engaged in promoting oil companies in Russia, Galicia, Trinidad, and Peru.

Not long after he had left Bewick, Moreing & Company, a member of the firm reproached Mr. Hoover for conducting promotions after signing a covenant not to. "You know it is against your agreement," he said.

Mr. Hoover did not deny the impeachment. Instead, he is alleged to have replied:

“There never was a contract drawn which I cannot get around.”

Nevertheless, in November, 1910, C. Algernon Moreing filed suit against Herbert Hoover in the chancery court, alleging breach of contract and demanding heavy damages. Mr. Hoover, in filing his defense, raised the contention that he was then chiefly engaged in promoting oil companies and that the exploitation of oil was not, strictly speaking, a mining operation.

*The London Mining World*, evidently alarmed over the prospect of Mr. Moreing and Mr. Hoover washing their dirty linen in court, came out in its December issue with an apparently inspired editorial which stated “The litigation between Messrs. C. A. Moreing and H. C. Hoover is much to be regretted. Two men so successful in mining and finance ought to be able to find ample scope for their unusual abilities without going to law in regard to the limit to be set upon their useful energies.

“Apparently the point at issue is whether Mr. Hoover broke a covenant not to engage in business as a mining engineer for a term of ten years and whether such a covenant was reasonably necessary for the protection of Mr. Moreing’s business (in which Mr. Hoover was formerly a partner) and finally whether the exploitation of oil constitutes a mining operation.

“All of those are points capable of subtle argument, and we hope most sincerely that it will not be found necessary to elucidate them in court. Professional men ought to set a good example by settling such squabbles by arbitration.”

Mr. Moreing acted on this plain hint. After some rather long drawn negotiations he withdrew his suit—but only after Herbert Hoover had paid him a very substantial cash sum in settlement of the damages claimed by reason of the broken covenant.

## CHAPTER X

### *A KILLING IN NIGERIAN TIN*

**H**ERBERT HOOVER was primarily a mine manager up to the time he left Bewick, Moreing & Company, but immediately afterward he plunged into a series of promotions and involved financial transactions which continued without a break until the World War finally put a stop to his numerous international stock selling schemes.

Africa, Australia, Burma, California, Colombia, Cornwall, Galicia, Mexico, New Zealand, Nicaragua, Peru, Siberia, Trinidad and the Yukon were in turn the scenes of his rapid fire flotations in petroleum acreage as well as gold, copper, tin, silver, zinc, and lead mines. During the period between 1908 and 1916 Hoover was instrumental in selling oil and mining stocks to investors in England, Australia, France, Belgium, Germany, and the United States for many millions of dollars. Eventually much of this stock turned out to be almost worthless, and most of the companies which he had promoted ended in collapse. Mr. Hoover, however, did very well personally. When the World War came his fortune was estimated at between three and four million dollars—much of it in easily negotiable American bonds—and he would have emerged with far greater wealth had not the Soviet government cancelled enormously valuable concessions in which he was heavily interested.

The British investing public was decidedly "mine conscious" in the early years of this century. London was the financial center of the world and capital was easily had when it was assured of swift returns. South Africa had been thrown open for exploitation after the crushing of the Boer republics; China was stirring; Russia was beginning to welcome foreign aid in the development of its vast resources; and profitable concessions could be had in Mexico and South and Central America. This combination of favorable circumstances brought together in London a group

of exceedingly adroit *entrepreneurs*—none the less “high pressured” though some were of noble blood—whose subsequent flotations and market manipulations, with the consequent loss of many, many millions, have discredited mining stocks as an investment in the public mind until this very day. Foremost among this group was Herbert Hoover. Always sought after because of his “re-organizing ability,” at one time or another he worked with Lord Harris, Sir Edmund Davis, Lord Braebourne, G. P. Doolette, W. F. Turner, Francis Algernon Govett, Leslie Urquhart, Arthur Grenfell, A. N. C. Treadgold, W. F. Baker, A. Chester Beatty, John Hays Hammond and other acknowledged leaders of the London mining mart in helping float speculative enterprises in every quarter of the globe.

It is amazing, even allowing for the lapses of memory which go with two decades, that Mr. Hoover’s long political feast has not been rudely interrupted by some of these financial specters from his past—and that this has not happened is also testimony to the scrupulous thoroughness with which he covers his tracks. Then, too, events have conspired in his favor. The World War wiped out many legitimate enterprises, along with most of his promotions; and the World War also surrounded him with a blaze of well press-agened glory that effectually shrouded his past.

Even those inclined to be critical had a feeling that Mr. Hoover had been canonized by the Belgium relief, and that it was almost sacrilegious to discuss him as other politicians are discussed. He also was fortunate that the locale of his promotions lay in far-away places, and the only men competent to discuss the details were fellow-promoters, filled with admiration—or envy at the most. Most of all was he protected by the fact that his early activities were largely in London; and Englishmen look upon those in high places with an awe which would make any reflections upon Mr. Hoover’s conduct seem almost akin to *lese majeste*. The foregoing factors have combined to throw a veil of heretofore impenetrable secrecy over a record which, in some of its promotional phases at least, is anything but creditable to Mr. Hoover’s ability, even if his entire good faith were granted.

It is, I think, not wholly without significance that after quitting Bewick, Moreing & Company, Herbert Hoover in his first important promotion should have chosen to associate himself with

W. F. Turner and Sir Edmund Davis, both of whom had been prime movers in financing the "conversion" of the Chinese Engineering & Mining Company. It also is interesting to learn that a considerable block of stock in that company was hypothecated to supply the working capital of the Anglo-Continental Mining Company, the "re-organized" concern in which Hoover became a director early in 1909. Turner and Davis also were on the board of directors, while Ludvig Diehl, the well known German metallurgist, and Johannes Schaar represented the continental shareholders.

At this juncture, disregarding for the moment the chronological development of this narrative, it will be pertinent to give briefly the history of the Anglo-Continental share speculation to show just what manner of men Hoover had chosen for his associates.

The reconstructed Anglo-Continental Syndicate was registered in London in December, 1909, and it owned mines or options on mines in Nigeria, Mexico, Russia and Trinidad. For the present we are interested only in the tin mining enterprises which it incubated in Nigeria in 1910 and 1911. It had several prospects in the Jemaa district and acquired shares in the Bauchi, Naraguta Extended, Garum River and Garum River Extended tin mines. The Anglo-Continental had a capital of 400,000 shares of 10 shillings each. Three hundred thousand of these shares were issued and on returns from its subsidiary companies it paid a dividend of 20 per cent in January, 1911, and 10 per cent in February, 1912. These handsome profits paved the way for the stock "killing" which speedily followed—and which, it may be added, was maneuvered with consummate skill.

At the annual meeting on February 24, 1912, W. F. Turner, chairman of the board, announced that the company had acquired an exclusive prospecting license covering twelve square miles in the Jemaa district, where, he added, 600 acres of tin-bearing gravel already had been proved. He went on to state that in the previous November a large outcropping of tin had been found which "proved in places to be very rich in concentrates." This, said Mr. Turner, assayed 25 per cent tin "pretty evenly distributed throughout the mass of the lode." Later information, he went on, showed the width of the lode to be 30 feet, and before the meeting closed he told of a cablegram just received which "brings up

our length of outcrop to a total of five miles." Let me add, parenthetically, that a lode of such size and richness was then—and still is—unknown to tin miners. Naturally, news of this supposedly unprecedented tin lode had its effect in sending up the price of shares.

On March 15, 1912, the Anglo-Continental directors issued a circular informing shareholders that the lode had been traced for "over eight miles" and that "for a mile and a half the average width is stated to be 30 feet and the average value 20 per cent tin." Meanwhile, as the result of wild speculation, the shares which had been issued at 10 shillings (or \$2.50) were selling for £8 (\$40). The market broke in March to £5, but on April 12 the company issued another circular which quoted the superintendent of the Nigerian mine as cabling that there was "a splendid body of ore, very rich. Judging from surface indications the lode has every appearance of being permanent in depth." Shares then were quoted at £6¼ (or \$31.25).

On April 20 a cablegram was received in London from C. H. Wray, an engineer sent out to Nigeria by a private syndicate. He declared he had carefully examined "the alleged lode" and found only "a belt of greisen in which there occur occasionally very small patches of tin ore." His cable concluded: "As a prospect in my opinion it is quite hopeless." The shares promptly fell to £4 when this cablegram was published in *The London Financial Times*.

The Anglo-Continental directors refused to comment, but Lord Harris of the West African Mines (of whom we shall hear more later) petulantly protested against "the supposition that anyone may go to anybody else's property, examine it, and give the information he gets to the public." Meanwhile, as was later disclosed, Mr. J. F. Balfour, an engineer acting for the West African Mines, which held many Anglo-Continental shares, had already cabled on April 25 that the lode was but six feet wide instead of 30 feet and contained only ½ per cent of tin. He added that he considered the property "a prospect only." This report was not made public until May 20, by which time the shares had fallen to £1¾.

The Anglo-Continental crowd could not suppress this report, so they did the next best thing and made it public—after some little delay—on June 5 with the additional announcement that W. R. Rumbold had been engaged as consulting engineer and would



hasten to Nigeria to make an examination. Other information calculated to be reassuring was contained in the official circular.

In July, 1912, Mr. Rumbold went to Nigeria. His report was available in August but was not made public until October 10, when he cabled that he found tin ore running up to *3.4 per cent*—not 34 per cent—and he said the lode was *28 inches* wide—not 30 feet as had previously been reported. His statements indicated very plainly that he hardly thought it worth while to spend more money on the prospect. Whereupon the price of shares on the London Exchange dropped to 17 shillings 6 pence. Between the high and the low quotation of shares there was a difference of £2,500,000—or \$12,500,000 in less than seven months.

The story of the Anglo-Continental can be summarized as being marked by untruthful cablegrams from Nigeria; wholly unjustifiable optimism in London, (to term it nothing worse); unpardonable dilatoriness in obtaining accurate information; disgraceful delays in the publication of that information when received; and between each of these factors was sandwiched a shameful speculation in shares that was deliberately designed to transfer money from the many to the few.

It is true that Hoover was not a director of the Anglo-Continental Gold Syndicate during the market rigging. He had retired from the board in 1911, principally because he was devoting most of his energy to the promotion of the Granville Mining Company, and this compelled him to be absent from London for long periods. But he still held considerable stock in the Anglo-Continental, and if he did not personally profit by the orgy of speculation brought about by his former colleagues, it in no wise offended his sense of ethics. This is indicated by the fact that the Granville promotion was made possible through money advanced by Lord Harris in 1911; and in November, 1912, when the Anglo-Continental stock operations had finally collapsed through lack of public confidence, Mr. Hoover and Mr. Turner became fellow members of the board of directors of the Lake View & Oroya Exploration Company and were even more closely associated in subsequent promotions. If Mr. Hoover was not personally involved in the Anglo-Continental stock jobbing operations, the history of the affair would be none the less germane in that it discloses the nature of the deals habitually carried on by his close business associates. After all, it is

fair to judge a man by the company he keeps; and Mr. Hoover, unfortunately, had some close connections with several rather notorious international sharpsters.

Now, after this digression into the Anglo-Continental affairs, let us resume our orderly course in tracing Mr. Hoover's career:

Shortly after Hoover left the Bewick-Moreing firm, he formed a close financial alliance with F. W. Baker, an English promoter, and A. Chester Beatty, a well known American mining man, formerly general manager in the Yukon for the Guggenheim interests, and whom *The London Mining Magazine* once described as "one of the most forceful of the engineer-financier type of men now engaged in mining speculation."

It so happened that both Baker and Beatty were brothers-in-law of T. A. Rickard, brilliant editor of *The San Francisco Mining News*, and Edgar Rickard, a cousin, was business manager of the same publication. Hoover, who had realized the importance of publicity ever since his first orchards promotions at Salem, was on very friendly terms with the Northcliffe press, but he knew how much more valuable it would be to control his own organ, and with that end in view the Rickards were promised strong financial backing if they would come to London and found a trade journal devoted to matters mineral. The Rickards arrived in London early in 1909 and on September of that year *The Mining Magazine* was launched. The first issue contained a double-page advertisement of Hoover's recently published book "*The Principles of Mining*"; a page review of the same book with a picture of Mr. Hoover; a two-page discussion of Mr. Hoover's book by a correspondent; and lastly an anonymous article, bearing in its stylistic peculiarities unmistakable evidence of having been written by Mr. Hoover. This article in a subtle way under the guise of a general discussion singled out as safe investments a dozen or more mining companies in which Mr. Hoover was interested. Backed by a group of powerful promoters, who could easily influence the advertising of mine machinery concerns, *The Mining Magazine* was a success from the start and it appeared monthly under the management of the Rickards until the World War put an abrupt end to all mining promotions. Edgar Rickard then went to Belgium with Mr. Hoover, and now acts as Mr. Hoover's private business agent at 42 Broadway, New York.

*The Mining Magazine* was an ably edited publication. T. A. Rickard was a vigorous and versatile writer, a graduate engineer himself and thoroughly versed on the technology of mining. While maintaining the appearance of impartiality, he contrived to publish a wholly disproportionate amount of news and editorial matter about Hoover in such a way that both his reputation and his mining promotions were tremendously enhanced. Constant "puffs" by what soon became the foremost mining publication in Europe were bound to give Hoover a following among the investing public; the more especially so because the Hoover activities in any given field usually were preceeded and followed by articles in *The Mining Magazine* which called attention to the mineral resources of those regions and thus deftly smoothed the way for the Hoover promotions.

The next large promotion in which Mr. Hoover participated after leaving Bewick, Moreing & Company was with Francis Algernon Govett, W. F. Turner, A. Chester Beatty and Mr. Tyn-dale White. This group organized the Oroya Exploration Company on February 24, 1911 and the company took over the assets of the Oroya Brownhill and the recently consolidated Oroya Links and Oroya-Leonesa companies. A year later the company acquired the Lake View Consols Company with holdings in the Black Range, Golden Links, Hannan's Star, and Yuanmi mines. The reconstructed company was called the Lake View & Oroya Exploration Company.

The Lake View Consols, Black Range, Hannan's Star and Golden Links were all more or less depleted mines in the Kalgoorie district in West Australia, but several of them had considerable cash on hand and other assets. The bringing together of these properties made it possible for the directors of the Lake View & Oroya Exploration company to increase the capital stock from £150,000 to £250,000 with 500,000 shares of 10 shillings each, and £50,000 in shares were allotted to the promoters.

The new capital was employed in underwriting several new mines and in acquiring blocks of stock in the Leonesa Mine in Nicaragua; the Kyshtym and Orsk Goldfields in Siberia; the Fitzroy mine in Queensland; and Block Ten, South Blocks, Zinc Corporation and Amalgamated Zinc companies at Broken Hill; the Black Range, Mountain Queen, Transvaal and Queen of the Hills

mines in West Australia; and the Granville and Boyle's Concession in the Yukon.

Mr. Hoover presided at the extraordinary meeting of the Oroya Exploration Company called on February 24, 1911, for the purpose of enlarging its capital stock to take in the new holdings, and made a speech to the assembled stockholders outlining the company's policies. He said the company had been formed to take up mining prospects or partly developed mines and to develop them. He conceded that all prospects did not turn into mines, but declared that if one prospect out of five did develop the stockholders would profit. He said the directors had been able to obtain a larger ratio of success than one mine out of five prospects.

"A word of explanation," he added, "as to the method we adopt in valuing these mines will help you understand our method. The value of a mine may be divided into two portions:—the first portion being the profit from the ore proved by actual development openings; and the second portion being the profit to be secured by the extension of the workings of the mine. This second portion is necessarily speculative and difficult to assess.

"There is, however," Mr. Hoover said, "no reason why the first portion of the value of a mine—that is the profit proved by actual development—cannot be determined with reasonable accuracy, and every mining company can insure that it is correctly given to the shareholders if they will go to the expense of having the estimates of ore in sight periodically checked by some engineer independently of the actual mine manager. [A wise precaution in view of what had occurred in the Anglo-Continental market rigging.] We consider that this 'ore audit' is of more fundamental importance to the shareholders than an audit of the accounts," Mr. Hoover continued with a great show of frankness.

He then went on with a long, detailed and highly technical description of the ore resources of the various mines which the company proposed to take over, which is only of interest in this connection for the reason that in applying his system of valuation he declared very positively that the Yuanmi mine had £300,000 of ore in sight at the 300 foot level and "as to the probabilities of extension," he added, "we have the hopeful analogy in that this is an ore deposit of the same type as the Sons of Gwalia,<sup>1</sup> where the

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<sup>1</sup>The Sons of Gwalia was the most famous of the rich, long time producers

ore has proved of uninterruptedly payable value down to the depth of over 2300 feet."

It is impossible to decide whether Mr. Hoover's engineering acumen was in error, or whether his promotional optimism caused some slight exaggeration, but the fact remains that after paying a 12½ per cent dividend on the ordinary shares in 1912-13 and a 5 per cent dividend in 1913-14, the Yuanmi mine paid no more dividends whatsoever until it went into voluntary liquidation in 1923. Long before the mine was liquidated its shares were quoted on the London stock exchange at one penny apiece—and there were but few buyers.

It is not necessary for the purposes of this biography to trace in detail the involved financial operations of the Lake View & Oroya Exploration Company, Limited. Suffice it to state that in 1912, 1913 and 1914 it paid 10 per cent dividends and piled up a fairly large cash reserve. From the first its directors had been investing its cash reserve in companies in which several of them were personally interested. Mr. Hoover, for instance, persuaded his fellow board members to sink large sums in the Granville Mining Company—in which he and Mr. Beatty had large holdings. The funds so placed turned out to be a total loss. In 1915 the Lake View & Oroya continued to pay its 10 per cent dividends, but it had to draw upon its already depleted reserves to do so. In 1916 it only paid 5 per cent dividends and Mr. Hoover retired from the board. In 1917 and 1918 it paid no dividends at all—but Mr. Hoover already had sold his shares and withdrawn from all active interest in its management.

The story of the Lake View & Oroya Exploration Company is chiefly interesting as an example of the tactics which Mr. Hoover displayed in most of his promotions. An imposing list of assets would be brought together by a group of men mutually interested. These assets would be paid for in shares. The promoters would help themselves to liberal blocks of stock. Then the public would be invited in. After the new company had been "boomed" in the London financial press, the announcement of rich prospects or the discovery of new ore bodies usually succeeded in boosting the stock on the London exchange far above its par value. That permitted the

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in West Australia and made a fortune for its owners. Mr. Hoover himself was one of its first managers.

promoters to sell out all or part of their holdings at a handsome profit. Thereafter, so long as Mr. Hoover and his friends retained control, a large portion of the reserve funds of any corporation of which they were directors almost invariably found their way towards the promotion of new concerns or the purchase of mining properties in which they had a personal interest.

In other words, instead of investing their own money into mining properties and depending upon skillful and economic management to bring them fair returns, Mr. Hoover and his associates depended upon promotions for their profits and customarily used the funds of any corporation which they controlled as the foundation for new financial edifices.

To put it even more plainly, acting as directors in a fiduciary capacity, they voted the money of the stockholders into enterprises whereby they stood to profit personally; whereas the loss, if any, was always borne by the shareholders. This sort of financial jugglery, which bears very little relation to either the legitimate business of mine management or the professional standards of engineering, will be better illustrated when we come to trace in detail the operations of the Zinc Corporation—but they deserve a separate chapter. In the meantime let us examine the manner in which he carried out the grandiose conception of the Granville Mining Company, the largest scheme he had heretofore attempted—and probably his most gigantic failure.

## CHAPTER XI

### *THE GREAT GRANVILLE FIASCO*

LESS than two years after his deep leads promotions had resulted so disastrously, Herbert Hoover began to plan another placer mining project in another remote quarter of the globe. His methods in the Yukon were much the same as he had employed in Victoria—so were the results—but the facts are worth giving in detail if only because the great Granville fiasco was our future President's first promotion on the North American continent.

The story of the Granville Mining Company, Limited, would be almost unbelievable if it were not buttressed by irrefutable documentary evidence. It is a story which does not reflect credit upon Mr. Hoover as either engineer or financier. Yet it is not without elements of comedy. Indeed, were it not for the tragic fact that more than 1,200 British investors lost several million dollars—sums which the majority could but poorly afford—it might be said that in many respects the tortuous manipulations of Mr. Hoover and his associates resembled *opera bouffe* rather than business. Certainly the spectacle of "Sourdough Joe" Boyle, flitting from front to front during the World War, rescuing grand dukes, consorting with Queens, all the while bearing \$3,000,000 in badly wanted bonds, and followed by a process server, is a touch of humor, amid a sordid scramble for profits, that offers a theme worthy of Gilbert and Sullivan.

The Granville Mining Company, Limited, was promoted by Hoover, A. Chester Beatty of New York, Francis Algernon Govett, Joseph W. Boyle of Dawson and Arthur N. C. Treadgold of London, formerly affiliated with the Guggenheim Syndicate in the Yukon. It was an ambitious scheme to consolidate all the independent dredging concerns in the alluvial gold fields in the Canadian Klondike under a British holding company. The Dominion Mining Company, Big Creek Mining Company, Sulphur Creek Mining Company, Calder Creek Mining Company, Deep

Vale Mining Company, Dago Hill Mining Company and Bonanza Basin Mining Company along the Indian river and its tributary creeks had been brought into a combination which included 8,000 acres of gold-bearing gravels; while "Joe" Boyle, a famous Yukon "sourdough," controlled 40 square miles under a government concession granted to his Canadian-Klondyke Mining Company, and also owned the Canadian-Klondyke Power Company.

The first combination of the Klondike placer claims, which had been worked over by primitive hand mining in 1897-98, was formed by Treadgold in 1906 when he was in the employ of the Guggenheim Syndicate. This concern was called the Yukon Gold Company, and for more than 20 years under the able management of O. B. Perry it operated a fleet of huge dredges in the Klondike district and made consistently large profits. When Treadgold effected his second combination, he offered it to the Guggenheims.

The Guggenheim experts realized that much of the ground which Treadgold had acquired had been exhausted by previous workings, and they also questioned whether costs could be kept below the output in other areas. In any event, the Guggenheim Syndicate positively declined to purchase the claims. Whereupon, Treadgold interested Beatty, and Beatty went to London and succeeded in "selling" Hoover and Govett. Beatty, who had been with the Guggenheims, should have been familiar with the property. Hoover never had visited the Klondike. From first to last he accepted the judgments of others.

As a promotion, however, it appealed to Hoover. The Klondike had been the best known gold-producing region of history, and the spectacular gold rush of 1897 and 1898 was still fresh in the public mind. The Treadgold claims adjoined the property of the Yukon Gold Company, and, as all well informed investors knew, the Guggenheims were operating with conspicuous success. Such a "set-up" was certain to appeal to the British public. Moreover, there is no doubt at all that Treadgold was honestly convinced that the project would be immensely profitable, and he probably won Hoover to the same opinion. There is not, I believe, any basis for supposing that Hoover deliberately joined in what was intended solely as a stock-selling scheme; but he cannot so readily be acquitted of the charge that he and his associates were incredibly careless in handling other people's money; and, although the pub-



lic lost, favored insiders were permitted to profit through unconscionable "splits" to the promoters.

The financial structure was extremely complicated, purposely made so in order that numerous commissions and under-writing fees could be collected by the promoters.<sup>1</sup> The first step in 1910 was the formation of the Eastern Trading Company, a \$1,000,000 Delaware corporation. Treadgold retained one-fourth of the stock, which as yet had only a nominal value, as compensation for his promotional efforts; Beatty took another quarter interest; Hoover and Govett divided one-fourth of the shares between them; and Lord Harris of the Consolidated Gold Fields of South Africa, who had been associated with Hoover in the Nigerian tin promotions, took a fourth interest in the name of the newly organized concern called the Goldfields American Development Company.

The Eastern Trading Company purchased the property from Treadgold and his Yukon associates, and promptly passed it on to the Granville Mining Company, Limited, which had been registered in London on August 11, 1911, with a capital consisting of 1,500,000 ordinary shares of £1 each and £1,000,000 in 6 per cent debenture bonds. Treadgold was supposed to have been paid £1,310,000 in shares of the Granville Mining Company in return for his Klondike claims, and £460,000 in bonds and £70,000 in cash. He actually received the cash, £740,000 in stock and £120,000 in debenture bonds. The remainder of the purchase price went to the various promoters.

Thus far little real money had changed hands, practically all the payments being in stock; so it became necessary to create a market that the shares and bonds might be sold to raise operating expenses. Unfortunately, however, the Treadgold claims had no machinery for production and it was difficult to sell the bonds, inasmuch as the property was in the form of temporary concessions, the Dominion government of Canada retaining title to the lands. It was at this juncture—in 1912—that Joseph Boyle was brought into the picture.

Boyle had been operating a single dredge on his concession with fairly good results. He also owned a small power plant which was furnishing current to the Guggenheim's Yukon Gold Company, as

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<sup>1</sup> The various under-writing fees and commissions amounted to \$950,000, of which Herbert Hoover received a large proportion.

well as running his own equipment. The South African Goldfields lent \$325,000 in cash and underwrote bonds aggregating \$1,000,000 to finance the amalgamation. Boyle was given \$1,350,000, and in return the Canadian Klondyke Mining Company and its power subsidiaries turned over 29 per cent of its stock valued at \$2,175,000, and promised to deliver 6 per cent debenture bonds supposed to be worth \$2,846,000. The Granville Company had options on enough stock in Boyle's concerns to give it virtual control.

The inclusion of Boyle's properties was signalized by the issuance of a prospectus which for unrestrained optimism has but few parallels in the history of company promoting.

The prospectus definitely declared that the Indian river properties contained a minimum of 300,000,000 cubic yards of high grade gold-bearing gravel; that this gravel would return an average of 30 cents a yard; and that the costs of dredging and overhead would not exceed 12 cents per cubic yard.<sup>1</sup> Approximate potential profits of \$55,000,000 on the Indian river acreage were dangled before investors.

Even more glowing were the predictions regarding the Canadian Klondyke properties and the Boyle concession. It was pointed out that this acreage had been worked successfully from 1905 and 1910; that new machinery would cut the costs materially. The specific prophecy was made that in the 1912 season the net profits would be \$450,000; while, with additional dredges in operation in 1913, it was estimated the season would show a net return of \$1,000,000.

The prospectus went on to say:

"The proved payable area of the Canadian Klondyke Mining Company's property contains approximately 100,000,000 cubic yards and there is a further large area of about 100,000,000 cubic yards which, although not yet thoroughly prospected, is known to contain valuable gravels. Thus the Granville Mining Company, by participating in the Canadian Klondyke Mining Company as above, will get a handsome return, which is likely to increase, as the Canadian Klondyke Mining Company has a large amount of undeveloped ground for further ex-

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<sup>1</sup>The actual cost of dredging turned out to be almost 30 cents a yard.

ploration. This crude ground shows a life of over 15 years (working about 7,000,000 cubic yards annually) and an estimate of approximately £6,000,000 gross from a selected yardage of about 150,000,000 cubic yards (at an average of 10 pence per cubic yard) seems safe for its holdings, including the properties to be transferred to it by the Granville Mining Company. The average working cost is not likely to exceed 2½ d. (5 cents) per cubic yard, leaving a net of 7½ d. (15 cents) per cubic yard, or about £4,687,500.”<sup>1</sup>

The prospectus concluded with a table, showing the estimated annual profits, which were given as \$325,000 for the 1912 season (this was for the Canadian Klondyke Company alone) and ranging up to \$2,105,000 in the 1916 season. Herbert Hoover's name, with the other members of the directorate, appeared on the front page of this prospectus and it was issued with his sanction and approval. In fact, he personally helped in its preparation.

On the strength of these sweeping—yet very definite—promises of huge future profits, Messrs. Hoover and Govett persuaded their fellow directors of the Zinc Corporation, the Lake View & Oroya Exploration Company, and the Ivanhoe Mining Company, Limited, to “invest” a substantial portion of their reserve funds in the Granville Mining Company. Seldom has any concern issued such positive predictions of profits in its efforts to raise working capital—and seldom has any concern fallen so completely short of its promises to investors.

The Granville's only revenue was \$65,000 annually from the Yukon Gold Company for electrical current, and the \$240,000 a year which the Canadian Klondyke Company was supposed to pay as interest on its bonds. Until he had given the Granville Company an option on a controlling block of stock, Boyle apparently had been making handsome profits; but at this point either the pay dirt “pinched out” or he lost interest in efficient management, for his over-head suddenly began to increase while his production fell off sharply. For three years the Canadian Klondyke Company barely met the interest charges on its debentures held by the Granville Company and then it ceased paying altogether.

In the meantime, Treadgold's operations were a heavy drain—and so were the interest payments on the debenture bonds distributed among the promoters. It had been announced in the prospectus that the low costs of dredging were to be brought about by entirely new methods. Instead of thawing the deeply frozen ground of the Yukon with steam points, it had been decided to strip away the "muck" (moss and surface dirt) and allow the sub-soil to thaw under the genial influence of the sun. This was an admirable theory for the purposes of the prospectus, but it failed to work.

It soon was evident that the "stripping process" was in an experimental stage—and the unfortunate shareholders paid for the experiments. Treadgold had some novel engineering ideas. Two great steel towers were brought to the Yukon and erected at a cost of nearly \$500,000. Huge carriers on overhead trolleys were supposed to gather the muck and deposit it in piles. The piles of muck became so large that little room was left for dredging operations. "Dirt miners" from all over the Dawson district used to spend their idle days in congregating at the scene of the Treadgold operations, roaring with laughter as they watched the dredges ducking around mountainous piles of muck. It is perhaps unfortunate that reports of these engineering eccentricities did not travel back to the shareholders in London.

The Granville Mining Company was soon in deep water. Millions in its stocks and bonds were traded back and forth between the various companies, but it never had any considerable revenue, and almost from the first, in the words of the old song, it was "all going out and nothing coming in." To complicate matters, violent differences of opinion had developed among the directors. The Granville Company had issued £500,000 of prior lien mortgage debenture bonds at 7 per cent in September, 1911, and so early as 1913 it was compelled to borrow money to pay the interest. In 1916 it ceased to pay interest.

In 1913, partly because of disputes between Hoover and Treadgold, and partly to afford a new opportunity for stock and bond juggling, the North West Corporation had been formed. A London mining journal described this as "an attempt to unscramble the Granville egg." The North West Corporation acquired Treadgold's interests in the Granville Company, including his claims on Indian and Dominion creeks "estimated to contain 600,000,000 cubic

yards of profitable gravel,"—according to the prospectus—while the Canadian Klondyke Company and its subsidiaries continued to be operated by Joseph Boyle. This arrangement left the Granville virtually as a holding company, since by the latest re-arrangement it acquired 75 per cent of the stock of the North West Corporation and 49 per cent of the Canadian Klondyke Company.

The North West Corporation too, was in difficulties soon after its organization. It had issued £110,000, in debentures to meet the staggering deficits in operating costs. The greater part of these bonds were disposed of by Hoover and Govett, who once more tapped the reserve funds of the Zinc Corporation and other concerns which they controlled—collecting fat commissions for such service. The London newspapers had printed many paid "puffs" calculated to attract public investors, and the mining journals, too, carried articles which told about the enormous profits made by the Guggenheim Yukon Gold Company, cleverly inferring that the Granville Company likewise was practically certain to pay large dividends. Duped by this deliberate ballyhoo—for by this time it was obvious that the Granville and all its affiliated companies were travelling the road that leads to bankruptcy—more than a thousand persons subscribed several million dollars for stock. Most of the insiders unloaded when the market was at its crest.

The Canadian Klondyke Mining Company was the sole revenue producer. Joe Boyle had installed two huge "gold ships" with funds borrowed from the Granville and was dredging away at a great rate. In one year his profits were estimated at close to half a million dollars, but he already had ceased paying interest on the bonds held by the Granville, and was dissipating his earnings in high over-head and sizeable "capital charge-offs." The Granville crowd had issued a glowing prospectus on the promise of \$240,000 annually from Boyle. Without it they were sunk and it began to dawn upon them that Boyle, apparently, had decided "to take the cash and let the credit go." Hastily the directors of Granville decided to exercise their option to take over control of the Klondyke Mining Company, but, as matters developed, they had delayed too long.

From now on this narration takes on a comic opera tinge. Joe Boyle not only had ceased paying interest on the \$2,846,000 debenture bonds which he owed the Granville Company, but he

actually had not turned over the bonds themselves—although they were the base of the whole top-heavy credit structure upon which stocks had been sold and money borrowed. It is almost inconceivable that so-called business men could conduct million dollar corporations with such careless disregard for the accepted equities, but, if necessary, every statement herein made can be proved in a court at law. The story of Joe Boyle and his bonds is still laughed about in the Yukon.

Boyle, and his attorneys in Dawson, Y. T., apparently complying with the obligation to provide \$2,846,000 in debenture bonds, would draw up a careful agreement and forward the papers to the Granville Mining Company barristers in London. They would make certain changes—primarily to show off their legal acumen—and the agreement would in due time be mailed to the attorneys of the North West Corporation in Ottawa. They, too, would dictate changes here and there, and the twice amended document would eventually find its way back to Dawson. Boyle's lawyers then would express profound dissatisfaction with the alterations by the legal lights in London and Ottawa. A new agreement would be drawn up and started on the rounds again—and with the same results. For three years the agreement necessary for the disposal of the bonds was batted back and forth like a shuttle-cock between the attorneys in Dawson, London and Ottawa, and Boyle, apparently, was perfectly willing to have the game continue indefinitely.

Not having the Canadian Klondyke Company's debentures, the Granville Mining Company could not turn them over to the Gold Fields American Development Company, as it had agreed. The Gold Fields executives naturally thought that the Granville crowd were "stalling," and they, in turn, accused Boyle of bad faith. There had not been harmony among the different factions to begin with and eventually Joe Boyle's bonds caused so much bad blood that co-operation between the various directorates was out of the question.

Came the World War, and Joe Boyle probably forestalled foreclosure by rushing to the defense of the Empire. Despite the fact that the Canadian Klondyke Company owed nearly \$300,000 for labor, food, machinery, taxes and various supplies, Boyle found funds with which to equip an entire machine gun company, and after feeding the men all winter in Dawson at his own expense, he

led his volunteer contingent abroad early in 1916. He took the bonds with him.

Lords Harris and Braebourne of the South African Gold Fields Company doubtless realized by this time that these mortgages represented about the only tangible assets which the Granville Company possessed. They demanded that the debentures be produced forthwith. Probably the Granville directorate were equally anxious to have these documents. In any event, they obtained a legal writ and dispatched a process-server in search of Boyle. He was Colonel Boyle by this time, some mysterious influence having procured him a swift promotion—with what apparently was a roving assignment.

Leaving his machine gun company in the trenches, Colonel Boyle began visiting the various high commands. The process-server could not follow the pace set by Colonel Boyle. He returned to London and at the next meeting of the Granville Mining Company shareholders, Chairman Govett gloomily reported that the bonds were still missing because "Boyle has disappeared into the depths of Russia."<sup>1</sup>

Boyle's long continued absence in Russia and Rumania—he still had the bonds—finally precipitated the long deferred show-down. The affairs of the Canadian Klondyke Company were in a sorry mess and the Granville Mining Company was not much better off. The interest on its mortgages was overdue and a score of creditors were clamoring for payment of their debts. One of them started suit to compel an involuntary receivership in March, 1917. The hearing of the case was set for May.

Herbert Hoover was in the United States and about to be appointed United States Food Administrator by President Wilson when the receivership petition was filed. He hurriedly sailed from New York on March 14 and reached London early in April, 1917. Naturally, I cannot pretend to know all the details of what went on between Hoover and the other promoters, but on April 25, 1917, the Granville Mining Company was thrown into the hands of a receiver by Justice Eve of the London Court of Chancery.

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<sup>1</sup> Space does not permit the story of Colonel Boyle's subsequent war adventures. Suffice it to state that he is said to have saved two Russian grand dukes from death at the hands of a Bolsheviki firing squad; and in Rumania he is well remembered for his romantic devotion to Queen Marie.

Treadgold protested, but was over-ruled after a brief hearing. Edward Dexter, the receiver appointed by the court, was a chartered accountant who had audited a number of Hoover's companies.

Hoover had sold out practically all of his promoter's shares just before the company was put through this friendly receivership. The debentures which he retained were transferred to a friend for a nominal consideration when Hoover became the Democratic candidate for the Presidency in 1920.

The Canadian Klondyke Mining Company was thrown into a receivership in November, 1917, at the instance of Dexter, the Granville receiver. Justice Macauley of Dawson appointed Harold G. Blankman as receiver. He operated the properties for more than two years at a handsome profit, paying all the debts and leaving \$100,000 in the treasury, although he found everything in a badly run down condition. Parts of his final report are significant:

Receiver Blankman declared that from the date of his appointment until his final discharge—which was abruptly brought about when a settlement was reached with Boyle—he had not had letters of inquiry or any other communications from the Granville Mining Company's office in London, and he added that the attitude of its local agents "has been one of open hostility."

"If the financial interests associated with the Granville Mining Company have not been deliberately misinformed and misled as to the actual conditions, both physically and financially, under which the present management is operating," continued Mr. Blankman, "only one other construction can be placed upon their attitude, which I prefer to delete from this report."

In private conversations Receiver Blankman did not hesitate to assert he was convinced that deliberate efforts had been made to wreck the Canadian Klondyke and its subsidiary companies for the purpose of freezing out the smaller stockholders and effecting a "re-organization"—which, of course, probably would have proved very profitable to the "insiders." Mr. Blankman expressed this same view in writing in a letter which on August 14, 1919, he addressed to Frederick T. Congdon, former Member of the Dominion Parliament from the Yukon, and attorney for the Granville Mining Company.

After stating that he realized that certain financial interests did



not approve the manner in which he was handling the affairs of the Canadian Klondyke Company, and would change the personnel of the receivership at the first opportunity, Mr. Blankman added:

“This I can assure you is a matter of absolutely no moment to me, as I would be willing to step out of the receiver’s chair on a moment’s notice. I would regret very much, however, after taking the intense personal interest which I have in the interests of these companies for nearly two years, and placing them on a sound financial footing, with the limited means at my disposal, where it is possible that these companies with their present production can pay all operating and overhead expenses, the upkeep of the properties, and even produce a certain reserve in the way of capital expenditures for the retirement of past liabilities, to have the control of these companies pass to hands whose only object would be to wreck them for some ulterior motives, such as eliminating conflicting interests or stock jobbing, or both.”

In another open letter, addressed jointly to Mr. Congdon, J. W. Boyle, Jr., agent of the Canadian Klondyke Mining Company, and F. B. Burrell, Dawson agent of the Granville Mining Company, (commenting upon the proposed settlement between the Granville Company and Joseph Boyle, senior) Receiver Blankman on July 31, 1919, wrote as follows:

“In connection with the proposed settlement, I was informed by Mr. Boyle that it was the intention of the Granville Mining Company to liquidate and wind up the affairs of both the Canadian Klondyke Mining and Power companies at the earliest opportunity, with a view of ultimately making a re-organization and an amalgamation with the properties of the North West Corporation. In order to accomplish this worthy object, the fact that the equities of many persons in the companies in receivership would have to be practically wiped out was admitted by Mr. Boyle, also that the local interests of the district naturally would suffer by the cessation of operations for a period of time.”<sup>1</sup>

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<sup>1</sup> Remarks made by Chairman Govett at the Granville Mining Company share-

Receiver Blankman's accusations—made in writing to the agents of the interested parties—that deliberate attempts were being made to wreck the Canadian Klondyke properties, probably affords the explanation of conduct which otherwise would seem inexplicable.

An effort was made by Govett and Lord Braebourne between 1918 and 1919 to re-organize the Granville Mining Company, but a committee of shareholders in a signed report declared this plan "seems to the majority of the committee destructive of the rights of the Granville shareholders and gravely imperils the value of North West Corporation shares." The plan proposed to reduce the ordinary share capital by giving each stockholder one share for every three he had been holding, and by creating paid-up shares which would receive half the profits of the business, and which were to go to the providers of the new capital.<sup>1</sup> At the same time Colonel Boyle was finally tracked down and surrendered the bonds—but upon astonishing terms. O. B. Martyn and W. M. Safford, representing the committee of shareholders, declared they could not understand the arrangement with Boyle, which was negotiated by E. C. Erbslow.

No one will wonder why Mr. Martyn and Mr. Safford protested on the part of the stockholders when the amazing details of the "arrangement" between Erbslow and Boyle are revealed. The receiver of the Granville Mining Company had been appointed for the express purpose of suing Boyle and the Canadian Klondyke Company with a view to recovering the \$3,000,000 which Boyle owed to Granville; but instead of pushing these suits, Mr. Erbslow, with the consent of the receiver, released Boyle from all liability and actually paid him \$165,000 for his remaining interest in the Canadian Klondyke. Incidentally, in return for providing

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holders' meeting on December 31, 1919, would seem to verify the allegations made by Receiver Blankman. Chairman Govett said, in part:

"Generally, the position now is this: that we shortly shall have all these companies under our control. . . . Our first idea was to amalgamate the lot, but this would involve harmonizing so many conflicting interests that it would be impossible to satisfy everyone. . . . With the diminished prospects of Canadian Klondyke (The report of Receiver Blankman showed it was paying a handsome profit.) the ordinary shares of Granville can be of little value. . . . We propose to leave Granville in cold storage (Under the care of a friendly receiver.) and confine our attention to the way of refinance to the North West Corporation. . ."

<sup>1</sup> Govett and Hoover had raised money to re-organize the Zinc Corporation on almost similar terms.

the \$165,000 with which Mr. Boyle was paid off, Erbslow was given 25 per cent of the bonds and shares of the Canadian Klondyke Company. The directors confirmed this curious arrangement over the protests of the stockholders.

The rest of the story can be briefly told:

The Granville Company was liquidated by the receiver in 1928. A new concern called the Yukon Gold Consolidated Company was organized and the British stockholders got an order from a high court compelling its promoters to allow them to exchange their Granville shares for stock in the new company. Chester A. Beatty and Francis Algernon Govett still held large blocks of stock when this conversion was effected and a mysterious "E. & Y. Syndicate" figured in the deal. A. N. C. Treadgold held the power of attorney for the largest shareholders, and only recently a number of the smaller British shareholders filed suit in Ottawa, Canada, to compel Treadgold to render an accounting.

The British shareholders alleged that in making the transfer, 1,788,000 ordinary shares and 250,000 preferred shares were fraudulently issued and demanded the re-payment of all moneys expended by Treadgold without authority. Pending the determination of the suit, Treadgold has been enjoined from selling, transferring or voting any of the stock which it is alleged he acquired illegally. At the same time that this suit was filed (early in February, 1931) Honorable C. H. Cahan, Secretary of State for the Dominion of Canada, announced that he was conducting an investigation of the Yukon Gold Consolidated, Limited, with a view to protecting the interests of the 1,200 British shareholders.

The Granville Mining Company never paid a penny in dividends; from the very first its operations resulted in staggering losses; it defaulted on the interest payments on its debentures; and in April, 1917 (when it had been promised that its annual profits would be \$2,105,000), the company was thrown into involuntary receivership. It was liquidated in May, 1928, just about the time Mr. Hoover was nominated for the Presidency of the United States, and first and last it cost the unfortunate purchasers of stock and debentures somewhere between \$6,000,000 and \$8,000,000.

Apologists for Mr. Hoover may seek to exculpate him on the ground that he retired from the directorate of the Granville Company in 1916, and had no part in the subsequent mis-management.

This is hardly a defense, even if it were true. He resigned from the directorate only when it became apparent that the concern was headed straight for bankruptcy; but his brother Theodore succeeded him as director and there is reason for believing that Herbert Hoover had an influential voice in its affairs up to the time it was thrown into the hands of a friendly receiver.

Assurances of certain profits were circulated over Mr. Hoover's name and probably caused not a few persons to invest their savings in the Granville Company. Mr. Hoover owed a responsibility to those people. As director of the Zinc Corporation and Lake View & Oroya Exploration Company, Mr. Hoover himself voted to place the reserve funds of the shareholders in his new Yukon promotion. To those people he owed a double responsibility. After all, it was Mr. Hoover's promotion and he profited handsomely by the huge underwriting fees. After helping steer the craft on the reefs of bankruptcy, he hardly could absolve himself of responsibility by conveniently stepping off the captain's bridge when the ship was about to sink.

From first to last the conduct of the Granville Mining Company affords an almost classic example of "high finance" in its more disreputable phases. Extortionate commissions taken by the promoters; the shifting of assets from one company to another; the drawing of funds from other corporations to pay its debts; the dismaying contrast between the optimistic estimates of the directors and their wretched performance; the inescapable suspicion expressed by Receiver Blankman that attempts were being made to wreck the Canadian Klondyke property; the inexplicable failure to bring Boyle to account; the mystifying "arrangements" made by the directors and the London receiver over the protests of the stockholders; and the final development before the Canadian courts all constitute a sordid story of chicanery that reflects discredit upon everyone concerned.

## CHAPTER XII

### *THE PROFITS OF PROMOTION*

AT THIS period of his career, Herbert Hoover began to be known in London mining and financial circles as a great "re-organizer." For several years his engineering abilities had been subordinated to his promotional activities, as is clearly evidenced by the fact that he aided in the Nigerian tin and Granville gold flotations without bothering to visit the properties on which millions of dollars worth of shares were issued.

Hoover, however, had a shrewd insight in analyzing mine properties and could accurately define the values of various merging units. He also possessed that curious dynamic force which could almost compel some reluctant person to close a deal. One man, fairly high in London financial circles, once remarked that he never dared bring his power-of-attorney with him when he went to meet Hoover behind closed doors. This was not intended as a slighting reference to the already notorious power-of-attorney incident in the Chinese Engineering Company "conversion." Instead, he meant to convey the impression that, in his quiet way, Hoover really was a high pressure salesman, particularly persuasive when he came to "closing a deal."

In later years these qualities of Hoover's were so widely recognized in London that Govett, Baker, Turner, Sir Edmund Davis and Lord Harris would not think of promoting a mining company without "cutting in" Hoover on the profits, merely in return for his advice. And Hoover always charged plenty for his services.<sup>1</sup>

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<sup>1</sup>In David Starr Jordan's autobiography, "The Days of a Man," there is a passage in which he tells of meeting Hoover in Australia in 1907 which seems to confirm my estimate of his income. Dr. Jordan's statement (on page 222) follows:

"Hoover was on his way from Melbourne to the mines of Broken Hill on the edge of New South Wales. He was then 33 years of age, a quiet, boyish looking, soft-spoken young man but with very positive notions and high ideals. After I had introduced him to Kernot, the latter said, "Your friend looks too young to be a mining engineer." Yet on our way that night to Adelaide, capital of South

What probably was even more important in the eyes of his promoter friends was Hoover's gift of juggling corporate assets in such a manner that the "insiders" almost always benefited, although the subscribers often were left sadly puzzled over the virtual disappearance of their original capital. In his characteristic promotions, large blocks of paid-up "preference" shares were left in the hands of the promoters before the public was invited to furnish the working capital in "ordinary" or common stock. There was nothing unusual in this—it is the common practice of promoters the world over—but it was in "re-constructions" and "re-organizations" that Hoover gave his financial talent full swing.

Some of his "set-ups," as in the case of the various concerns which participated in the huge underwriting fees of the Granville Mining Company, displayed genius of a sort; and in two of his most famous "re-constructions," those of the Zinc Corporation and the Burma Mines, his manipulations almost defy analysis<sup>1</sup>—although one can be reasonably certain that the owners of preference shares profited at the expense of the ordinary stockholders.

Indeed, it is almost inconceivable that some of these "re-constructions" were effected without the smaller stockholders having recourse to legal action, such as certainly would have followed in the United States had similar "freeze-outs" been attempted. Great Britain, however, had no "blue sky" laws worthy of the name, and Australia's mining regulations were even more lax. In fact, some of the statutes in Victoria such as the "waiver clause," which permitted directors to invest reserve funds almost as their fancy dictated without consulting the stockholders, and the "discovery clause," which could be invoked to keep shareholders from in-

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Australia, Hoover explained that he had run through his profession. It held nothing more for him except to lay up money, of which he already had all he needed. As managing partner of the (London) firm of Bewick, Moreing and Company he was receiving \$5,000 a year, as mining expert, and \$95,000 as financial expert."

<sup>1</sup>One of Hoover's former associates recounted to me an incident which indicates the complexity of some of his deals. Hoover had with him the articles of incorporation of the re-organized Zinc Corporation and showed it to a colleague.

"I'd like to study the papers overnight," said the colleague, "I want to understand it better."

"You won't understand them after you've studied them," Hoover boasted. The next morning the colleague returned the papers.

"Do you understand it now?" Hoover asked.

"Yes," said the colleague, "I think I understand it."

"Then by G—— you and I are the only persons who do", Hoover chuckled.

specting the corporation books, seemed deliberately designed to assist unscrupulous promoters. This made it difficult for small shareholders to exercise any control whatever over their directorates. Also, it must be remembered the British public always has been awed by great names and most promoters were shrewd enough to support themselves by a few titled nonentities who proved useful in time of trouble.

This explains how it was possible for Hoover, Moreing, Govett, Lord Harris, Turner, Baker and other promoters with whom Hoover habitually associated, to "re-construct" companies by huge capital "write-offs" which reduced the original capital almost to the vanishing point, and then to enhance the value of their own holdings by the issuance of fresh "preference shares." This was notoriously the case in the 1911 re-organization of the Zinc Corporation, whose directors were controlled by Hoover and Govett; and it left a very bad taste in the mouth of those who had originally raised the working capital. Usually "write-offs" and the introduction of new "preference" shares, carrying with them majority voting power, would be justified by the directors on the ground new capital was required to avert bankruptcy. Not having the right to inspect the accounts, the shareholders could do little but consent.

Under conditions such as these, it is not altogether surprising that Hoover should have devoted less and less time to the problems of making mines productive, and spent more and more of his energies in promotions and refinancings. Nor did he often repeat the mistake he had made when he invested some of his own savings in Uncle John Minthorn's defunct Oregon Land Company. In later years, I am reliably informed, he usually sold his promotion stock as near the crest of the boom as possible and then converted the cash into bankable bonds. Of course, when he was allotted stock in such a company as the Zinc Corporation, the Burma Mines and other sound concerns, he would hold his shares as long as there was any prospect of dividends, but it was notorious in London that Hoover usually sold out his promotion stock early in the flotation and seldom put his own money into his promotions. As one of his American associates expressed it to me, "Hoover always played with the other fellow's chips."

There is a tendency in some quarters to deny that Hoover

possesses great ability. He has revealed some amazing shortcomings—particularly since he became President—but there can be no question at all that as a geologist, mine manager, promoter and financier he not only had remarkable natural aptitude, but made the most of his opportunities by unflinching study. Several of his former business associates have told me that they never met any one who could think so rapidly on matters financial.

“Hoover would have the answer while the rest of us were trying to understand the problem,” one man told me. “In the first place, he always came to a meeting thoroughly prepared and that gave him a big starting advantage. In the second place, he had an almost encyclopedic memory. And in the third place, his mind moved like chain lightning when his own financial interests were involved.”

Another former friend and business associate told me that Hoover could keep a mental picture of twenty or thirty different mines in his mind, and, like a blind-folded chess player, follow the development of every “working” and the progress of individual shafts, even when he had not inspected the properties for months.

“I have seen him pick up a cablegram,” this man told me, “look at the address to see where it was from, and then, before he had torn open the envelope he usually could predict the contents. ‘That will be from the Leonosa mine,’ he would say, for instance. ‘Probably they have got down to the 1,000 foot level. I expect the ore will run 60 shillings to the ton.’” My informant said it was almost uncanny how frequently his predictions almost exactly approximated the news conveyed by the cablegram.

Hoover also had some very marked weaknesses. He was extremely conceited, for one thing, and given to bragging when he felt he had pulled off some clever *coup*. He also was very intolerant of the opinions of others.

“I never met a finer man to work for,” one old former associate told me, “but when I left his employ and met him as an equal he was a different person. He liked to give orders far better than he liked conferring with others on his own plane. And anyone who loyally followed his orders would have his support. He also is an easy man to flatter—because of his inordinate vanity—and naturally that resulted in his always being surrounded by a clique of ‘yes men.’ That is his greatest weakness. That, and his love for money.”



Early hardships had given Hoover a natural horror of poverty. Everyone who knows him agrees to that. Long before he had graduated from college he had determined to acquire a competence as speedily as possible. The friends who discuss him honestly also are agreed as to that. But despite his hardness in driving a bargain, his determination to collect the last cent due him, and his callous disregard of the rights of manual laborers employed in his mines, he was far from being miserly. Quite on the contrary. Ever since his two years in China he lived on an extravagant scale and his personal expenditures were lavish.

"I want enough money," he once told a friend, "so that I can throw down a sovereign and not have to count the change." Not an unnatural reaction for a boy who had had to count every penny.

During the later years of his partnership with Moreing—say from 1906 until 1908—the Hoovers lived at 39 Hyde Park Gate, Kensington, South West. The famous Red House on Hornton Street came a little later in his London years. Both residences were large and luxurious and the Hoovers lived in typical English style, with a butler and a flock of servants. The Hoovers entertained frequently—and very generously. I mean by that that they often would go out of their way to be kind to visiting Americans, mining engineers, old college mates, or Stanford professors who were "doing England" in their sabbatical year. Such people had little in a material way or social prestige to offer the Hoovers, yet they were uniformly received with courtesy and made to feel thoroughly at home.

This may be as good a place as any to spike, once and for all, the persistent rumor that Hoover ever voted in a British election and sought to become a naturalized citizen of England. As a matter of fact Hoover *was* carried on the Register of Electors for the Borough of Kensington for four years—from November 1, 1911, until October 31, 1915, but I am convinced that this was due to a natural mistake made by the Borough clerk. Detectives have combed over London for evidence that Hoover voted, and no such evidence has ever been produced. It is possible, of course, that the British Foreign Office and British Home Office would suppress such evidence if it *did* exist—in view of Hoover's services in aiding them get a naval coaling supply in China—but friends and asso-

ciates of Hoover all declare that he was distinctly—almost militantly pro-American in his viewpoint.

“He was always ridiculing the foibles of the British aristocracy,” one woman told me, and she had known him intimately. “Possibly this was due to the fact that he had not been taken up by London society, but ridicule the British he certainly did in a very amusing manner and he was always talking about going back to the United States to live when he had made five million dollars.”

Other testimony of the same sort has been given me by mining men, financiers and friends who knew Hoover in London. Many times to many persons he confided his intention of returning to the United States, and, it is only fair to add, he always spoke of retiring from business and taking up some semi-public work.

Once he was considering a tentative offer to become dean of the mining school at Columbia; at another time he played with the suggestion of a certain Western Senator that he accept an appointment as Under Secretary of State; and for another period he gave very serious thought to the plan of starting a newspaper in New York and then buying other papers throughout the country. This last idea intrigued him for more than a year. He even used to figure out costs and frequently asked the advice of his friend Alfred Harmsworth. Finally he abandoned the newspaper idea and then it was that he conceived the ambition of returning to California and becoming the president of Stanford University. This ambition never left him until in 1918 he conceived the loftier ambition of becoming President of the United States—and this came to him at his wife's suggestion.

Hoover's reputed translation of *De Re Metallica* from the Latin of Georgius Agricola was undoubtedly undertaken for the purpose of furthering his ambition to become president of Stanford. He realized, well enough, that his purely scholastic record at Stanford was nothing to boast about, but it occurred to him that a translation of the old Latin treatise on mining and smelting—it was written in 1550—would attract no little attention in the mining and scientific world and might result in a degree.

Mr. Hoover, as a matter of fact, had not studied Latin at Stanford, but Mrs. Hoover had—and she also had studied geology. They also availed themselves of the services of Prof. Fairclough of Stanford, other Latin scholars, and at least one metallurgist. I have

it on very good authority that the reputed translation cost Hoover a pretty penny before it was completed in 1912; but, at the same time, both Mr. and Mrs. Hoover did spend many, many hours of their spare time in wrestling with the Latin as well as the chemical processes mentioned by Agricola and the translation as it stands is a handsome and creditable accomplishment.<sup>1</sup> Incidentally, this evidence of scholarship served him well when Lester Hinsdale's manipulations succeeded in having him made trustee of Stanford University in 1912—the same year the translation was published.

It is barely possible, of course, that Hoover's ridicule of the British aristocracy, and his often expressed intention of returning to the United States, may have been intensified by the fact that the Hoovers very distinctly failed to become accepted by the best social circles of London. That probably did not bother Hoover much. For one thing, he was absent from London for months on end and with his multifarious business affairs it is hardly probable that he had much time left for society functions—even if he temperamentally cared for this kind of diversion. Besides, he was in constant association with half a dozen noblemen in his mining promotions and titled gentry were constantly seeking him out with money-making proposals.

Mrs. Hoover, however, was socially ambitious and it was a constant source of regret that she was unable to mingle in society with the wives of the same men whom her husband met on terms of absolute equality in "The City." For several years she entertained frequently in the furtherance of her campaign for social recognition, but the general testimony is that she was rather inept socially, and that her dinners and teas failed to "click" because she had not chosen her guests with the nice discrimination that made people of real importance care much about returning a second time. She was gracious enough, but inherently diffident and her conversation was none too sprightly. In short, over the whole Hoover *ménage* there hung a heavy, though impalpable atmosphere, of

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<sup>1</sup> In the 1920-21 copy of *Who's Who* Hoover is credited with being the sole translator of *De Re Metallica* and no mention at all is made of his wife. This oversight was remedied in the 1926-27 *Who's Who*, the account declaring that Hoover was "joint translator Agricola *de Re Metallica*." This description, presumably supplied by Hoover himself, omitted the possessive 's on Agricola and improperly spelled *de* with a lower case *d*.

Mid-Western provincialism which simply failed to attract the light and somewhat cynical Londoners of the circle they sought.

I am told that Herbert Hoover was decidedly critical of his wife's social efforts; complained that her dinner parties were dull; and, sometimes, when he returned early from "The City," while a tea was still in progress, would step in for a few moments casting a decidedly supercilious eye on the assemblage as though he were weighing the social importance of each guest—and was greatly dissatisfied with his inspection.

Mr. Hoover, himself, however, was quite as much to blame as Mrs. Hoover for their failure to be received in the more exclusive circles in London. British society today is not nearly so select as it was a decade prior to the World War, before successful brewers, chain store proprietors, penny press publishers and mining promoters began to buy their way into the peerage. The nobility still retained their inherited prejudice against extending social recognition to tradesmen back in 1910 and the plain truth is Hoover's own standing in "The City" was none too good because of echoes of the Chinese deal, his connection with the Nigerian tin flotation, and his promotion of other questionable enterprises.

For instance, the long list in *Who's Who* of Hoover's memberships in clubs and various organizations does *not* include any mention of the British Institute of Mining and Metallurgy. C. Algernon Moreing had been a governor of this organization, but when he was refused the board's backing for a certain appointment he resigned with the public announcement that he had asked his colleagues to do likewise. Hoover, then a member, did resign, but later most of the Moreing engineers—Hoover included—tried to re-enter and were refused membership. Hoover never committed himself to a written request, but when his associates put up his name it was rejected.

Similarly, *Who's Who* does not list Hoover as a member of the British Institute of Civil Engineers. In 1910 he applied in writing for a membership in this organization and by special request the application was referred to three members of the Institute for investigation as "to his record in recent years and general reputation in The City." He was not elected to membership.

It was quite one thing for titled men of affairs to seek Hoover's aid and advice in the mining mart, but many of these same men

would not meet him socially. For instance, Hoover tried for years—doubtless at her demand—to have Mrs. Hoover presented at the English court, but despite his close business associations with Lord Harris, Lord Braebourne and other British noblemen, his own reputation in London was such that Mrs. Hoover's presentation never was seriously considered by the Royal Chamberlain.

It is interesting, and rather amusing, in this connection, to learn that Hoover actually solicited American friends to ask certain United States Senators to write to Ambassador Whitelaw Reid to request that he use his official influence to have Mrs. Hoover received by the King and Queen. Mrs. Hoover, however, did not meet Queen Mary until 1915 when they casually were introduced at a bazaar for wounded soldiers. On that occasion Queen Mary very graciously complimented Mrs. Hoover on the relief work her husband was doing in Belgium.

In 1910, Hoover seemed fairly far along the high road that leads to the accumulation of a colossal fortune. True, his Granville Mining Company was not producing dividends, but the Lake View & Oroya Exploration properties were bringing him a steady income and his numerous oil and tin flotations in Russia, Mexico, Nigeria, Trinidad and Peru had brought him rich returns. It was his almost invariable custom to sell out his free promoter's shares as near the crest of the speculative boom as possible and the fact that most of his oil promotions had failed to pay dividends had not injured his credit among his closest business associates in London.

The public's memory is notoriously short and the Chinese Engineering "conversion," the Great Fingall scandal and the Golden Horse Shoe affair were beginning to be forgotten. Among the circle of his London friends the real test of a promotion was how much personal profit it brought the promoter and by this standard Mr. Hoover had done very well indeed. It is true that many of the shareholders in his various flotations had been pretty closely sheared, but most of them were small investors who only risked a few pounds at the most, and so long as Great Britain had no "blue sky laws" and London newspapers continued extremely uncritical about the nature of the financial advertising they carried, it always was possible to raise more capital—especially when "big names" were enlisted in each new promotion.

## CHAPTER XIII

*SOME FLYERS IN PETROLEUM*

**F**EW Americans suspect that Herbert Hoover ever was a large scale oil promoter and that the British public invested—and lost—approximately \$14,000,000 dollars in the series of unsuccessful ventures which he and his brother Theodore floated on the London market in 1910 and 1911. “Official biographers” conveniently slide over this period of his purely promotional activities, although it is one of the most illuminating chapters of his life and one which in no small degree helped to swell the \$4,000,000 fortune which he brought back to the United States in 1917.

Early in 1910 Herbert and Theodore Hoover took advantage of an oil strike in the Maikop field, near the Black Sea in Russia, to launch seven companies and they also were interested in concerns in Rumania, Trinidad and Peru. In all, the Hoover brothers were involved in more than a score of oil promotions, but for the purposes of this biography we will consider only the companies in which they served as directors.

It cannot be stressed too much that all the Hoover activities in the Maikop field were financed with the public’s money and that Herbert Hoover, “the great engineer,” seemed conspicuously absent in the operations. Russian prospectors and promoters came to London with options on tracts surrounding the gusher that had been struck in the Maikop field late in 1909 and Hoover and his friends jumped at the opportunity—without much investigation the sequel makes one suspect. As engineering operations their Maikop companies were a pretty complete flop; as promotions they cost the public millions. Personally they probably proved extremely profitable. Incidentally, Lindon W. Bates, who was associated with Hoover in several of these oil flyers, later was New York purchasing agent for the Commission for Belgian Relief.

The first of Herbert Hoover’s Maikop flotations was the Mai-



Underwood & Underwood

HOOVER CHILDREN

*This photograph of Theodore, Herbert and May was taken at  
Newberg, Oregon, about 1888.*





kop and General Petroleum Trust, Ltd., which was purely a holding and finance concern. It was registered in February, 1910, and F. W. Baker and W. F. Turner, both of Chinese Engineering Company memory, were Mr. Hoover's fellow directors. So was Prince I. N. Saltykoff of the Romanoff family. The company's capital stock consisted of 300,500 shares of £1 each and 10,000 deferred shares of 1 shilling each. Within 90 days the Maikop and General Petroleum Trust floated three other concerns. It will be interesting to give a résumé of their history:

1. Maikop Oil and Petroleum Producers, Ltd. This was registered in April, 1910, with a capital of 425,000 shares valued at £1 each and 365,000 shares paid in. W. F. Turner, W. F. Baker and H. C. Hoover were directors with Prince Saltykoff of St. Petersburg.

By the end of 1912 the £1 shares of the Maikop Oil and Petroleum Producers, Ltd., were quoted at 10 shillings on the London market. By the end of 1913 the shares were selling at 9 pence—when they sold at all. Meanwhile, early in 1912 the property of the company was leased to the Maikop New Producers, Ltd., which by 1916 was liquidated and consolidated with the Black Sea Amalgamated Oil Fields, Ltd. The Maikop New Producers got two 10-shilling shares for every original 5-shilling share. By the end of 1916 Black Sea Amalgamated shares were quoted at 2 shillings 6 pence—or 60 cents each—so that shares that sold for \$5 were reduced to 60 cents. Long before this, however, the Maikop Producers had sprouted the Maikop Mutual Oil Transport Company, Ltd.,—but more of this later.

2. Maikop Areas was the second company promoted by the Maikop General Petroleum Trust. It was registered in April, 1910, with a capital of £600,000 in £1 shares of which £450,000 were subscribed and paid up.

Late in 1912 shares of Maikop Areas were quoted at  $3/16$  of a pound on the London market. The concern was then sold to the Maikop Combine, shareholders getting for each £1 share a new 10 shilling share with 7 shillings 6 pence credited as paid up. In other words, Maikop Areas shares were then only valued at 7 shillings 6 pence—and not in cash. Later they were completely worthless—except possibly as souvenirs.

3. Maikop Valley, Limited, was the third company brought into

being by the Maikop General Petroleum Trust. It was also registered in April, 1910, with a capital of £400,000 in £1 shares of which £297,000 pounds were paid in.

Towards the end of 1912 the value of the shares was reduced to 3/16 of a pound and by the end of 1913 they were quoted at 1/8 of a pound. But in 1913 G. Tweedy, who was promotor of the Maikop Combine, purchased the shares of the Maikop Valley at a depreciated figure and towards the end of 1916 they were quoted at 32 shillings. Tweedy, who seemed to be the only Maikop operator who kept his head, actually succeeded in making some money before his properties were seized by the Soviets, but none of the Hoover promotions ever returned a penny in dividends.

The Maikop General and Petroleum Trust, Ltd., the parent of the flock of Hoover promotions, went into voluntary liquidation on Sept. 27, 1913, and its assets were sold to the Maikop Combine for 5 shillings on the pound—payable in shares.

During this same period Theodore Hoover was director of the Maikop Apsheron Oil Company, Ltd.; the Maikop Mutual Oil Transport Company, Ltd.; the Maikop Shirvansky Oil Company, Ltd.; the Trinidad Cedros Oil Company, Ltd.; the Trinidad Forest Reserves Oil Company and the L.H.D. Syndicate. Like the companies under his illustrious brother's direction, most of these concerns also were short lived and unsuccessful:

The Maikop Apsheron Company with a capital of £450,000 was voluntarily liquidated in 1912 and the undertaking sold to the Maikop Combine for 7 shillings 6 pence for each £1 share—the price payable in shares.

The Maikop Mutual Oil Transport Company, with a capital of £416,000 shares, of which £197,000 was paid in, had its shares quoted at 5 shillings in 1913. It then was sold to the Maikop Pipe Line and Transport Company on terms of two shares of Mutual for one share of Pipe Line. In the three years between 1913 and 1916 all the Maikop Pipe Line profits went into "depreciation" and at the end of 1916 its shares were quoted at 4 shillings. In other words, the £1 shares of the original Hoover investors were reduced to 2 shillings each.

Maikop Shirvansky had £150,000 capital of which £125,000 was paid in. By 1912 the shares were quoted at 7/8 of a pound. Soon after the company was sold to the Maikop Apsheron for

140,000 shares of Apsheron stock. Shortly after the Apsheron was sold to the Maikop Combine for 7 shillings 6 pence per share.

Inasmuch as four of the Hoover promotions were absorbed—or what was left of them—into the Maikop Combine it will be necessary to show what happened to that concern. Registered in 1912 with a capital of £750,000 in 10 shilling shares of which £265,000 were paid up, its 10 shilling shares were quoted at 3 shillings 3 pence in 1916 and in 1917 the property was seized by the Bolsheviks.

Summarizing the Hoover promotions in the Maikop oil fields, we find that £1,988,000 in shares—or nearly \$10,000,000—was invested by the British public in their various companies. This amount was practically a total loss—and this long before the Soviets seized the oil fields.

Apparently the Hoover brothers, Baker and Turner thought the Maikop fields were a surface bonanza. It turned out that to get real production unusually deep drilling was required which demanded skillful engineering, provision for transport to market, and economy of production. Instead of expending their own money on preliminary development, the Hoovers and their associates dragged in the public by glowing advertisements and cunning paid “puffs” in the financial press. Practically every penny which the public invested was lost.

The irresponsible spirit in which the Hoovers entered these promotions is plainly revealed by the speech which W. F. Baker made on May 27, 1910, before the stockholders of the Maikop General Trust, Ltd. Mr. Baker said:

“The item in the report ‘proceeds of sales of shares’ at £110,000, represents what I may call the method adopted in the flotation of Maikop Producers [one of the subsidiaries]. In that flotation we purchased from the venders [Russians] a certain block of shares and subscribed for 50,000 shares of working capital and very shortly after the purchase we re-sold them through prominent houses [brokerage firms] in the City, thereby relieving ourselves of the liability for the issue and leaving us a considerable balance of fully paid shares.”

The above declaration indicates unmistakably that their chief concern was not in producing oil, but in selling shares and Mr. Baker added that they had “in three months a profit of 300,000

shares in these three companies." Possibly the promoters had this profit, but the investors who hung on to their shares lost everything.

Throughout the proceedings, methods typical of wild cat oil promotions were employed. In addressing the Maikop Areas meeting on July 23, 1910, W. T. Douglas, one of the directors, reported how he had gone to the Maikop fields and had seen oil everywhere . . . oozing from the soil, floating on streams . . . bubbling from the depths of rivers . . . while old surface wells were being bailed out by Cossacks by hand. He lit one jet to make sure it was oil.

"I saw the fountain well of Maikop Oil and Producers, which it will be remembered gave out petroleum to the extent of 5,000 tons a day," Mr. Douglas continued in the same glowing strain until a stockholder asked how many wells had been sunk on their property.

Mr. Douglas replied that up to the present none had actually been commenced for the Maikop Areas Company. They had been too busy (floating stocks probably?) to have got to that yet.

The above speeches and representations differ only in slight degree from those employed by Dr. Frederick A. Cook and other wild cat promoters in the United States. The Hoovers rushed at what they thought was a surface oil field; capped a few wells which clogged with water and sand when they were opened; provided pipe lines at great expense and then discovered that the field required deep drilling. The seven companies of which the Hoover brothers were directors had a total capitalization of £2,741,000 and of this amount some £1,988,000 was paid in by the public. And these seven companies do not include any "hidden interest" they may have had in other companies. It is interesting to learn that when they sold out to the Maikop Combine some of their South African Consolidated Gold Stock went with the rest of their holdings.

But did the Hoover brothers and Turner and Baker "lose all" as their smaller shareholders undoubtedly did? That is very doubtful, indeed. The ups and downs of their companies' shares on the market, plus their secret advance information on developments in the distant field, made stock manipulation very simple—for the insiders. To just what extent Herbert Hoover and his brother profited by the Maikop promotions I am not in a position to prove,

but the public paid for most of their "investment" and I strongly suspect that the directors "unloaded" their shares long before the final collapse. In any event, when all the facts are known it is not surprising that Mr. Hoover's "official biographers" are as silent as the tomb about this phase of his "engineering activities."<sup>1</sup>

Doubtless encouraged by the avidity with which the guillible London public had gobbled up their Maikop flotations, the Hoover brothers decided to exploit the petroleum possibilities of Trinidad, Rumania, Peru, Canada and California. Between 1910 and 1911 more than a dozen additional oil companies were organized in Hoover's office at No. 1, London Wall. In several of these flotations Hoover was again connected with Edmund Davis and W. F. Turner of the Anglo-Continental Company who had so successfully rigged the market in the notorious Nigerian tin killing.

The most important of these promotions was the Lagunitos Oil Company, Limited, which was registered in London on April 20, 1910, to adopt an agreement with the Anglo-Continental Mines Company to acquire and work an area of four square miles known as Lago Vista, situated about 10 miles from Talara harbor, Peru. The Peruvian government in 1890 had granted a 50-year concession to the London and Pacific Petroleum Company and the Lagunitos Company took over part of it on a 30 year sublease. The consideration was £150,000, of which £25,000 was in cash and £125,000 in fully paid up shares. The Lagunitos Company was capitalized for £350,000 in preference shares and £250,000 in ordinary shares.

During 1912-13 thirty wells were drilled and by 1914 the property was producing nearly 40,000 tons of oil annually. A pipe line had been laid to connect with the seaboard and in 1914 the company showed a profit of approximately \$100,000, after "write-

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<sup>1</sup> One of Hoover's professional apologists has attempted to explain the flat failure of his Maikop promotions by alleging that these enterprises were embarked upon a profitable career when the properties were seized by the Soviet government. The utter absurdity of trying to blame the Bolsheviks for the collapse of the Hoover companies can be best shown in a simple comparison of dates. The last of the Hoover promotions had failed or been absorbed into the Maikop Combine in 1913. The Soviets did not cancel private oil concessions until early in 1918. Incidentally, shares in the Maikop Combine had fallen to three shillings each in 1916, but this did not prevent Promoter Tweedy from lodging with the British Foreign Office a claim for £279,000—more than the original capitalization of the company.

offs" of \$125,000 for depreciation and \$300,000 for capital expenditure.

The directors "re-organized" the company in December, 1913. Thirty thousand unissued ordinary shares were converted into preference shares. Fifteen thousand were offered to stockholders at the par value of £1 each and the Lake View & Oroya Exploration Company was given an option at par on the remaining 15,000 shares in return for its guarantee to underwrite the issue.<sup>1</sup> Later in the same month 700,000 more preference shares were issued at par. The preference shares were entitled to all the profits available for distribution until they had received 100 per cent. Thereafter they were entitled to a preferential cumulative dividend of 20 per cent per annum, and shared with the ordinary shares any surplus that might be left after the payment of such dividends.

Under these circumstances, the Lagunitos "re-organization" permitted the "insiders" who had subscribed to the preferential shares to retain virtually all the profits at the expense of the holders of ordinary shares, who had subscribed the initial capital. It was exactly the same kind of a "re-organization" which Hoover and his fellow directors had brought about in the Zinc Corporation. Of the distributable surplus for the year ended June 30, 1914, the preferential shareholders received \$104,870 and exactly nothing was allotted to the ordinary shareholders, the small balance remaining being carried over. In addition to hogging the profits, the directors also paid large sums to insiders for additional concessions.

Late in 1914 a controlling interest in the Lagunitos was sold to the International Petroleum Company of Canada, which is associated through the Imperial Oil Company, Limited, of Canada, with the Standard Oil Company. The "insiders" had cornered the preference stock and demanded and received \$10 per share before they would consent to the sale. Holders of ordinary shares received \$2.50 for certificates which had originally cost them \$5.00.

Theodore Hoover was director in the Trinidad Cedros Oil Com-

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<sup>1</sup> Although the 15,000 shares of Lagunitos preference stock was underwritten by the Lake View & Oroya Exploration Company, the shares later were sold by Govett. This was the usual practice of Govett and Hoover when they invested reserve funds of the various corporations whose directorates they controlled. "Good things" were transferred to their personal accounts, and "lemons" were left on the books of the corporations.

pany, Limited, which was registered in April, 1910, with a capital of £67,650. It was a typical Hoover "set-up," with 66,000 preferred £1 shares of which 33,000, were paid in by the public; and £1,650 in 1-shilling shares held by the promoters which took 10 per cent of the dividends, plus a share in the surplus profits. In 1912 this company suspended for "lack of working capital."

The Trinidad Forest Reserve, Limited, with Theodore Hoover on the board was floated in November, 1910, with a capital of £300,000 pounds. In 1916 it was sold for \$10,000—just about enough to pay its debts.

The Trinidad Mayaro Oil Company, the Russper Syndicate, the Trinidad Morne Enfer Oil Felds Company, the B. W. I. Syndicate, the La Lune Oil Blocks and the General Petroleum Properties of Trinidad were some of the other flotations that were issued from No. 1 London Wall in 1911 and 1912. Approximately \$4,200,000 was subscribed by the public for shares in these different promotions and almost the entire amount was lost. Most of these companies were painlessly absorbed in other promotions or "voluntarily liquidated." In every case David Anderson, formerly accountant for Whittaker Wright before his spectacular collapse in the early boom days of West Australia, was liquidator. He also acted as secretary of these Hoover-inspired promotions. Of all the South American oil promotions, the Lagunitos was the only one which found oil in really paying quantities and it was sold out by the insiders.

The L. H. D. Syndicate, of which Theodore Hoover was a director, was organized to acquire oil lands near Calgary, Canada. It wound up its affairs in 1916. The accounts are available only to shareholders.

It was in 1912, after his Maikop and South American oil promotions had petered out, that Herbert Hoover first turned to the United States as a field for financial opportunity. I have it on reliable authority that he was seriously considering leaving London, where he had made his home ever since 1900, and permanently living in the United States. There had been ugly talk in London after the Maikop failures; certain weekly newspapers had carried sarcastic flings about the heavy losses by small investors; and possibly this helped awaken in him a desire to return to California. In any event he did come back to America and for eight months

during the Spring, Summer and early Fall of 1912 resided in a rented house in San Francisco while he busied himself with various Californian undertakings. He already had published his reputed translation of Agricola's *De Re Metallica*. In the spring of 1912 he delivered a few lectures on mining at Palo Alto. It was shortly after this that he was appointed a trustee of Stanford largely through Lester Hinsdale's influence, and I am told that as a result of his wife's suggestion, he flirted with the idea of allowing himself to be made the president of his alma mater.

Hoover, however, had not as yet accumulated the \$5,000,000 which he once had fixed as his goal, and he was far too dynamic to remain idle. Fresh from a series of successful oil promotions—successful so far as his personal profit was concerned—it is not surprising that he should have again turned to petroleum. California was in a fever of excitement over the gushers that were being discovered in many widely scattered sections of the state. That spelled opportunity to such an adroit financier as Hoover.

Acting with A. Chester Beatty, who had interested him in the Granville Mining Company, on November 2, 1912, the Inter-California Trust, Limited, was registered in London. It was authorized to acquire or operate mining and oil properties in California or elsewhere and to act as financial agents. It had a capital of 105,000 shares of £1 each of which 94,000 shares were issued and fully paid. As usual, Hoover raised most of his share of the cash by tapping the reserve funds of corporations which he controlled. The Zinc Corporation contributed \$100,000 to prime the pump for the Inter-California Trust.

The first step was to purchase control of the Continental Oil Company, which owned several well situated tracts in the Coalinga and Midway fields of California and also held title to 5,500 acres in Mexico. They made no attempt to force production, but soon sold out to the General Petroleum Company, which had been organized by Eugene de Sabla, president of the Pacific Gas & Electric Company, and a group of associates. Hoover and Beatty became directors in the General Petroleum Company in the hope that they could introduce much needed British capital. The General Petroleum had an option on the Union Oil Company, and Mark Requa, formerly a copper miner, had come into the oil industry and was



trying to draw a majority of the small oil men into his newly formed Independent Oil Producers Agency.

Hoover apparently conceived the idea of combining all the independents into a formidable rival of the Standard Oil of California. The British navy was seeking new sources of fuel supply. Hoover hurried back to London and organized the Western Ocean Syndicate in conjunction with the ubiquitous Govett, Tilden Smith, who was the moving spirit of the Burma Mines, Andrew Weir, the ship-owner who later became Lord Inverworth, and Arthur Grenfell, head of the Canadian Agency and other far-flung enterprises. The Western Ocean Wave was capitalized at \$3,500,000 and once more the Lake View & Oroya Exploration shareholders were levied upon for \$50,000 to supply its working funds. It was rumored about London and San Francisco that the Western Ocean Syndicate had a contract to furnish the British navy with large amounts of oil.

Circumstances thwarted Hoover's plan. "Borax" Smith's failure had tightened the money market at San Francisco, and Arthur Grenfell, who was financing several of Hoover's promotions, had an even more sensational collapse in London. In the meantime Hoover and Andrew Weir had a violent quarrel over matters of policy. Eugene de Sabla and Hoover also had sharp differences of opinion concerning the disposal of some General Petroleum Company bonds which Hoover had endeavored to hypothecate in England. The facts are obscure; but Grenfell's financial smash-up sent Hoover hurrying back to England early in 1914 and a few months later the outbreak of the World War put a quietus on his ambitious scheme to combine the West Coast petroleum producers. The General Petroleum was soon absorbed by the Standard Oil of California.

It was during his brief stay in California in 1912-14 that Herbert Hoover became connected with the Natomas Consolidated of Sacramento and the Oroville Dredging Company. Both concerns needed new capital and Hoover induced his friends in London to invest substantial sums. Lake View & Oroya, the Zinc Corporation and South African Gold Fields contributed. Hoover served as a member of the Natomas Consolidated reorganization committee with Herbert Fleischhacker—sometimes known as the "J. P. Morgan of the Pacific coast." The reorganized Oroville Company purchased the Pato and Nechi placer mines in Nicaragua. The mines

proved profitable, but considerable litigation developed over the refinancing and some shareholders withdrew after threatening suit. Although Theodore Hoover became a director of the Oroville, and Herbert Hoover served on the Natomas board, they were not active in either concern after the reorganization and cannot be blamed for subsequent difficulties.

Before Hoover went to California in 1912 he organized the Inter-Argentine Syndicate, Limited; the Inter-Siberian Syndicate; the Inter-Russian Syndicate, Limited; the Inter-Mexican Syndicate, Limited; and the Inter-Yukon Syndicate, Limited; all registered in London for the purpose of financing and acquiring mining property. A. Chester Beatty was interested with Hoover in the Inter-Yukon Syndicate as well as the Inter-California Trust; and Leslie Urquhart, the Scotch capitalist, was associated with Hoover in the Inter-Russian and Inter-Siberian Syndicates. No public subscriptions were solicited in these companies and the Inter-California Trust seems to be the only one which transacted any business. Soon after the outbreak of the World War, all these concerns went into voluntary liquidation.

Hoover first became interested in Russia through his oil promotions in 1911. Several years before his friends, F. W. Baker of Chinese Engineering Company memory, and Lord Harris of the Consolidated Gold Fields of South Africa—in which concern Hoover was then interested—promoted the Russian Mining Corporation which purchased the shares of the Russian-owned Lenskoie mine and formed a British corporation called the Lena Goldfields.

The concession consisted of 1,500,000 acres of alluvial gold fields along the Lena river in Siberia and the ground proved so rich that in 1908 the British company returned dividends of £75,000 on a paid up capital of only £41,250. The promoters could not resist the opportunity to utilize these rich returns by re-organizing the company, so in 1910 its capital was increased five-fold, with large blocks of stock allotted to the promoters. A lively speculation resulted on the London market, the shares rising from £1 to £7 in a few weeks, and this attracted the attention of other London promoters to the undeveloped mineral resources of Russia.

Leslie Urquhart, a Scotch engineer, had been manager of the Baku oil fields during the Russo-Japanese war and the revolution-

ary troubles which had followed. He had stuck to his post through thick and thin and won the friendship of the Russian royalty. In 1908 he had got control of the Kyshtim Mining Works which owned enormous iron, copper and gold deposits in the Perm district in the South Ural mountains. Urquhart tried to run the Kyshtim project from the proceeds of the gold mines alone, without much success, and in 1911 he was about the end of his string financially and his bonds were selling below par on the London market.

Urquhart came to Hoover for aid and he and A. Chester Beatty finally loaned Urquhart \$350,000 to build a copper smelter and in return their Inter-Russian Syndicate was given a large block of stock. Beatty, who was a copper expert, advised Urquhart to devote his attention to copper instead of gold mining and the company immediately began to show handsome profits. In 1912 the dividends were 20 per cent; 25 per cent in 1913 and 20 per cent in 1915—and this on greatly watered stock. The increase in the price of copper actually swelled these dividends in the first years of the World War.

Encouraged by huge profits, Leslie Urquhart organized the Tanalyk Corporation in 1912. It acquired a series of abandoned copper mines in the South Ural mountains and a British company was formed with a capital of £450,000 shares. The promoters allotted themselves the lion's share of the stock and raised the actual working capital by issuing £200,000 of debentures which were easily absorbed by the London public. The Tanalyk Corporation owned 24,300 acres and had prospecting rights over 2,000 square miles. Hoover was a director and in 1913 was given an option of 50,000 shares at £3 per share. A year later these shares sold at £4 4 shillings—a profit of \$300,000.

Finding that the London market was hungry for Russian offerings, Urquhart, Hoover and Beatty organized the Russo-Asiatic Consolidated Limited. *The Banque du Commerce Privee*, of Petersburg and Paris participated in the flotation and the Russian royal family were silent partners in the enterprise. Indeed, the Romanoffs really put up most of the assets consisting of vast concessions which contained the cream of the natural resources of Russia.

The Ridder concession covered 3,000 square miles in the South Altai mountains; the Nerchinsk concession was 8,000 square miles; and the Ekibastus coal field was eight miles long and three miles

wide. The three concessions comprised 2,500,000 acres, including timber lands and water powers; it was estimated that 7,260,000 tons of gold, silver, copper, lead and zinc ores were proven in reserve; the coal tonnage was practically unlimited; while twelve developed mines, two copper smelters, blast furnaces, rolling mills, sulphuric acid plants, gold refineries, 20 sawmills, 250 miles of railroads, eight steamships and 29 barges were on the property when it was taken over. At a conservative estimate the property was worth more than one billion dollars.

The Russo-Asiatic was capitalized for £12,000,000 in £1 shares, and nearly £7,000,000 in shares was allotted to the promoters. The actual working capital consisted of £300,000 and of this amount about £150,000 had been spent in development work when the World War put a stop to this gigantic undertaking. Had it not been for the outbreak of hostilities, and the subsequent confiscation of these vast concessions by the Soviet government, Herbert Hoover undoubtedly would be ranked as one of the wealthiest men in the world and this sudden blighting of his billionaire expectations probably explains his bitter and unrelenting hatred of everything remotely connected with the Bolsheviki.

Through a curious coincidence—and one that seems to have almost poetic irony—it was the exploitative labor policy of Hoover's British friends in the Lena Goldfields Company which caused a perfectly ghastly massacre of Russian workingmen in 1912 and this directly gave a renewed impetus to the revolutionary movement which resulted in the Soviet triumph in 1917, and the consequent cancellation of all foreign concessions—Hoover's with the rest.

And in this connection it almost seems that a strange fatality has marked Hoover's course. His "conversion" of the Chinese Engineering and Mining Company was often cited by Sun Yat Sen as an example of European aggrandizement and it was Yuan Shi Kai, a leader of the revolutionary party and first president of the Chinese republic who finally forced partial restitution to the original Oriental owners; while in South Africa it was the importation of Hindoo and Chinese laborers by a mining group in which Hoover was interested that first gave Gandhi his radical leanings.<sup>1</sup>

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<sup>1</sup> In 1904 approximately 53,000 Chinese workers were brought to South Africa to serve as indentured laborers in the Rand gold mines. The experiment was not success-

The massacre at the Lena Goldfields is almost forgotten now—indeed, it is doubtful if one person in a million in America remembers the details—but it precipitated a series of general strikes throughout Russia, and Joseph Stalin, the present dictator of the Soviet régime, is authority for the statement that more than any one incident it stirred the spirit of the masses—dormant since the unsuccessful 1905 rebellion—to new revolutionary efforts.<sup>1</sup>

The wholesale shooting at the Lena Goldfields plant occurred on April 4, 1912. For months the workers had been dissatisfied with wages, working hours and conditions under which they labored. Protests were made and finally the ring leaders of the movement were arrested. The entire group of workers, some 7,000 in number, gathered about the headquarters and demanded their release. Contemporary accounts declare there was nothing menacing in this mass demonstration, but the Lena Goldfields' management had called in Cossacks and they suddenly opened fire on the assembled men, women and children.

Two hundred and thirteen persons were killed outright and several hundred were wounded. To aggravate this wanton butchery, some 3,000 workers with their families were forcibly evicted from their homes the following day and compelled to march out of the district.

It was several days before the news penetrated civilization, but in less than ten days afterwards 215,000 men were spontaneously striking in all the industrial cities of Russia. In less than a month 850,000 men were striking because of "Lena days" and on May 1

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ful. There was considerable sickness among the Chinese and the white workers bitterly complained against the resultant wage reductions. Most of the Chinese were returned to China by 1908. Before the Chinese were brought to South Africa, the gold mine owners imported indentured Hindoos. This experiment, too, caused great bitterness among the white workers and also among the imported Hindoo laborers. Gandhi, then a barrister in Durban, first became well known by taking the part of the Hindoos and inducing them to go on "passive strikes" which were so successful that the Hindoos were eventually replaced by Chinese.

<sup>1</sup> Isaac Don Levine, in his recent book *Stalin*, has this to say about the massacre at Lena Goldfields:

"And then, suddenly, a social earthquake rocked the fettered empire. A volley that was fired in remote Siberia echoed throughout the immense land and re-echoed around the world. In northern Siberia, a thousand miles from a railroad station, in the isolated Lena Goldfields, in which British capital was heavily invested, the enslaved workers went out on strike without any political guidance. Their delegates were arrested. The entire body of toilers gathered to demand their release. Without warning the Tsarist soldiers opened fire on the strikers. Hundreds were shot down.

more than 300,000 workers participated in the Moscow demonstration against the government. "Remember Lena days" became a slogan among the Russian masses and played no small part in provoking the profound social upheaval that culminated in November, 1917.

## CHAPTER XIV

### *THE GREAT ENGINEER IN ACTION*

**H**ERBERT HOOVER'S "official biographers" have all stressed his eminence as a technical miner—indeed, by sheer press agency he first became widely known as "the Great Engineer," when in truth, as this biography clearly reveals, from an early age by far the greater portion of his time and energy was spent in purely promotional pursuits. At the same time, it would be a grave error to conclude that he did not possess unusual abilities as a practical mine manager. No one who knows of his work in the early days in West Australia, and particularly in Burma, would pretend to impeach him professionally.

"He undoubtedly was a very capable engineer," one of his former London colleagues said: "well trained, quick to profit by experience, and with the soundest kind of judgment. But his interest around the mines was not in new methods of extracting ore, but always was how to make the most money in the shortest time. That is why in London his financial operations entirely smothered his engineering reputation."

Hoover did not have a finished technical training. His college course was in geology, not mining engineering, and he never earned a master's degree in his chosen profession. His practical education, however, was of the very best, and he has several notable engineering achievements to his credit. Chief among his professional accomplishments was the successful operation of the Zinc Corporation and the Burma Mines, two titanic undertakings which gave him a hard, uphill fight before he finally succeeded in putting them upon a paying basis.

But even in these projects, which taxed the technical skill of Hoover and his associates, his promotional talents were not long left in abeyance. It is significant—and characteristic—that the Hoover brothers and their group eventually got control of both the Zinc Corporation and the Burma Mines by forced "reconstruc-

tions." As a consequence, among the investing public in London and West Australia, Hoover's financial manipulations once more quite outshadowed the really brilliant results he obtained as a mine manager. Hoover actually left the Zinc Corporation under a cloud, as the result of questionable investment of its reserve funds in outside concerns in which he was personally interested (we treat this in the following chapter), but these circumstances should not obscure the fact that the development of the Burma Mines and Zinc Corporation are conspicuous examples of Herbert Hoover's persistence, as well as of his engineering ability.

It may be worth while to trace in detail the history of both corporations—and to tell the story of Mr. Hoover's financial operations as well as of his technical accomplishments. Let us first consider the Burma Mines:

The Burma Mines, Limited, was formed in 1906 to acquire the ancient silver-lead mines and slag heaps at Bawdwin, Upper Burma, not far from the Chinese frontier. Contrary to the claims of his "official biographers," Hoover had nothing at all to do with the discovery of these mines. The mines had been worked intermittently by Chinese and Malays ever since the fifth century. The ancients only sought silver, and some of the abandoned slag heaps contained as much as 45 per cent of lead.

In 1905, M. V. Kindersley and R. Tilden-Smith organized the Great Eastern Mining Company, Limited, and began the development of the mine. They began to drain the old workings, built a smelter, and had a 52-mile railroad well under construction when their original capital ran out in 1906. They then interested Bewick, Moreing & Company, and Hoover personally inspected the mine and recommended that his firm join in the organization of a new company. Formation of the Burma Mines, Limited, followed and from the start Hoover was a director of the new company.

The Burma Mines, Limited, was capitalized at £410,000. It paid the Great Eastern Company £309,995 for the mine, smelter and partly finished railroad. Despite the richness of the old slag heaps, the ore proved very refractory, and the development operations were more costly than had been expected. In 1907 it was necessary to issue £40,000 in debentures. This issue was underwritten by Hoover and Govett, who also were directors in the mine.

In 1908, some 45,000 ordinary shares, valued at £1 each, were



converted into 450,000 ordinary shares of 2 shillings each, the remaining shares being called "deferred shares." Then 260,000 of the so-called "deferred shares" were offered for public subscription.

The mine started shipping ore to the Mandalay smelter in 1909, but it continued to lose money. In 1909, the books showed a deficit of \$616,000 and this brought about another reorganization in 1910. It was so complicated that no one but a competent certified accountant, who had access to the stock register, could possibly comprehend all the details. Capital was written down to £100,650, and the subsequent shufflings of "deferred," "preference," and "A preference" shares—the last to receive 95 per cent of all the profits and carrying five times the voting power of all other classes of shares—reveals the unsurpassed manipulative powers of Herbert Hoover<sup>1</sup> and left him and his friends firmly in the saddle.

The Burma Mines continued to lose money, and in 1913 there was still another reconstruction which brought Herbert Hoover into the picture in an even bigger way. With A. Chester Beatty, who had associated with him in the Granville fiasco, Govett, and a few other friends, he formed the Burma Corporation, Limited, which proceeded to buy up all the shares and outstanding debentures of the Burma Mines. This was not difficult, for the company had not paid a single dividend and was deeply in debt. It even owed salaries to some of its engineering staff and was in arrears for taxes to the Burma government.

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<sup>1</sup> Lest my own statements concerning the nature of the Burma Mines reorganization be doubted, I cite the following excerpt from the description of Burma Mines, Limited, which appears on page 658 of *Skinner's Mining Manual* for the year 1910. After telling the purposes for which the company was formed, *Skinner's* states:

"The authorized capital is £450,000 in 478,090 A preference shares of 4s. each, 455,880 preference shares of 3s. each, 260,000 ordinary shares of 2s. each, 260,000 deferred shares of £1 each; 2,800,090 A preference shares are issued and 2s. paid and 273,680 preference and all the ordinary and deferred shares are issued and fully paid. Steps are being taken for the unification of the various classes of shares. The capital was increased from £410,000 to present amount in November, 1907, and in April, 1908, 45,000 ordinary £1 shares were converted into 450,000 ordinary shares of 2s. each the remaining shares being called deferred shares; 260,000 ordinary were then offered to deferred shareholders for subscription. In January, 1909, 69,553 deferred shares were divided and converted into preference shares of 3s. each, and in June, 1909, the remaining 75,447 deferred shares were divided and converted into, and 190,000 ordinary and 7,807 preference shares were consolidated and converted into A preference shares of 4s. each. The A preference shares are entitled to 95 per cent of profits and assets, the preference to  $\frac{4}{4}$ , the ordinary to  $\frac{12}{80}$ ths, and the deferred to  $\frac{1}{80}$ th."

After getting possession of most of the stock, Hoover, Govett, and Tilden-Smith, as directors of the Burma Mines, Limited, entered into a contract with the Burma Corporation, which they also owned and controlled, whereby the latter company was to provide \$300,000 working capital and in return was to receive 75 per cent of the future profits of the Burma Mine. Inasmuch as the same board of directors presided over both corporations, Hoover and his friends were simply making a contract with themselves.

The capital of the Burma Mines was increased by £1,000,000; and 350,000 shares of £1 each were retained by the Burma Corporation with an option at a sliding scale of prices. This arrangement must have proved enormously profitable, because by 1916 the £1 shares were selling for £24 as the result of a "boom" brought on by optimistic cables from the mine managers about discovery of an immensely valuable ore body underlying the old Chinese workings. To raise the new working capital required, Hoover induced the Metal Gesellschaft of Frankfurt to loan the Burma Corporation £100,000 for development work with an arrangement whereby £200,000 more would be advanced if needed. In return, arrangements were made whereby the German Gesellschaft was to smelt all the base ore turned out by the Burma Mines.

The World War put an end to this arrangement. After considerable trouble, the Burma Mine directors had "enemy alien" legislation passed by the British government permanently cancelling the contract with the German smelting interests. In the meantime, the market for Burma shares had been skillfully stimulated on the London exchange by widely press-agented announcements that the Tiger tunnel would uncover a new body of rich ore. The Tiger tunnel was completed in 1916 and did reveal a huge new ore body of great wealth. In 1916, for the first time, the Burma Mines paid a dividend as the result of a highly profitable contract with the British government to supply metal for war munitions.

In 1918, war taxation and the marked decline of Indian exchange made it necessary for another "reconstruction" of the Burma Mines and the Burma Corporation. At that time the German metal interests owned 215,000 shares. The prospects of the mine looked none too good and Herbert Hoover sold his 200,000 shares for \$3.75 per share. Two years later the stock had gone back to \$18 per share.

There is no doubt at all that the management of the Burma Mines showed both courage and a high degree of technical skill in finally extracting profitable returns from the extremely refractory slag heaps abandoned by the ancients. They displayed even greater technical ability in driving below the old workings and uncovering new ore bodies. Credit for this largely belongs to Herbert Hoover. He took a keen personal interest in the development of the Burma property. It was he who first "sold" his associates on the existence of the rich Chinaman lode. The Tiger tunnel was his personal conception and was carried out under the direction of Theodore Hoover, with frequent cabled suggestions from London.

But, while freely conceding Hoover's technical ability in the development of the Burma Mine, it is impossible to escape the conclusion that he and his group of "insiders" used confidential information, acquired in their capacity as directors, to manipulate the stock market to their own advantage. For eight years the Burma Mines ate up capital in unprofitable experiments, but just before it was put in a position to pay, most of the original shareholders were squeezed out—and immediately afterwards the London financial papers were filled with glowing reports about the discovery of "the richest ore body uncovered in the last ten years." Hoover and other "insiders" had accurate prior knowledge of these "discoveries." Some of the original stockholders felt very bitterly about the "reconstruction" in 1913-14, and one, W. T. Wood at the annual meeting on July 12, 1916, asserted that the company he represented had invested £28,000 of debentures in 1906 and had only received one year's interest in the ten-year period.

He criticized the Hoover-controlled management in very strong language and in reverting to the "sinister contract" between the Burma Mines and Burma Corporation, said he hoped that "we who originally found the money to start this magnificent enterprise, and have attached so much value to the conversion rights of our debentures, will not be frozen out in the manner threatened."

The history of the Zinc Corporation, Hoover's first big scale promotion and probably the most successful of his many ventures, brings out another very similar story of a forced "reconstruction," which left an inside clique consisting of the directors and their

friends in possession of the best-paying shares just when the corporation was about to enter the highroad of prosperity after years of adversity. And the history of the Zinc Corporation also reveals how Hoover and some of his fellow directors dipped deeply into the reserve funds to help float other promotions in which they had a personal interest.

The Zinc Corporation was started in 1905 by Hoover, Govett and C. Algernon Moreing. At first the company owned no mines of its own, but purchased for \$1 per ton some 2,000,000 tons of zinc tailings from the mines on the Broken Hill Blocks in South Wales. The original capital of £350,000 was increased to £500,000 in 1906, and again in 1907 it was necessary to issue £182,000 in preference shares which were entitled to 100 per cent profits before any dividends were to be paid on the ordinary shares. Insiders got most of these shares. In 1909, the company began to pay big dividends on the preference shares, but in 1911 the directors saw fit to "reconstruct" the corporation for the purpose of purchasing the South Blocks Mine. This resulted in increased capitalization and another big distribution of preference shares to insiders.

The essential unfairness of such a reorganization can best be pointed out by showing that the ordinary shareholders had put up £326,568 of the original capital, as compared to £254,692 raised by the holders of preference shares, yet between the inception of the company and 1916, the preferential shareholders received £437,418 in dividends as against £146,750 distributed to the owners of ordinary shares.

The Melbourne correspondent of a London mining journal commented on this reconstruction as follows:

"The news received in Australia from London that the Zinc Corporation was to absorb the Broken Hill South Blocks Company excited a great deal of amused comment. The finance involved may do very well for London, but the directors would be pretty bold who would come out here with such a scheme for an Australian-owned Company.

"The fact that has to be established is that the South Blocks Mine is a dividend payer. So far the ups and downs of its shares in the market have indicated a manipulative

power by some crowd that no one on this side of the equator wishes to meet in the dark.

"Here the policy is for the shareholder who puts up the cash to be first considered. So far is that principle carried that in most mining companies the paid-up and the contributing shareholder get the same amount of dividend though the contributing shares may be only paid up 10 shillings in the pound.

"If this treatment was not meted out, the chance of obtaining capital for mines would disappear unless everyone was put on the same footing so far as contributions to the company go. Cash payments would be flooded with preference shares and to have to carry more of his own class of scrip for the prospect of what he may get out of the South Blocks Mine is a bit 'over the limit' according to Australian ideas.

"When the Zinc Corporation was in a tangle it had to make the best terms it could to get cash, including the provision that the 'prefs' were to be refunded their capital. As beggars cannot be choosers, so the terms had to be swallowed rather than a reconstruction faced. The 'ordinaries' really sold their birthright and apparently would have done better to have washed their hands of the whole concern, had their contracts sold, and taken their dividend in that way.

"Shareholders here also await the justification for the amalgamation and they also resent the short notice given, a fact to which the attention of the Legislature may be directed whenever Australia succeeds in getting a Companies Act for the whole of the Commonwealth."

Shortly after the reorganization which put the Hoover faction definitely in power, the directors of the Zinc Corporation replaced the Elmore vacuum process, which they used to treat their ore, with the Minerals Separation process. Some of the directors and many of the stockholders protested.

The Zinc Corporation originally had installed the Minerals Separations process. It was found unsatisfactory, after a thorough trial, and the Elmore process was substituted. But it was found that when the Minerals Separations process was first adopted, a clause in the contract provided that no similar process should ever be

used. Later it turned out that the Hoover brothers were interested in the Minerals Separations process. They kept pointing out the clause to their fellow directors, but in the meantime the Elmore system was bringing in dividends—something the Minerals Separations process had failed to do—and the directors were obdurate. The reinstatement of the Minerals Separations by directors who had an immediate pecuniary interest in that process caused considerable criticism among mining experts as well as shareholders.

The Hoovers and Govett, on the other hand, claimed that the Minerals Separations process had been greatly improved since it had first been found unsatisfactory by the Zinc Corporation, and declared the ore remaining in their dumps was more amenable to the new treatment. Probably they were correct, for between its reorganization in 1911 and the outbreak of the World War, the Zinc Corporation paid 107 per cent dividends on its preference shares, which were mostly held by its directors and their friends. After 1915, the ordinary shares also paid handsomely.

As in the case of the Burma Mines, after the reconstruction in 1911 the Zinc Corporation directors contracted with the firm of Aron Hirsch and Sohn to smelter all their lead and zinc concentrate. It is believed that some German capital was put into the reconstruction as the result of this deal. During the war this contract tied up considerable sums due the Zinc Corporation; led to long drawn and costly litigation; and finally resulted in the charges that the Hoovers and Govett were opposing the creation of British-owned smelters because of their connections with the German metal trade. (These detailed charges will be considered in the next chapter.)

The Zinc Corporation had a long and difficult task before it succeeded in extracting profitable values from the tailings it was working. No small sums of money were spent in experimentation and the changing of processes. Most of these problems necessarily were worked out by technicians, and it does not appear that Herbert Hoover contributed much to their solution. Theodore Hoover was a far more important factor in the development of the Zinc Corporation than his more widely advertised brother. Herbert's activities with the Zinc Corporation were largely confined to the financial end, but at the same time, as one of the managing direc-

tors, he should be given full credit for the success which finally attended the company's operations.

Hoover's "official biographers," in their efforts to cover up his promotional activities, have circulated a great many myths about his engineering exploits. He has been hailed as "a salvager of waste metals," and credited with accomplishments in places where he has never been, or at least visited but infrequently. For instance, Hoover inspected Urquhart's Russian concessions but once in his life, yet one enthusiastic eulogist asserts that it was due to his work that this whole district was "rehabilitated."

Herbert Hoover was an excellent engineer, when he really put his mind on the job of engineering, and he was smart enough to hire capable technicians who had forgotten more about metallurgy and ore flotation processes than he ever knew; but after 1904 he was apparently much more interested in promotions and market manipulations than he was in making mines productive. Indeed, after this period, there was a very high percentage of failures in the mines under his management, and not only in the Granville prospectus, but on many other occasions he made extremely optimistic predictions—always with an air of scientific certainty—which later turned out to be overly enthusiastic, to put the situation as gently as possible.

At the risk of being a bit tedious, it may be well at this point to insert a brief but fairly comprehensive record of every *bona fide* mine with which Herbert Hoover was connected. (The Granville and Nigerian tin promotions, his oil flyers and Russian ventures already have been touched upon in detail, as have the Burma Mines and Zinc Corporation.) After digesting this data, the reader can draw his own conclusions as to Herbert Hoover's capabilities as a mine manager. The record follows:

1. The Bellevue Proprietary, Limited, was an Australian gold mining company which was reconstructed in 1902 following the liquidation of the older company of similar name. Its capital was £195,000, subscribed and paid in. Hoover's name appears on the board of directors and his firm Bewick, Moreing & Company was managing the mine for the years 1906-7-8. In the latter year it was "reconstructed" again, with Hoover left out, and up to that period, June 30, 1908, it had lost £33,000. That is, the end of the

Hoover management was such that the company had to be recapitalized.

2. The Lancefield Gold Mining Company was another Australian Bewick-Moreing concern on whose board Partner Hoover appears in these same years, 1906-09. Registered in 1904, it had to be reconstructed under Hoover in May, 1908, with a capital of £200,000 in 10-shilling shares, in a form which was typical of his and Bewick-Moreing finance, viz.—£50,000 in preference shares entitled to all the profits until 100 per cent was accumulated, thereafter to get 20 per cent plus sharing pro rata with the ordinary shares; and £150,000 ordinary shares, with 8 shillings credited as paid (that is, it was virtually a 2-shilling share). All this was subscribed and paid in. But the mine yielded no better after reconstruction than before. By 1910, its debit balance was £27,000 and Hoover had passed from the board, being succeeded by W. J. Loring (to whom he sold his Bewick-Moreing partnership.) Even then Moreing and Loring, on a pickup of production, were proclaiming that the ore treatment problems of Lancefield were now “most brilliantly solved by our engineers.” But in two years more the mine shut down and its shares at the end of 1913 were worth—preference 1 shilling 6 pence, and ordinary 6 pence.

At the Lancefield public meeting September 24, 1913, the company was wound up. Moreing himself threw up the sponge and shed some light on the truth (despite his luring speech of 1910). He said: “We were beaten—the mine beat out the engineers.” He put it a total loss and doubted the creditors, who had already taken possession of the plant, would get 25 per cent. “It is in debt £40,000.” He blamed costs of transporting fuel and of labor for the loss, and admitted “we (Bewick Moreing & Company) were unable to solve the treatment of its ore.” Then, while shareholders called out their protests at “having been lured on by all the promises that had been made” Moreing said, “In 1906 a new plant (the dry process) was installed and you shareholders subscribed £50,000 to erect it. But it only made both ends meet in one or two months in the course of six years.”

The fizzle of a plant seems to have been Hoover's. *The Mining World* of February 28, 1914, announced that the creditors of Lancefield had sold it for what they could get—“nothing.”

3. The Great Fitzroy Gold and Copper Mines, Limited, was



another Australian concern of Bewick-Moreing. It needed reconstruction in 1908 and the new board consisted of Doolette chairman, and a partner in many Hoover ventures, H. C. Hoover and W. S. Robinson. Its capital was £399,000. It failed. At the end of 1909 Hoover's name disappeared from the board.

"The position there (Great Fitzroy) is that a new plant is needed. *I believe the old plant was a failure*—a new plant will be ready, possibly, next month." So said Moreing on December 20, 1910, at the public meeting of his London, Australian and General Exploration Company. Was Moreing, who had just split with Hoover, glad to mention that failed plant—so drily—because on the very day, December 20, 1910, that he was addressing his shareholders, he knew that Hoover was chairing his shareholders, and booming to them a new gold mine—the Yuanmi?

But the Great Fitzroy Mines, by 1912, needed another reconstruction, and the new board consisted of Doolette, H. C. Hoover and Robinson. They set the new capital at no less than £225,000 nominal, in 5-shilling shares, of which about half was subscribed and £67,000 actually paid in (the shares issued as 2 shillings paid,—that is, virtually a 3-shilling share).

After the next year, Hoover's name again vanished from the list of directors and the shares, at the end of 1913, were worth 1 shilling 6 pence. In a year or two more they weren't quoted at all, and the Great Fitzroy reported a large debit balance in 1916.

4. The Yuanmi Gold Mines, Limited, was peculiarly Hoover's. He picked it for purchase and flotation and he went on its board in 1912. By 1913, he made himself chairman and put brother T. J. Hoover on the board. In 1914, he was still chairman and T. J. Hoover was made managing director. In 1915, H. C. Hoover had slid out, but T. J. Hoover became chairman. By 1917, T. J. Hoover became a simple director and in the next year he was off the board.

Hoover's finance company sold the mine to his Yuanmi Gold Mines, Limited, on May 4, 1911, at a price of £259,000. Then Yuanmi Gold Mines was floated with a capital of £350,000 in £1 shares, all subscribed and paid in. By 1917, those £1 shares were quoted at 1 shilling,—just one-twentieth of what the shareholders had paid.

The shares paid a few quarterly dividends at the start at the rate of 5 per cent per annum, but after December, 1913, they paid

nothing at all. By 1920, the nominal £1 shares were being written down to nominal 17 shilling. The mine was still losing money, and meanwhile, in a reconstruction, 220,000 preference shares had been issued at 2 shillings a share, with rights to 90 per cent of the profits, or of the assets in case of liquidation. In 1923, Yuanmi voluntarily liquidated.

It is interesting to compare with this record, Hoover's prophecies at the start, especially his engineering predictions. His speech of December 20, 1910, contains as usual much more of the promoter than of engineer. He was addressing the shareholders of the Oroya Black Range Limited—which he later absorbed into his Yuanmi, and which was one of the half dozen "Oroya" exploration and floating companies he had, much like his "Lake View" group. Hoover explained to them how the Oroya Black Range was floated by the Oroya Brownhill Company and how that was succeeded by the Oroya Exploration Company.

"It had been the belief of myself and colleagues," he said, "despite the cloud under which Western Australian mining had been for many years that new mines could be found." His Oroya Exploration, he said, offered his Oroya Black Range a half interest in the Yuanmi "at much less than ground-floor terms." Geologically he likened the Yuanmi find to the Sons of Gwalia mine (the most famous mine in Westralia). "On this analogy we have strong hope for the permanence of the Yuanmi ore shoots. . . Altogether the outlook at the present moment is very bright. . . It is a most healthy prospect, showing already ample profit in sight and a good deal more than will recoup our expenditure upon it. Now as to the finance of the Yuanmi mine." He recommended that the Black Range cease paying dividends "for the next few months" until it reached a position where capital "can be obtained on the most favorable terms."

As engineer, Hoover committed himself to this: "There is no reason why the working costs should exceed those of other large mines in the region, that is to say 20 shillings to 22 shillings per ton, so that . . . there is certainly a profit in the ore of between 25 and 30 shillings per ton."

Working costs, in fact, began at less than this estimate. Annual reports give them as 17 shillings a ton in 1912; in 1914 they were 19 shillings; in 1915, 27 shillings; in 1916, 41 shillings; in 1920,

65 shillings (as against a 77 shilling yield of gold per ton). The loss on the year's operations in 1920 was £2,013.

With so few dividends, the story of Yuanmi is not unfairly summed up in the stock quotations for the years from 1912 to 1917 when the two Hoovers controlled it:—their shareholders' £350,000 had 95 per cent vanished.

5. African gold, Nigerian tin and "general finance" claimed Hoover's attention for at least two years when he was a director of the Anglo-Continental Mines, Limited (Davis and Turner also were on the board). This concern had a checkered career. Organized in 1898 as the Anglo-Continental Gold Syndicate, it followed the course of so many other gold companies: paid a 12 per cent dividend in 1900, paid nothing the next year, and in 1902 had £40,000 loss which by next year was £55,000. These losses in 1909 stood at £48,000, when in December, 1909, the company was reconstructed, Hoover being on the board in 1909 and 1910. The capital was £200,000 in 10-shilling shares, which were quoted at 14 shillings in 1911 and by 1916 were down to 5 shillings. (The Syndicate's original capital was £300,000 in £1 shares.)

6. Oroya Black Range, Limited, was floated in 1906, with Doolette, Hoover and Turner on the board. Its capital was £200,000 in £1 shares, all paid in. It paid 12 to 15 per cent dividends for several years, but by the end of 1911 its shares were quoted at 10 shillings. By 1913 it was absorbed by Hoover's Yuanmi.

In the lively year of 1910, the old Oroya Brownhill, with Hoover as managing director, was liquidated, and divided up among Oroya Links, Oroya Exploration and Oroya Leonese.

7. Oroya Links, Limited, with Doolette and Hoover on the board, was a second reconstruction of a subsidiary floated in 1907. Its capital was £312,000 in 5-shilling shares. By the end of 1913 the shares were down to 2 shillings; by the end of 1917 they were 7 pence. That is, about 88 per cent of the £312,000 had vanished. T. J. Hoover was on the board from 1910 to 1917.

8. Oroya Exploration Company, Limited, with Doolette, Turner and Hoover on the board, in 1911, was registered March, 1910, with £150,000 capital, in 10-shilling shares, paid in. It was a holding company for Yuanmi, Babilonia and various West Australian concerns. Its shares went up. In 1913 it was amalgamated with—

9. Lake View and Oroya Exploration Company, Limited, of

which H. C. Hoover was joint managing director from 1912 to 1915. Govett was chairman and T. J. Hoover was a director from 1912 to 1917, and on the technical committee. Registered in June, 1911, its capital was £450,000 in 10-shilling shares. In 1913, the shares were 11 shillings 3 pence; in 1916, 8 shillings 3 pence. It was regarded a success, with holdings in other Oroyas, Lake Views, Babilonia, Queen of Hills, Mountain Queen, Transvaal, etc.—a singular mixture of many failures and a few successes. Hoover, Govett, Doolette and their associates used the Lake View and Oroya as a sort of springboard to finance their other ventures.

10. Lake View and Star, Limited, was floated in May, 1910, with Govett chairman and T. J. Hoover remaining on the board to 1916. The capital was £200,000 in 4-shilling shares. By the end of 1913, the shares were 3 shillings; by the end of 1917 they were 9 pence. That is, less than a fifth of the £200,000 remained. But this concern, before it was six months old, had sprouted:—

11. Star Explorations, Limited, in October 1910,—with T. Collier chairman and T. J. Hoover on the board to 1915, and then again in 1917. It was a reconstruction of an Australian mine, with a capital of £70,000 in 2-shilling shares. By 1916 their price was 6 pence; by 1916—5 pence. That is about one-fifth of that £70,000 was all that was left. The company's plant, which was to treat mine tailings, was stopped after one year.

In these Oroyas and Lake Views alone the Hoovers got the public to invest to the tune of approximately £1,617,000, of which £600,000 worth could be reckoned financially successful, and in the rest was a loss of £1,017,000. These added to the other Hoover gold companies make rather impressive totals for a single line of "investment" by one man. In these same years, Hoover was floating other metal mining companies—of which his lead and zinc concerns were successful—also oil companies (which were not)—and in the early years of the war he was deep in gold, copper and silver flotations in Russia. Engineering had become completely a sideline. Paper issues were his business.

12. Oroville Dredging Company, Limited, with W. F. Baker, chairman, and T. J. Hoover on the board, was the English Company of a reconstructed American Company. The English Company was capitalized at £700,000, of which £563,000 was issued at once and paid in, in £1 shares. By the end of 1913 these shares were

down to 5 shillings 6 pence, (or  $\frac{1}{4}$  of par), then by 1916 they had jumped to 14 shillings (nearly  $\frac{3}{4}$  of par). The company paid a few dividends in 1909; then up to the end of 1913 none.

13. This company bought a Colombia concession and sold it to a new subsidiary—Pato Mines, Limited, capitalized at £100,000 of which the parent company held £70,000. In 1914, it floated another—Nechi Mines Limited—holding £70,000 of its capital in shares and getting £20,000 cash. T. J. Hoover remained on the boards of Pato and Nechi for several years. Both of these placer mines were very successful and paid large dividends up to their exhaustion around 1924.

14. Oroya Leonesa, Limited, was floated in Hoover's same great gold year, 1910, to operate a mine at Leonesa, Nicaragua. In 1911 Hoover was chairman of the board. It was capitalized at £250,000 in 10-shilling shares, of which all but 25,000 was at once subscribed and paid in. By 1912, these 10-shilling shares had fallen to 3 shillings 6 pence, by December 1913 they had risen to 4 shillings 3 pence. In 1913 the company owed bills of £25,000, had cash in hand of £1,400, and had loans of £35,000. T. J. Hoover joined the board in 1913 but by 1915, H. C. had disappeared from it.

15. Babilonia Gold Mines, Limited, (first organized as Sierra Guaranty Syndicate, in June, 1911) was floated in December, 1911, with a capital of £200,000 in £1 shares. Hoover himself was on the board in 1913, and T. J. Hoover was a director from then to 1918 at least (when he was also director of the other Nicaragua mine—Leonesa.) Babilonia was a gold mine near Libertad. No quotations on shares. Up to 1916, Babilonia had paid no dividend. It got out £35,000 worth of gold in 1913, but next year only £21,000, a loss of £17,000 on the year's operations. It seems to have suspended.

If Herbert Hoover, "The Great Engineer," does not show up particularly well in the foregoing résumé, it at least must be admitted that the activities of Herbert Hoover, the promoter-financier, are extremely revealing. It is self-evident that a majority of the concerns mentioned above were highly speculative holding companies, and the "ups" and "downs" of their shares on the London Mining Exchange afforded endless opportunities to any "insiders" who had prior knowledge of how cabled reports from mine managers would affect the market.

When Herbert Hoover occasionally got hold of a producer, such as the Zinc Corporation or the Burma Mines, it was so tied up with a flock of speculative concerns that there always was ample opportunity to profit, regardless of what happened to the mine itself. When the Burma Mines' stock tripled in value in 1916, as the result of the uncovering of big ore reserves, the shares of Lake View and Oroya (whose chief holdings then were in Burma stocks) also jumped from 7 shillings 6 pence to 10 shillings 6 pence. The financial papers said this "was in sympathy with the boomlet in Burmas."

Considering the superlative ease with which practically worthless shares in Nigerian tin, Yukon gold, and Russian or Peruvian oil, could be sold to the apparently unlimited supply of "suckers" on the London stock market, and the enormous profit to be made by "bulling" or "bearing" shares on the strength of sure-thing advance information from his own mine managers, it is not at all astonishing that Herbert Hoover choose these methods of acquiring a fortune. It *is* rather amazing, however—after conceding his supreme talent as a publicist—that such a super-promoter, even among a romantic people like the Americans, should have succeeded in popularizing himself as "The Great Engineer."

## CHAPTER XV

### *STORMY DAYS IN LONDON*

**W**ILL IRWIN relates that when Hoover was first tendered the post as head of the Commission for Belgian Relief, "for three days he sat with Mr. Page and the Belgians, threshing out details, imagining possibilities. And for three nights he walked the floor, weighing in the balance his own personal perplexities."

Mr. Irwin goes on to point out that Mr. Hoover and his associates "were in position to command a good part of the zinc and lead minerals of the world. And these, the materials of shells and guns and aeroplanes, were becoming as gold. No other American business man had such intimate knowledge of so many countries. Had he cared alone for money and the power that money brings, he might have brought out of the war an enormous fortune—and without the taint of profiteering. . . .

"On the fourth morning he came down to breakfast with his accustomed mien—pleasantly sober," Mr. Irwin continues after describing Mr. Hoover's mental turmoil. "We were alone in the dining room. He bade me good morning, poured and sweetened his coffee, looked up, and—

" 'Well, let the fortune go to hell,' he said.

"In that phrase was born the Commission for Relief of Belgium," Mr. Irwin continues. "I felt then, I know now, that I had witnessed a significant moment in history.

"Hoover spent that day winding up his affairs. He renounced, as of date, all his engineering fees, resigned from all his highly paid executive jobs, surrendered the commercial good will he had been building up for fifteen years. To his associate engineers he said: 'I give you the business' and as time served in the hectic month which followed he helped secure their election to his vacant place in directorates of companies. He would, he said, give advice on critical points, until they had the helm firmly in hand. But he

would accept no more responsibility or remuneration. So, suddenly and unexpectedly, ended his career as an engineer."

Mr. Irwin paints an appealing picture of a heroic renunciation, but unfortunately it fails to conform with the facts. Mr. Hoover did not thrust aside profits to be made from munitions, as all his "official biographers" have repeatedly claimed. Instead, he retained his interests in the Burma Corporation, the Zinc Corporation and at least three companies in Russia which returned huge dividends during the war, largely because of the increased demand for metal due to munitions. Neither did Mr. Hoover resign from any directorates. Quite the contrary, he allowed himself to be elected to four more boards of directors.

*Skinner's Mining Manual* is the official London directory of mining corporations and it shows that in 1914 Mr. Hoover was on the following boards:

Burma Corporation, Limited  
 Burma Mines, Limited  
 Burma Trust, Limited  
 Granville Mining Company, Limited  
 Inter-California Trust, Limited  
 Inter-Mexican Syndicate, Limited  
 Kyshtim Corporation, Limited  
 Lake View and Oroya Exploration (Managing)  
 Russo-Asiatic Corporation, Limited  
 Tanalyk Corporation, Limited  
 Yuanmi Gold Mines, Limited (Chairman)  
 Zinc Corporation, Limited  
 Zinc No. 1, Limited

In 1915, Mr. Hoover was still serving on *all* of the above companies except the Burma Mines, Limited, and Zinc Corporation No. 1, and Inter-Mexican Syndicate, Limited. Moreover, he also was acting as director of the following *additional* concerns:

Camp Bird, Limited (Chairman)  
 Inter-Guaranty Syndicate, Limited  
 Inter-Siberian Syndicate, Limited  
 Irtysk Corporation, Limited  
 Messina Development Company, Limited  
 Natomas Land and Dredging Trust, Limited  
 Santa Gertrudis Company, Limited (Chairman)

In other words, Mr. Hoover served on 13 boards of directors in 1914, but he was on 16 boards in 1915—and chairman of two of them. And in 1916, Mr. Hoover not only remained on 13 boards



of directors, but he was chairman of the Santa Gertrudis Company and joint manager of the Burma Corporation, Camp Bird, Lake View & Oroya and Zinc Corporation.

Furthermore, Mr. Hoover actually helped promote one company, the Irtysk Corporation, a year after the war began, and it was a concern which employed 3,000 Austrian prisoners of war as forced laborers, and worked almost exclusively in producing copper for Russian government munitions contracts. He served as a director on this company from the day it was started until it was finally confiscated by the Soviet government.

It also is a fact, conclusively proved by the black and white records of *Skinner's Mining Manual*, that Mr. Hoover's duties in Belgium did not keep him from attending numerous board meetings so late as 1916. These facts are not cited in derogation of his work as Belgium relief head—indeed, how could he reasonably be expected to sacrifice all his business interests?—but merely to prove the utter unreliability of his “official biographers,” and to show that, despite his widely heralded Quaker ancestry, Mr. Hoover was not at all averse to profiting in munitions of war.

As a matter of fact, Hoover accepted the chairmanship of the Commission for Belgian Relief on October 10, 1914, while on October 21, 1914, eleven days after he is supposed to have said, “Well, let the fortune go to hell,” and given his “engineering business” away to his associates, we find him, according to every financial newspaper in London, presiding over the thirteenth ordinary meeting of the Camp Bird, Limited, and making a long speech on the prospects of that mine, as well as subsidiary properties in the Transvaal and Nicaragua. On the same day Mr. Hoover presided over the shareholders' meeting of the Santa Gertrudis Mine, and it must have been rather a painful occasion, too, as he was compelled to listen to his old friend F. W. Baker deliver a lengthy oration explaining why he (Mr. Baker) should not be blamed for the collapse of Arthur Grenfell—the former chairman—whose \$3,000,000 failure had cast its shadow across the fortunes of both companies.

The Camp Bird incident may as well be related, for it is typical of the men with whom Herbert Hoover constantly associated. The Camp Bird Company was floated in London in 1900 by F. W. Baker and John Hays Hammond to acquire from Thomas F.

Walsh of Chicago the Camp Bird Mine in Colorado. The Camp Bird paid enormous dividends, but as it was nearing exhaustion it was decided to extend the scope of the corporation and purchase other properties.

In 1909 the Santa Gertrudis Mine in Mexico was purchased on the recommendation of Mr. Hammond, who was chief consulting engineer. It turned out that before recommending the mine, Mr. Hammond and his friends among the directorate of the Camp Bird thriftily took options on the property and collected commissions amounting to the staggering sum of £119,178. In addition, the chairman, Arthur Grenfell, underwrote the debentures through a broker's agency with which he was connected and collected £35,000 commission on his own account. Still another director accepted a mere bagatelle of £25,000 for steering the underwriting of some debentures to *his* agency.

The price paid for the mine, £922,131, proved excessive in view of its development. Since the consulting engineer and the controlling clique of directors actually paid themselves a total of £244,178 in commissions and underwriting fees, such unjustified optimism might have been expected.

In 1913 *The London Financial Times* and *Truth* editorially criticized the conduct of the Santa Gertrudis board of directors and these charges were verbally repeated at the shareholders' meeting by F. W. White, editor of *Mining News*. He not only protested against the huge fees paid to directors, but attacked the astonishing errors that had been made in estimating the mineral resources of the mine and the profits from its operation. He said the truth about the failure of certain ore bodies had been known June 30, 1912, but that the shareholders were not informed until 12 months later. In the meantime many shares had been bought and sold at inflated prices.

Mr. Arthur Grenfell made a sneering reply, making light of the charges, and in this he was sustained by his fellow directors. A year later Mr. Grenfell's Canadian Agency, which profited so greatly by the Santa Gertrudis underwritings, and also the Natomas underwriting in which Mr. Hoover was interested, had failed to the tune of \$3,000,000—thanks to reckless speculations. When Arthur Grenfell resigned along with two other directors, Herbert Hoover and Francis Algernon Govett were rushed into

the breach in the hope their far flung financial interests might restore the sadly shaken confidence of the shareholders.

The smoothing over of the irate Santa Gertrudis shareholders was not the only task that occupied part of Herbert Hoover's time during the war period, when he was popularly supposed to be bending all his energies to Belgian relief. One of his troubles concerned the marketing of zinc concentrates, and in this matter more than once Mr. Hoover was accused of allowing his connections with the German metal trades to interfere with several schemes brought forward for the building of smelters in Australia. The facts would seem to at least lend color to this suspicion.

When the World War started, the Germans were the biggest buyers of zinc concentrates and both the Burma Mines and Zinc Corporation had long-term contracts to deliver their product to the German smelters. The few plants owned by British capital were located in Holland and Belgium. The World War, of course, immediately shut off the German and Belgian markets. When it was proposed to erect smelters in Australia, the British mine owners objected on the score of high labor costs.

Theodore Hoover finally came to the United States to ascertain whether American smelters could economically handle Australian ores, but the scheme did not work out. Finally arrangements were made to sell fairly large shipments of concentrates to Japanese smelters where labor was cheap and costs low.

In the meantime, Premier Hughes came forward with a proposal whereby the Australian government would appropriate a considerable sum for the financing of smelters in Australia, provided that the mines interested would subscribe part of the funds. To help this plan the Labor government passed a law that all mine ore must be converted into metal before it was exported from Australia. Nevertheless, the Broken Hill companies refused to subscribe to the stock in the government-subsidized smelter proposed by Premier Hughes, and I have it on unquestioned authority that the Zinc Corporation was the center of the opposition. The shortage of zinc was becoming serious when Premier Hughes finally went to England and persuaded the British government to guarantee a minimum price for the zinc concentrates which had been purchased by the Australian government in pursuance of its Australian smelter plan.

The sequel also is interesting. In 1917 the British government took steps whereby the new National Smelting Company was allowed to take over the Swansea Vale Smelting Company which had been organized in England by Baron Hirsch just before the outbreak of the war. R. Tilden Smith, interested in the Burma Mines with Hoover, and Lord Inverworth, formerly with Hoover in the General Petroleum Company, were the prime movers in this enterprise. There is no doubt at all that by refusing to allow the Burma Mines and Zinc Corporation to co-operate with Premier Hughes in erecting a semi-government-owned smelter, Hoover and Govett effectually helped friends increase their private profits through the English plant. It is a question of whether the blocking of the Hughes plan slowed down the Allied munitions supply in the early years of the war. Some of the stockholders of the Burma Mines and Zinc Corporation thought it did. Hoover and his friends heatedly denied this.

These charges, and other more serious allegations that reserve funds of the corporation had been diverted as investments in concerns which the Hoovers and Govett were personally interested, were thoroughly aired at a special meeting of Zinc Corporation shareholders held at Winchester House, Old Broad Street, London, E. C., on September 5, 1916.

The meeting was called to order by F. C. Auld, a Scotch attorney, who was supported by Sir Edward Samuel, Bart., Marcus Spurway and Ralph Wordsworth. Mr. Auld stated that a majority of the London shareholders favored an investigation of the Zinc Corporation's affairs, and said he had letters from fifty shareholders who endorsed his stand, though unable to be present.

"It is quite evident," Mr. Auld declared, "that the Board of Directors will strain to the very utmost the objectionable clause in our Articles of Association (discovery clause) whereby they can decline to give any information to any shareholder so long as they can impede any investigation.

"I believe this clause is against public policy and would be expunged from our articles by any court of law, as it opens the door to all manner of fraud, and if upheld would prove a veritable Magna Charta for every financial libertine.

"I associate myself entirely with Sir Edward Samuel, and the other members of the proposed Committee of Investigation, in

saying that the directors have nothing to fear from us if they have conducted the affairs of this company as they say they have," Mr. Auld added. "But for the present we propose to ascertain, not whether the charges are infamous, but whether they are true; and that inquiry also will elucidate how far the German metal market, of which we have heard so much, is interested in this business, or how far it is controlling the board.

"Now, ladies and gentlemen, we have the bedrock fact that about a quarter of a million of your money<sup>1</sup>—principal and interest—which was retained out of dividends earned, and which we were told was in existence as a fund for capital redemption, and which we thought we had ready mobilized when the great opportunity would come—as come it has—to join in Mr. Hughes' excellent movement for the erection of smelters within the British Empire. That fund is not forthcoming, and, if for no other reason, we would be entitled, and it would be our duty as ordinary business people to make an inquiry. But when we are told that the directors have dealt with the money, or a very great part of it, and put it into businesses in which they are interested and which they control, and which businesses are said to be worthless, then surely investigation is imperative."

Mr. Ralph Wordsworth, a solicitor who had been asked to act by independent shareholders, then gave the results of his investigation:

"I have before me," Mr. Wordsworth began, "a list of the investments which is set out in the report of the company. Now I suggest that the mere perusal of that list would create serious misgiving in the minds of the shareholders as to the aptitude of the directors to manage the funds of your company. But of course I have gone a great deal further and examined into the history of many of these companies and, even assuming that the directors were wholly disinterested and acting solely in the interests of their shareholders, they could not complain of the criticism for their extraordinary negligence in putting the funds of the Zinc Corporation into such very speculative concerns.

"But," continued Mr. Wordsworth, "when I find that not only are the concerns speculative, but that the directors themselves or

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<sup>1</sup> Mr. Auld spoke in terms of pounds. The amount involved was more than \$1,250,000.

some of them are interested in these concerns either as directors or shareholders, then I say without the slightest hesitation that a *prima facie* case has been made out for an investigation into these transactions. With these preliminary remarks, I would like to call your attention to certain companies into which your money has been put."

The first company discussed by Mr. Wordsworth was the Sunny Corner Mine. It appears that in February, 1912, the Sunnyside Syndicate, Ltd., was registered with a capital of 5,000 shares of £1 each for the purpose of exercising an option to purchase the Sunny Corner Mine for £1,250. The Sunnyside Syndicate did purchase the mine, paying for it 1,250 shares.

On May 22, 1913, the directors of the Zinc Corporation promoted another company called Zinc No. 1, Limited, which had a capital of 225,000 shares of £1 each and which was formed to buy the mine from the Sunnyside Syndicate. The directors of Zinc No. 1, Limited, were Theodore Hoover, Francis Algernon Govett, and Herbert Hoover, all directors of the Zinc Corporation.

The next step was an agreement dated May 28, 1913, whereby Zinc No. 1, Limited, agreed to buy the Sunny Corner Mine from the Zinc Corporation for a consideration of 75,000 paid up shares to the Sunnyside Syndicate and 10,000 paid up £1 shares to Theodore Hoover. In addition, 139,993 shares of £1 each, but with only 16 shillings 5 pence paid up, were allotted to the Zinc Corporation.

Mr. Wordsworth declared he wanted to know why Theodore Hoover, as a director of the Zinc Corporation, should also receive 10,000 shares as a part vendor of the mine. Mr. Wordsworth showed that the Zinc Corporation owed a liability of £21,000 on a mine which originally had cost only £1,250.

"The developments were very unsatisfactory," the solicitor continued. "About £5,000 was spent on the mine and then it was found to be absolutely worthless. It was abandoned and remains abandoned, but at the same time the liability of the Zinc Corporation for this £21,000 is still an existing liability and although the substratum of the Zinc No. 1, Limited, has gone altogether, nevertheless the company continues for the purpose of paying, or at any rate of having debited to it, directors' fees, secretarial charges, rent etc. . . ."

After criticizing Mr. Govett for making statements "which are absolutely untrue" in connection with the part Theodore Hoover played in the complicated transactions leading to the purchase of the Sunny Corner Mine, Mr. Wordsworth went on to relate the history of the acquisition of the Barrier South Limited Mine.

"The history of the Barrier South Company is admitted to have been very unfortunate," Mr. Wordsworth said. "It had been reconstructed on several occasions and you would not imagine that there would have been much difficulty in getting control, but your chairman (Mr. Govett) does not seem to have taken that view. . . .

"What in fact happened was that a company was formed called the Barrier South, Limited, with a capital of £168,000 in 100,000 preference shares of £1 each and 680,000 ordinary shares of 2 shillings each. It was registered in November, 1913, and again one of your directors becomes a director of that concern. Then they issue a large block of preference shares to a company called the Share Guarantee Trust. It is really a one-man company. [It was owned by Tilden Smith.] For some years the company does not appear to have done anything at all, but it comes on the scene for this transaction. They issue the shares to the Share Guarantee Trust and they give them an underwriting fee of 10 per cent . . . a matter of £7,500 in underwriting commission. The Share Guarantee Trust, having been allotted those shares, pass them on to the Zinc Corporation. . . . I say that I consider the shareholders are entitled to know how it came about that this Trust Company intervened and was able to take an underwriting commission of £7,500 . . . and how the directors allowed this transaction to go through and how it was they put such a large sum of money into Barrier South which has never been successful and has been run at a loss. There is still a liability of over £26,000 on your holdings in this transaction."

Mr. Wordsworth next discussed the funds of the Zinc Corporation which had been sunk in the Granville Mining Company promotion. He showed that Herbert Hoover and Govett, who were both interested in the Granville Company, had purchased for the Zinc Corporation £16,590 of Granville debentures and 10,030 of its shares at £1 each; loaned £15,000 more on bills of exchange; and also held £17,550 in prior lien debentures.

"Looking at the unfortunate history of the Granville Company,"

Mr. Wordsworth continued, "and at the fact that the chairman of the Zinc Corporation and one of your other directors (Herbert Hoover) were directors of it, and knowing what the position of the Granville Company was, I say you are entitled to an explanation as to how your money came to be put into that concern."

Mr. Wordsworth went on to show £10,000 shares of the Natomas Syndicate, in which Herbert Hoover was a director, had been purchased with Zinc Corporation reserve funds; that 20,000 shares of £1 each had been invested in stock of the Inter-Californian Trust of which both Theodore and Herbert Hoover were directors, and that 10,000 shares of the Western Ocean Syndicate, controlled by the Grenfell brothers, also had been arbitrarily allotted to the Zinc Corporation.

"I say that here again you want further explanation," Mr. Wordsworth said. "It is the matter of the Natomas Syndicate, Limited, a company with a capital of £800,000 in 800,000 shares of £1 each. Its objects are financial and it was registered on December 30th, 1913. Again, Mr. H. C. Hoover, one of your directors, is a director of that company. Now as far as I can find out from the register, the Zinc Corporation is not a shareholder at all. It does not hold a single share as far as the register goes, but I think it is possible to trace these shares. Messrs. Govett, Sons & Co., your chairman's firm, were allotted 30,700 of these shares, and later your Chairman and Mr. Heley, who was the secretary, were registered as the holders of 10,000. Well, I dare say they are good enough again to hold those 10,000 shares on behalf of your company, and that is the only way in which I can trace any interest of your company in this concern at all.

"A striking thing about this Natomas Syndicate is this," Mr. Wordsworth continued. "An action was brought against it by some shareholders to have their contracts rescinded and their names removed from the register on the ground of misrepresentation of facts by the company's agent. The company defended the proceedings, but on August 26, 1915, an agreement of compromise was entered into whereby the company, without admitting that the agent was authorized, admitted that the representations of their agent were untrue, and as part of the compromise, two of the shareholders' names were removed in respect in all of over 3,000 shares.



Then I find that on January 4, 1916, the Syndicate was wound up voluntarily.

"Then I come to the Inter-Californian Trust which is a private company with a capital of £105,000 in 105,000 shares of £1 each. It was registered on October 2, 1912, and one of the original directors was Mr. Theodore Hoover, one of your directors. Another director was Mr. H. C. Hoover, another of your directors. The Zinc Corporation were allotted 20,000 shares. This time they do appear as shareholders, and the company is allotted 20,000 shares for cash. I can find nothing about this company except that your company was allotted the shares quite unconditionally; but this is what the chairman said about them in 1913: 'For instance, in the Californian Trust, the object of which was a finance operation connected with the amalgamation of the Californian oil companies, there we got a bonus on stock which is valuable and looks like being more valuable.' Well, ladies and gentlemen, I do not know where the bonus has come from. It does not appear at all upon the register of this company. All that does appear is that you have 20,000 shares quite unconditionally."

A shareholder: Do you say that we paid cash for them?

Mr. Wordsworth: You paid cash for those 20,000 shares.

After a prolonged discussion which was participated in by Mr. Spurway, Mr. Robotham, Mr. Rodocanachi and others, the following motion was unanimously passed:

"Resolved, that the proposed committee insist upon an investigation and if such is refused that steps be taken to suspend the directors," and at the conclusion of the meeting more than 60 shareholders signed the following letter:

"To Our Fellow Shareholders:

Dear Sir (or Madam)

We, the undersigned Shareholders in the Corporation, earnestly urge you to read the accompanying report of the proceedings at the special meeting held on the 5th inst. We trust you will, each of you, give your vote to the motion passed for investigation and return the enclosed form of assent duly signed."

Although the definite and detailed charges made by Mr. Words-

worth were never refuted, nothing came of the proposed investigation of the directors.

For one thing, the World War was raging and many shareholders were absent at the front; others had been killed and their estates were still in probate; and the further fact that Herbert Hoover then was active in Belgium relief made many Englishmen patriotically disinclined to proceed with an inquiry which could not avoid placing him in a very embarrassing position.

The accused directors, of course, could hardly afford to ignore accusations so gravely reflecting upon their integrity. They took the obvious step. Writs of libel were issued against Auld, Rowbotham, Spurweg, Rodocanachi, Nevill and Crane. The complaining shareholders did not recant. Auld, in particular, repeated his charges.

The libel suits were not pushed. Later the writs were quietly withdrawn and apparently the complainants paid the costs. The truth of most of the charges was self-evident on the face of the records, and it is hardly likely that Herbert Hoover and his colleagues would have dared air the matter in court. It was rumored about London that steps were taken to "hush up" some of the principle objectors.

Nevertheless, in 1917 Herbert Hoover found it expedient to withdraw from the board of directorship of the Zinc Corporation on the plea that all his energies were required by the war. The following year Theodore Hoover followed his example and did not stand for re-election.

## CHAPTER XVI

### *WITH THE BELGIAN RELIEF*

**I**N BELGIAN relief we come to the most creditable chapter in Herbert Hoover's life, and the one which was the political spring-board that eventually landed him in the Presidency. He was but little known in the United States when Ambassador Walter Hines Page persuaded him to undertake the task of feeding the Belgians, but six months later the name of "Hoover the Humanitarian" had spread to all quarters of the globe.

"Who is Hoover?" was on the lips of everyone eighteen years ago when press dispatches first announced that a citizen of the United States—long a resident of London—had been selected to head the Commission for Relief in Belgium.

Our sympathy for Belgium was very real in the first months of the war when the tiny kingdom was overwhelmed by waves of gray-clad Germans, and we wondered about this comparatively obscure American, who, heralded as the saviour of millions of men, women and children, seemed so efficiently administering the vast machinery of relief.

Our thirst for information was soon satisfied. A small army of war correspondents, "special writers" and plain reporters had been dispatched to Europe at the outbreak of hostilities. They speedily discovered that modern military men are more concerned about concealing their movements than affording young gentlemen of the press opportunities to describe battles in the best Napoleonic tradition. The rigid censorship made it hard for many correspondents to justify their expense accounts—to say nothing of their salaries. With a continent in arms it actually was becoming difficult to cable "good copy."

Happily for the American newspapermen abroad, this problem was solved when Mr. Hoover went to Belgium. He emphatically was "good copy." Nor were censors employed by the Relief Commission. On the contrary, it soon became known that "The Chief"

appreciated friendly "write-ups"—so much so, indeed, that from the very first he had in his employ Edgar Rickard and other skilled publicists. Under these circumstances it was perfectly understandable that the dailies, weeklies and monthlies of the United States should begin to be flooded with articles about "Hoover of Belgium."

To the homesick newspapermen of the United States the stocky, dynamic mining promoter seemed to typify all that was best in American tradition. At least, he was doing something constructive and humane amid a welter of destruction. Small wonder that our notoriously emotional scribes idealized him to such an extent that he loomed above the smoke of battle almost as a superman. Certainly he must have seemed so by contrast with the bungling diplomats, brutal civil administrators, and egregiously incompetent "brass hats" who were making a charnel house of Europe. Most of the writing clan are hero-worshippers at heart, and perhaps in those awful, unforgettable days Herbert Hoover *did* assume the proportions of a hero. It was a cause calculated to lift a man above all claims of selfishness—if anything could—and let it not be overlooked that there *is* a curious, suppressed strain of idealism in him. I am perfectly willing to believe, that once embarked on this work, he struggled with all his strength and sincerity to save the hapless people of Belgium. He had every reason to feel proud of his work in Belgium, and it brought world-wide credit to his countrymen. The only pity is that in subsequent years Herbert Hoover has so signally failed to live up to the reputation he acquired in that one apparently unselfish undertaking.

But, after admitting Hoover's essential honesty of purpose in going to Belgium, and also conceding his efficiency in performing the work in hand, there remain certain factors to be discussed, which, while not detracting from what he did, give a clearer understanding to all the diverse elements involved. After all, Hoover did not go to Belgium with his eyes entirely shut to certain advantages which might accrue to him and those behind him; he was selected for very definite reasons; and while he spent his own money freely and accepted not a cent in salary or expenses, he did benefit enormously by favorable publicity.

He directed that publicity for his own aggrandizement, and to a man of Hoover's intense egotism it many, many times recompensed him for any financial sacrifices he may have made. And, while he

ultimately utilized his world-wide reputation to enter politics, he was shrewd enough to see from the first that it also would have meant millions had he chosen to continue as an international promoter instead of aspiring to the Presidency of these United States. This must be obvious to any person of sense; and that is why the claims by his "official biographers" about his "great sacrifices" in accepting the job in Belgium always seem such sickening cant—especially since he was collecting fat war-contract profits with one hand while he dispensed doles with the other.

There were, of course, strong economic as well as political reasons behind Hoover's selection. The post had to be filled by a neutral—an American preferred—and Hoover probably was the only American in Europe, financially able to carry on the job, who had close commercial connections with prominent Belgians, Germans, French, British and Russians.

Emile Francqui, who had been associated with Hoover in the Chinese Engineering Company "conversion," was one of the richest men in Belgium. Just before the outbreak of war, Hoover not only had signed smelting contracts with the Metall Gelleschaft of Frankfurt, and Aron Hirsch und Sohn, but German capital was in both the Burma Mines and the Zinc Corporation. His Russian promotions had made one of the strongest banks in Paris his partner as well as the Romanoff family. And, of course, he had lived so long in London that he had fairly intimate relations with many men close to the British government. His big business affiliations in every capital of Europe doubtless explain why his selection was so desired by both Germany and the Allies.

Neither the British, German, French nor Belgian industrialists wanted to see food riots break out among the starving Belgians. War is war, but capital never loses its international viewpoint, and it has a way of reaching amicable understandings amid the heat of conflict. Desperate people are likely to destroy; and French and British, as well as German and Belgian money, was invested in smelters and huge chemical plants located in the very heart of the occupied region near Louvain. It was just as well, they doubtless reflected, to have this property in charge of competent neutral engineers. In this connection it is rather significant that the first man to suggest Belgian relief was Baron Ernest Solvay of the Solvay Chemical Works, who had huge plants in Germany and Austria, as

well as Belgium; and the first three men active in Brussels were Millard Shaler and two other American engineers connected with Emile Francqui's African copper interests.

I do not wish to imply that Solvay, Francqui, Baron Lambert, Ambassador Page, Millard Shaler, Hoover, and scores of others were not actuated by sincerely decent impulses to aid suffering humanity. I feel sure they were. It was simply unthinkable that 7,000,000 men, women and children should be allowed to starve—and no one doubts that there would have been acute distress had not relief been forthcoming. But the point I am trying to make is, that while these men realized the humanitarian side of the situation, they also had in mind their own pecuniary or political interests, and this at least partly explains why the Germans, Belgians, French and British all joined in selecting Hoover for that particular job.

The political reasons behind Hoover's selection are probably much simpler. Ambassador Walter Page endorsed Hoover to Washington, and from the very start of the war Page was as pro-British as any peer in England. Far shrewder politically than Hoover, I think Page realized that an American in this position could be a tremendous influence in dragging the United States into the war on the Allied side—and that admittedly was Page's purpose from the very first. Hoover doubtless intended to be wholly neutral, and his German financial connections and partly German ancestry probably convinced Berlin that he would be perfectly fair—as, indeed, I think he was almost to the end of 1916. Then, apparently realizing the inevitable, Hoover fulfilled Page's expectations by coming to the United States and helping persuade Wilson to break relations with Germany.

The difficulties of the actual relief undertaking itself probably were exaggerated at the time by overly-enthusiastic newspapermen or paid publicists. Germany, Great Britain, France and Belgium were all anxious to co-operate. Germany agreed to the proposal for a neutral relief commission with little delay, and Great Britain and France were ready with substantial donations the day that Germany agreed. Later, the United States Treasury paid the bills. Only a small part of the staggering total came from private donations, so that there wasn't much financial worry attached to Mr. Hoover's undertaking.

The actual work of dispensing food was pretty well organized—and successfully operating—at least six weeks before Mr. Hoover had any connection whatsoever with Belgian relief. The facts in this connection are rather interesting:

The hostilities between Germany and Belgium started on August 5; Brussels surrendered August 26; Louvain was sacked August 29; and the people of Namur were cut off and virtually starving by September 5. Emile Francqui, Brand Whitlock—our modest ambassador to Belgium—Ernest Solvay, easily the richest man in Belgium, Millard Shaler, Dannie Heineman, William Hulse and others formed a committee in the last days of August called the *Comite Central de Secours et d' Alimentation*.

Solvay was elected president and it was placed under the patronage of Whitlock and Marquis de Villalobar, ambassador from Spain. The first regular meeting was held September 1, and after the available supplies in Brussels and the surrounding country were exhausted, Millard Shaler was sent to Holland and then to England with a credit of \$500,000.

Hoover and Page did not decide to form their independent committee until October 14. In the meantime the Belgium committee had organized in practically every commune, acting through local officials or charitable groups, so that when Hoover actually arrived in Belgium, sometime in November, the organization work was to a great degree completed.

When Millard Shaler arrived in London on September 26, 1914, armed with \$500,000 credit and in search of food, he was introduced to Hoover by Edgar Rickard. Shaler already had obtained from the German authorities permission to import food by way of the Dutch frontier, and in London he sought permission from the British government to export food. The British stipulated that the food must be shipped in the name of the American ambassador at London, to the American minister at Brussels, to insure its not falling into German hands. Hugh Gibson came to London to give this guarantee.

This brought Ambassador Page into the picture. He knew Hoover because Hoover already had helped organize the American Relief Committee in London which had aided 100,000 American tourists, stranded through temporary shortages of funds caused by war moratoriums, to return to their homes. Page and Hoover fin-

ally decided to amalgamate this committee with the Americans in Brussels, who were working with Solvay's committee, with Hoover as chairman. Page got the cabled permission from Washington, and Washington in turn got Berlin to agree to this arrangement.

This short-lived organization, called the American Committee for Relief in Belgium, had the following personnel: Herbert Hoover, chairman; Col. Millard Hunsiker, director in London; Capt. T. F. Lucy, director in Rotterdam; Millard Shaler, secretary in London; William Hulse, secretary in Brussels; Clarence Graff, treasurer; John Beaver White, in charge of transportation; Edgar Richard, in charge of public appeals; Ambassador Page, Whitlock and Van Dyke, minister to Holland, were honorary chairmen of this purely American committee.

In the meantime, the Solvay committee had dispatched Emile Francqui and Baron Lambert to London to expedite the shipment of supplies which Shaler had purchased. They arrived in London on October 19, and were quoted in press dispatches sent out from London as follows:

"E. Francqui and Baron Lambert, prominent Belgian bankers, have arrived in London for the purpose of forwarding the movement to procure supplies for Belgium. They report the situation in Brussels is getting critical, the populace having only black bread, the supply of which is limited, while certain other towns are almost without any food. They say a national committee has now been formed in which the American minister, Mr. Whitlock, takes a part for the purpose of looking after all Belgian relief. It is hoped that the committee will cooperate with the American committee headed by Ambassador Page and Mr. Whitlock if the American government gives it official sanction. There is reason to believe the German government assents to the proposal to ship supplies through American diplomatic establishments and when this formal assent comes agents of the Belgian committee will immediately purchase grain to the extent of \$500,000 and ship it to Belgium."

Francqui, Lambert, Shaler, Page, Gibson, Hoover and Rickard finally agreed to merge their committees under international auspices.





Acme

#### HOOVER'S GEOLOGY CLASS

*This photograph was taken at Stanford University in 1894. From left to right those standing in the rear row are Newton B. Knox, Herbert C. Hoover, E. B. Kimball, J. A. Digges, Dean Mitchell and J. J. Hollister. Those seated from left to right are Prof. J. P. Smith, Prof. J. C. Branner, Rufus Buck and Thomas H. Code.*



It was decided to drop the word "American" and to call the new organization the Commission for Relief in Belgium. The new honorary chairmen were Don Merry del Val, Spanish ambassador in London; Marquis de Villalobar, Spanish ambassador in Brussels; James W. Gerard, American ambassador in Berlin; William Graves Sharp, American ambassador in Paris; Henry Van Dyke, American ex-minister to the Hague; and Jongheer de Weede, Dutch minister to Belgium.

When Francqui and Lambert came to London, the Solvay committee in Brussels already had subscribed \$500,000. When the amalgamation was completed with the Hoover-Page committee, the British government granted \$500,000 more. By October 21, more than 10,000 tons of cereals had been purchased and four steamers chartered. The first shipment of 2,500 tons left London on October 30 and arrived in Brussels on November 4, a little more than two months after the Solvay committee had started to function. Shaler, who returned to London on November 6 after accompanying the supplies to Brussels, gave an interview to the London press declaring that "the supplies came just in time as the population was growing restless."

As soon as the Commission for Relief in Belgium was formally organized under international control, guarantees were exchanged among the belligerent and neutral powers. Germany and the Allies granted free passage to all relief ships, which were to fly the Commission's flag and to bear certain easily distinguished markings to prevent submarine attacks. Germany guaranteed non-requisition of supplies, and also agreed to stop seizing Belgian food resources. Holland granted free customs and free railroad and telegraph rates; Belgium gave a monopoly of relief work "in order that the Commission might have every advantage in the collection of funds and might also maintain its guarantees to the Allied governments." With these diplomatic details arranged by Ambassadors Page, Sharp, Gerard and Whitlock; with the funds promised by the French, British and Belgian governments; and sub-committees set up and smoothly functioning in every one of the 5,000 communes in Belgium, Hoover took charge of the administration on November 1, 1914.

Hoover, himself, once described the work of the Commission for Relief in Belgium as "the biggest wholesale grocery job in his-

tory." It was all of that—close to a billion dollars of supplies were distributed to the Belgians—but there also were problems of transportation and constant diplomatic difficulties. Despite their solemn guarantees when the task was undertaken, the belligerent governments were suspicious of each other, and constantly trying to derive some military advantage from the relief work. For instance, the British and French, well aware from the beginning that their only chance of winning the war depended upon starving Germany, would raise objections to sending food to Belgium on the theory that if the Allies and neutrals didn't feed the Belgian people, the Germans would have to. This, of course, would decrease the supplies available for the Germans themselves.

It then would be necessary for Hoover to represent to the British leaders that public opinion in the United States—which the Allies knew their cause ultimately depended upon—would not sanction the starvation of the Belgians. This crisis would pass, and then the Germans, desperate as they saw their own people weakened by slow starvation, would requisition supplies raised by the civilian population of Belgium. Once more, Hoover would have to threaten to withdraw to compel the necessary concessions.

As the buffer between the contending powers, Hoover was imminently successful in steering a middle course of absolute impartiality, and that was both his greatest problem and his greatest triumph. He was peculiarly equipped for such a rôle. The skill in private negotiation which had made him known throughout London as "the great reorganizer" now stood him in good stead. Quiet but persistent, well armed with facts, and with the threat of alienating American support by the spectacle of 7,000,000 starving Belgian people always available when he came to a showdown, for three long years he cajoled the belligerents into continuing his work. There were enough embers of revolution in Europe without stirring into flame the desperate Belgians; and, as has been pointed out before, Hoover's intimate relations with leading industrialists of Great Britain, France, Belgium, Germany and Russia enabled him to bring to bear powerful pressure when statesmen balked, or short-sighted militarists got obstreperous. Nor should it be forgotten that Hoover constantly had behind him Page, Whitlock, Van Dyke, Sharp, Gerard—and that the friendship and ultimate

support of the United States was what the belligerents were angling for.

As a matter of fact, Hoover had less trouble with the Germans than he did with the Allies. The first crisis came in January, 1915, when Lord Enmott, Commissioner of Trading with the Enemy, maintained (and probably with more than a little evidence to support his contentions) that supplies sent to Belgium were being diverted to the German army. Lord Eustace Percy of the Foreign Office, John Simon, Attorney General, and Lloyd George, then Chancellor of the Exchequer, agreed that the Commission's work was disadvantageous to the Allied war aims. In other words, having induced the Belgians to bear the brunt of the German's first attack, the British military party now coolly proposed to abandon them.

Hoover met the British leaders across the council table. When the British stated their view, Hoover asserted Germany had given non-requisition pledges; that a comparatively small amount of food was leaking into Germany; and said, that with their own population to feed, the Germans simply could not supply Belgium so long as the Allies blockaded Antwerp. Warm arguments ensued and Lloyd George denounced the attitude of the Germans as "monstrous."

"I replied," stated Hoover in a memorandum which he later made public, "that be that as it might, one matter stood out in my mind. The English people had undertaken this war for the avowed purpose of protecting the existence of small nations, and for the avowed purpose of guaranteeing to the world the continuance of democracy as against autocracy in government. It would be an empty victory, I said, if one of the most democratic of the world's races should be extinguished in the process."

Lloyd George eventually was persuaded not only to let the Commission for Relief continue, but promised \$5,000,000 a month from the Allied governments. That solved the question of finances for the time being, at least.

The next dispute, in the summer of 1916, was with the German military party. They saw themselves facing starvation and proposed to requisition a larger part of the crops of Belgium and northern France. The Allies protested. Hoover went to Berlin. He was informed that the German war lords had decided to oust the

Relief Commission. Once more Hoover brought about a compromise by playing his ace card of American sympathy. Thereafter none of the belligerents gave much trouble. Relieving the Belgians settled down into almost a routine job.

There is no doubt that relief in Belgium was efficiently administered. But some credit should go to the Belgians themselves. After all, approximately 40,000 Belgians and 10,000 Frenchmen acted as volunteer distributors in 5,000 widely scattered communes. This machinery was functioning before Herbert Hoover appeared on the scene. Belgium always was noted for its co-operative enterprises and the Solvay committee, which was started on September 1, utilized this machinery. Less than 50 Americans were connected with the Commission for Belgian Relief, and most of the key jobs were held by American engineers—Hunsiker, Shaler, Honnold, Connett, Hulse and Lucey—who were with the Solvay committee. These men not only started the work, but carried on most of the actual administration and—overlooked in the chorus of adulation for Hoover—they have received far too little credit.

The same is true of Brand Whitlock and Hugh Gibson. From the first days of the German invasion they labored manfully to minimize the horrors of the conflict and to alleviate the sufferings of the Belgian people. To Whitlock, in particular, probably belongs the credit for originating the idea of Belgian relief, as the records at the time indicate; but when Page and Hoover appropriated the plan, Whitlock, while continuing his efforts, modestly claimed no credit for himself, and consequently was almost forgotten when the Hoover publicity agents swung into action with their veritable flood of propaganda.

Most Americans have the idea the Commission for Relief in Belgian was a charitable enterprise; that the money was privately subscribed; and that the Belgians gratuitously received the food. Nothing could be further from the truth. Donations from Great Britain amounted to \$17,000,000 and the people of the United States—despite wide-spread publicity—gave only \$11,000,000. Belgium itself gave about \$90,000,000, and the remainder of the \$809,227,097,000 total was appropriated by the British, French and United States treasuries.

After we entered the war, instead of being supported by special subsidies from Great Britain and France, almost the entire amount

came from the United States Treasury. The United States paid 55.1 per cent of all the government subsidies; the French paid 29.3 per cent; and the British paid but 15.6 per cent of the total. As usual, Uncle Sam was left holding the sack.

Soon after relief measures were inaugurated in Belgium, two departments were created—the provisioning department and the benevolent committee. The bulk of the supplies were sold to the people of Belgium—at an approximate profit of 15 per cent—and the profits realized thereby were distributed to the destitute. Most of the population of Belgium paid and paid well for every pound of provisions they received from the Commission.

A large proportion of the supplies provided by the Commission for Belgian Relief were purchased in wholesale quantities, shipped on chartered steamships, passed through Holland without the payment of duties or railroad rates, and then distributed by volunteer workers in rent-free stores to a population which had no choice except to purchase the goods, regardless of quality, at whatever prices asked. Naturally, under these conditions, the Commission profited tremendously. Even gifts of clothes and food were sold in Belgium.

At the same time, all salaries were paid out of a private underwriting fund provided by Belgian industrialists. These little known or seldom stressed facts explain why it was possible for the Belgian Relief Commission to claim that it had kept its overhead to  $\frac{3}{8}$  of 1 per cent—a matter of which the Hoover adherents never tire of boasting. Obviously, the actual overhead was very much higher, as any real accounting would prove.

There is another less creditable side of the Belgian relief which seems to have been overlooked while Mr. Hoover's publicists were sounding pæans of praise. That is the rank favoritism shown by the Hoover underlings in the purchase of supplies, both in this country and abroad.

For instance, it is a matter of record that when every hour counted, in November, 1914, after Mr. Hoover took command, the second shipload of supplies came from San Francisco—certainly a long course to take in a race against starvation. And it was notorious among members of the grain trade in the United States that only certain favored firms could hope to compete for the Commission's business.

Soon after the World War started a certain firm of Kansas City grain buyers opened offices in New York. This firm never had had an office in New York and only sold to the export markets f. o. b. at the Gulf ports. However, the proprietors of this firm seemed to know what they were doing; for when the Belgian Relief Commission opened its purchasing department in New York, the new firm from Kansas City got a wholly disproportionate share of the business.

There was marked discrimination in giving orders for Belgian relief. The grain trade would hear that the Commission required 10,000 bushels of white corn, or 30,000 bushels of No. 2 hard northern wheat. When brokers approached the Belgian Relief Commission's buyer, he would deny that he was in the market for these supplies. Later, in many cases, the Kansas City firm would make the purchases and then resell to the Commission.

There was so much complaint among grain men that Herbert F. Hall of Kansas City, dean of the grain trade, wrote to Herbert Hoover criticizing the methods of his American buyers. Mr. Hall received a curt reply, stating that Mr. Hoover was satisfied. Grain men claim that the favoritism displayed virtually eliminated competition and thus resulted in high prices for food intended for the Belgians. There was complaint that similar favoritism was displayed in purchasing the products of packers and canners. Indeed, it is quite possible if the Commission's accounts had been gone over by disinterested auditors,<sup>1</sup> who compared all purchase vouchers with current prices of various commodities, that some phases of its administration would not seem so efficient.

Let me state that I do not charge that Herbert Hoover personally profited financially from any of the operations of the Commission for Belgian Relief. But there is no doubt a number of his close friends and business associates both in this country and abroad *did* profit—and profit materially—not only through favoritism in the purchase of supplies, but through the formation of business alliances in Belgium which allowed them to exploit friendships built up in relief work.

For instance, Prentiss N. Gray was a steamship man in Cali-

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<sup>1</sup> The auditors of the Commission for Belgian Relief were the same auditors employed by Mr. Hoover in several of his promotions. Doubtless their integrity is above question, but a critical probe of the Commission's affairs would hardly be expected under the circumstances.



fornia when the World War broke out. He promptly dropped all his business interests on the Pacific Coast and went to Belgium as a director in the Commission for Relief. Later he acted for Hoover in London, New York and Washington. In 1919 Mr. Gray opened an exporting office for flour and grain in New York. (At that time the Relief Commission was still spending millions of Uncle Sam's money in Belgium.) Mr. Gray was almost unknown in the grain trade, and, as a veteran grain man told me, it was no time for amateurs to start in the business.

M. E. Bunge, head of the largest grain and hide firm in Belgium, was associated with Mr. Gray.<sup>1</sup> While Mr. Hoover was acting as "food dictator" of Europe in the reconstruction period, the firm of P. N. Gray did a tremendous amount of business. Later, when Mr. Hoover gave up his various relief enterprises, the firm of P. N. Gray suddenly went out of the grain business. Prentiss N. Gray is now associated with Julius Barnes, Edgar Rickard and a number of other of Mr. Hoover's friends in the Henry J. Schroder Bank, a German-English corporation, and several other enterprises. (More of this later.)

Again, I make no charges, but in 1919 and 1920 members of the grain trade, from New York to Chicago and Kansas City to New Orleans, were asking each other why Prentiss N. Gray seemed to have the "inside track" on all big sales to Central Europe so long as Mr. Hoover was "food dictator" in Europe and Mr. Julius Barnes was head of the United States Grain Corporation.

It is, of course, unreasonable to expect any man to supervise the expenditure of approximately one billion dollars, especially under war time conditions, without some slight irregularities creeping in; and it also is unfair to hold him strictly accountable for the acquisitiveness of subordinates. Nevertheless, Mr. Hoover's record as Food Administrator, Secretary of Commerce, and later as President, reveals a marked tendency towards allowing personal friends to profit at the public's expense. This is why the circumstances cited above would seem to require an explanation.

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<sup>1</sup> Dr. William Baron von Bissing, Professor of Oriental Archaeology at Munich University, and son of Governor General von Bissing, declared during the war: "The business-like Americans take advantage of the scarcity of provisions in Belgium to obtain control of the market, while it has become the task of the German administration to prevent the Americans from gaining influence over the Belgians through the latter's stomachs."

On the whole, Herbert Hoover must be credited with efficient work in Belgium. It won him world-wide fame. No longer did anyone ask "Who is Hoover?" Millions of words had been written about him and his face was familiar to every school child. Then the United States entered the World War, and even before Congress had passed the act authorizing such a position or defining its power, President Wilson asked Hoover to serve as Food Administrator.

## CHAPTER XVII

### *AS U. S. FOOD ADMINISTRATOR*

**D**OUBTLESS the subtle hand of Ambassador Page also was behind Hoover's appointment as United States Food Administrator. Page was close to the Allied high command. From the opening day of the war it had been his studied purpose to drag his countrymen into the conflict—that much is revealed by his amazing posthumous letters—and, now that we were finally in, the question in his mind was how to make our participation most effective.

Page consulted his British friends. They were frankly sceptical of our ability to furnish fighting men in sufficient numbers to turn the scale, but they knew we could supply almost unlimited quantities of food. Food was what the Allies wanted most—and they wanted it as cheaply as possible. Hoover was the ideal man for the job—from the Allied standpoint. His exploits in Belgium had been so widely press agented that the average American looked upon him almost as a superman, yet his friendships and financial commitments were mostly in England. Page persuaded Bernard Baruch to recommend him to Wilson and he was duly appointed.

Wilson and Hoover were not strangers. Hoover had come to the United States late in January, 1917, ostensibly to speed up private collections for Belgian relief, but in reality to add his voice and influence to the war party which was trying to push this country into the conflict. More than once he was closeted with Wilson and I have it on unquestioned authority that Hoover played no small part in persuading the President to break with the Central Powers. Once that was done, war was certain; and it was equally certain that Hoover would have some important post. He had powerful friends among the war-mongers who controlled the National Council of Defense. Even without Page's patronage he would not have been overlooked. Franklin K. Lane of California, Secretary of the Interior, was an old friend; J. Ogden Armour had

been associated with Hoover in mining deals; Julius Barnes was influential in the Northwest; and John Hays Hammond always had the ear of official Washington.

War was declared on April 7, 1917, and early in May Hoover began collecting a staff of volunteer "dollar-a-year-men"<sup>1</sup> although the fuel and food control act was not passed by Congress until August 10. Ray Lyman Wilbur, then president of Stanford University, now Secretary of the Interior, came to Washington to act as his unofficial secretary; Mark Requa, the California mining man, was on the job in a confidential capacity; Julius Barnes was helping choose the personnel; and a dozen or more of the men who had been with Hoover in Belgium, mostly old college or business associates, were helping him lay his plans even before Congress started debating the bill.

There was nothing inherently wrong in this. So long as the administration had drawn the country into war, the advisability of food control may be admitted; and although the bill itself conferred almost dictatorial powers upon the Administrator, that, too, possibly was demanded by the situation. And, knowing well in advance that his appointment was assured, Mr. Hoover could hardly be censured for preparing. Indeed, if Mr. Hoover had faithfully carried out the placatory promises he made when the bill was under discussion in the Senate—he then announced a policy of fixing prices on raw commodities that would stimulate production, while middle-men and manufacturers were to be limited to reasonable profits—there would have been little complaint about his record as Food Administrator.

Unfortunately, however, after the control act had been passed by Congress, and Mr. Hoover was safely installed as Administrator, his subsequent actions all too plainly revealed that his primary concern was in supplying the Allied governments with cheap food at the expense of the American producers; while, at the same time, he allowed the American consumers to be exploited by perfectly shameless profiteering. From top to bottom the Food Administration was staffed almost exclusively by "dollar-a-year-

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<sup>1</sup> Although Julius Barnes was constantly boasting that no one on his staff "ever made a penny out of the war", when the United States Grain Corporation was wound up his brother-in-law Fred Carey and 12 other vice-presidents were voted salaries of \$25,000 per year—retroactive.

men," who, in many cases, were receiving princely salaries from the very corporations they were supposed to control.<sup>1</sup>

The canning division of the Food Administration was under the supervision of an official from a Chicago canning company who was then receiving a salary of \$25,000 per year—from the canners. Representatives of the packers were in charge of all branches of the meat division; the millers' hired men ran the flour division. These dollar-a-year patrioteers made the most of their opportunities. Hoover apparently gave them full authority to fix prices, and the veritable orgy of profiteering which resulted is probably the most disgraceful chapter in the history of our conduct of the war.

While the canners and millers and packers were allowed to plunder the people by extortionate prices—with Hoover's explicit approval—the growers of grain, raisers of livestock, and producers of milk were being treated in quite a different fashion. Acting under powers conferred in the Food Control Act, President Wilson on August 14, 1917, appointed a committee of twelve to determine a fair price at which the entire wheat crop should be purchased by the government.

On August 30, 1917, after a series of hearings, the Fair Price Committee recommended that the government should pay a *minimum* of \$2.20 a bushel for No. 1 northern spring wheat, based on Chicago, with differentials for other grades and other terminals. Having done this, the Fair Price Committee dissolved and Hoover took complete charge as Food Administrator, with Julius Barnes of Duluth, the biggest grain gambler in the United States, installed as chief of the grain division.

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<sup>1</sup> Senator William E. Borah, of Idaho, in speaking of the Food Administration's record on the floor of the U. S. Senate on January 18, 1919, declared: "For the last four weeks I have been making a pretty thorough study of the relationship of the Food Administration to the vast concerns of this country which control and dominate the food supply of this country; and I say here upon the floor, and I challenge successful contradiction, that three of the vast monopolies (packers, millers and canners) which control food in this country have, with relation to their commodities, directed and controlled the Food Administration since its organization. I do not mean by that to say, sir, that Mr. Hoover himself has received any personal or individual benefit by reason of that. I simply mean to say that his viewpoint is such that he permits those people to, in effect, fix their own prices and to arrange their own affairs to such an extent that it is a case of an individual dealing with himself in the transactions. I have been utterly amazed at the facts which show how these combines have influenced and controlled the situation."

In plain defiance of the intent of Congress, as explicitly provided in the Food Control act,<sup>1</sup> Hoover and Barnes made the basic price at Chicago a maximum price instead of a minimum price. Consequently, instead of getting a price based upon \$2.20 a bushel at Chicago, the wheat farmers in Minnesota, Montana, Nebraska, the Dakotas or Kansas, received a price which did not average more than \$1.75 or \$1.80 per bushel.<sup>2</sup> With the high price of seed wheat, machinery, labor and everything that went into making the crop, the figure fixed by the government actually fell short of meeting the average cost of production. And it must be remembered that when Hoover and Barnes illegally reduced the wheat prices, cash wheat was selling at \$3.05 a bushel on the Chicago Grain Exchange. This bit of trickery undoubtedly resulted in the Allied governments paying less for supplies, but it cost the wheat growers of America at least \$2,000,000,000 during the period of price control.

Mr. Hoover has always sought to dodge responsibility for fixing the price of wheat. His defense at the time was that President Wilson appointed the Fair Price committee, and he only carried out

<sup>1</sup> Representative Gilbert Haugen of Iowa, chairman of the House Committee of Agriculture, and author of the Food Control bill, had this to say about the price fixing provision:

"The food control act in the case of wheat prescribed a guaranteed *minimum* price of not less than \$2.00 per bushel based upon No. 1 Northern Spring at the principal primary markets. This price was treated practically as a maximum price.

"Although the 'fair' price which was practically treated as a maximum price, and not a minimum price as *dictated by the law*, was enforced by the administrative regulations and the purchasing operations of the Food Administration Grain Corporation and not legislatively, it was so thoroughly fixed that No. 2 red winter wheat in Chicago, for instance varied only  $\frac{3}{4}$  of a cent per bushel from September 1917, to the end of June, 1918. On June 21, the President advanced the price 6 cents a bushel and the July to November price varied only  $\frac{6}{4}$  to  $\frac{7-7}{10}$  cents above the June price.

"It was the deliberate purpose of the Federal authorities to keep the price of wheat down. The efforts made were admittedly effective."

After asserting that the Food Administrator declined to heed an appeal of the farmers that his course was unjust, seeing that though the price of wheat had advanced 40 per cent, the price of all other commodities had advanced, by 1919, over the basic price of 1914, some 110 per cent, Mr. Haugen continued:

"Had wheat been permitted to rise in price at an equal rate with all commodities during the three years of control the price would undoubtedly have fluctuated between \$3.00 and \$5.00 a bushel instead of being held between \$2.20 and \$2.26."

<sup>2</sup> The cost of freight between the shipping point and the nearest terminal was deducted from the purchase price.

its recommendations.<sup>1</sup> Later, in a 1928 campaign pamphlet written by one of his publicists, entitled "Herbert Hoover, Friend of the Farmer," he not only repeated his earlier defense, but attempted to show that "Unless some action were taken it was clear that the American farmer would receive only \$1.50 per bushel for his wheat and the price was rapidly declining toward that point."

This ridiculous statement can best be refuted by Mr. Hoover's own words. In an address before a conference of grain dealers on May 1, 1918, he said:

"I agree with the contention of the farmers that they would be getting \$5 and perhaps \$10 a bushel for their wheat had it not been for the restraints imposed by the government."

In his 1928 pamphlet, intended to placate the opposition of the wheat farmers, Mr. Hoover's publicist also made the statement that "The Allied governments had fixed the price of wheat in their own countries at about \$1.80 per bushel."

The easily ascertained truth is that all the foreign governments paid more than \$2.20 to their own wheat producers. France paid the equivalent of \$3.94 a bushel; Italy \$4.33; the Netherlands \$3.23; Portugal \$3.83; Spain \$3.96; Sweden \$2.95; Switzerland \$3.25; United Kingdom \$2.28; Austria-Hungary \$2.21; Algeria \$2.36.

The Hoover pamphlet continued, that "Had it not been for this support by the Grain Corporation, under plans suggested by Mr. Hoover, the price of wheat would have collapsed in 1919 because of the inrush of wheat accumulations from South America."

Mr. Hoover thought differently in the spring of 1919, when he

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<sup>1</sup> In discussing Herbert Hoover's attempt to dodge the blame for having lowered the price of wheat, Senator James Reed of Missouri in 1928 made the following statement: "Not being satisfied with having fixed the price of wheat, he now tries to place the responsibility on President Wilson. It would be one thing if he had boldly acknowledged responsibility, defending it as a war measure, but to deny his undoubted responsibility carries its own suggestion. . . . Despite the fact that Congress did not give authority to fix the price of wheat, but merely guaranteed a minimum price of \$2.20, Mr. Hoover by use of the licensing system established absolute control of the situation and definitely fixed the price. . . . When this arrangement had been perfected, the American farmer was under as complete domination of Mr. Hoover as if he had been a Russian serf under the domination of Peter the Great. . . . If this had not been done, the American farmer at the close of the war would have been one billion dollars richer and that much better equipped to meet the conditions that everyone knew would come at its conclusion. The prices of animals were regulated with equal disregard to the American producers, while the manipulation of sugar furnishes a chapter comparable in blackness only to the practices of the wheat corporations."

gave out a statement to the newspapers to the effect, "That the foreign demand (for wheat) is so great that if purchases could be financed, and if shipping could be secured, wheat would go to \$5 a bushel."

To strengthen his offensive against the wheat farmer, Hoover foisted upon President Wilson a set of arbitrary differential prices at various terminal markets, apparently designed solely to put all the big mills of the country on an even basis of profit. The Allied governments and the United States Grain Corporation purchased flour on the basis of the wheat price fixed for New York, Philadelphia and Baltimore, the flour to be delivered to those terminals. Interior mills paid less for wheat so that they could ship flour to the Atlantic seaboard, and still make profits identical with the Eastern mills. In other words, the farmer paid the freight—literally.

The Allied governments had set up a single buying agency called the Export Wheat Corporation and the Food Administration had created the United States Grain Corporation. These two government-owned grain trading companies had an absolute monopoly on export trade. The single Allied buying corporation took the wheat at the depressed prices fixed by Hoover, and it is a matter of record that the Allied governments actually re-sold some of this same wheat at more than \$1 above the prices paid to the American farmers.

In the Spring of 1918, Senator Gore of Oklahoma recognized the rank injustice of this situation and succeeded in having an amendment attached to the House appropriation bill which increased the price of wheat from \$2.20 to \$3 per bushel. Hoover immediately enlisted all the power of the Administration to oppose this bill in the Senate. For four weeks, members of the Food Administration lobbied against this measure and finally prevented a vote being taken on it by giving out statements of their own intended policy—which turned out to be false. Hoover's success in defeating the Gore amendment resulted in saving many, many millions of dollars to the Allied food buyers—and once more the American grain growers paid the bill.

Hoover continued this stubborn attitude even after the armistice was signed. When he went to Europe to serve as "economic dictator," he managed to have an act passed by Congress extending the life of the Grain Corporation for a period of 12 months on



the plea it was necessary to make good the guaranty of a minimum price for the 1919 crop, and persuaded President Wilson to appoint Julius Barnes as its head. Within a few days after his appointment, Barnes issued a proclamation suspending the exportation of wheat or flour to all countries except those of our Allies in the war. The rest of the world, half famished for wheat and flour, was shut off from the American market.

When Julius Barnes made this proclamation, the quotations on the Chicago market were 60 cents above the government's guarantee minimum. Nevertheless, only the Allies could purchase wheat or flour under Barnes' ruling, and the Allies were represented by a single agency. The only additional step needed to depress prices was to insure that there would be no competition from mills, bakeries or grain buyers within the United States. Barnes took that step.

In defiance to the laws relating to the restraint of trade, he actually called representatives of the millers, bakers and grain buyers into conference, and effected an understanding whereby wheat for the domestic supply would not be purchased above the government-guaranteed price. As the result of this illegal agreement, the American farmers—long after the war had ended—were compelled to market 700,000,000 bushels of wheat on a fraudulently depressed market.

In September, October, November and December of 1918, the officials of the Grain Corporation urged the rapid shipment of wheat to terminals. As soon as the bulk of the crop had left the hands of the farmers, prices advanced. Then the mills and elevators and grain dealers sold out at the higher quotations. In the spring of 1919, when the farmer stood a little chance of making some money on the small stocks of surplus wheat left on the farms, Barnes began to threaten to import Canadian wheat and this broke the price of wheat. Once more the speculators got control of the crop, and then—Barnes in the meantime *not* having purchased any Canadian grain—prices soared once more.

The same manipulation took place in the 1919 crop. A Federal Grand Jury—of which LeRoy Slater was foreman—investigated the Northwestern grain situation and returned a report at Spokane, Wash., on February 7, 1920, charging that 85 per cent of the Washington crop of 42,000,000 bushels had been bought up by half a dozen big grain companies, at the figure guaranteed by the govern-

ment. Then, through market manipulation, the same combine advanced the price nearly \$1 a bushel. The Federal grand jury further charged that grain companies owned or controlled by Max H. Houser, vice-president of the United States Grain Corporation, had purchased 11,000,000 bushels of wheat and profited accordingly.

"We now note daily newspaper articles which seem to indicate a propaganda is being carried on by Mr. Hoover, urging the financing on a huge scale of flour and wheat to foreign countries," the Federal Grand Jury report continued. "It is our belief that this wheat is now owned largely by speculators, and in some cases by interests directly or indirectly connected with some of the officers of the United States Grain Corporation. Sales to Europe will benefit only the purses of individuals and the consumer will pay the bill."

These charges were taken up in Congress and for a time threatened to terminate the life of the United States Grain Corporation. Barnes rushed forward with a heated denial that Houser or any other officials of the United States Grain Corporation had been speculating. Finally, after some delay, Attorney General A. Mitchell Palmer declared the Federal Grand Jury's charges were unfounded. Charles Leary, assistant United States Attorney at Spokane, retorted that this was "a brazen white-wash." As a matter of fact, Houser admitted making \$179,106.15 profit in the six months ending December 31, 1919, and I have in my possession irrefutable evidence showing that an inside ring of Northwestern grain dealers *did* manipulate the market and profiteer to the extent of somewhere between \$20,000,000 and \$35,000,000—Julius Barnes to the contrary notwithstanding.

During this period, the millers, packers and canners were profiteering, and shipbuilders, munition makers, manufacturers, cantonment constructors—in fact, practically everyone engaged in furnishing war supplies—were encouraged to make contracts at cost plus 10 per cent profit, and in many cases the costs were padded outrageously in order to increase the profits. The farmers alone were compelled to grow wheat—an essential commodity—at less than the cost of production.

The hog raisers of the nation experienced exactly the same sort of treatment as the wheat growers. Shortly after we entered the war, it was discovered that corn prices were advancing faster than hog prices, and farmers, as they always have done, were taking

market prices as a guide for balancing their production. In other words, they were cutting down on hogs.

Hoover declared this was a vital matter. He said that pork and fats were needed in Europe more than corn—and in this he doubtless was correct. His problem, then, was to increase the production of pork in a manner that was fair to both producers and packers.

The first step was to give the farmers some assurance that they could feed corn to hogs and later market those hogs at a profit. In the fall of 1917 the corn-hog ratio was so unfavorable that the farmers generally were killing off their breeders.

The situation seemed so serious that the Food Administration appointed a committee under the chairmanship of Prof. John M. Evvard of Ames, Iowa, to work out the cost of producing hogs in terms of bushels of corn. After extensive research, the committee of agricultural scientists reported that during the ten year period preceding the war it had required 11.67 bushels of No. 2 corn to equal the value of 100 pounds of heavy hogs on the Chicago market.

Early in November, 1917, Joseph P. Cotton, the Wall Street lawyer who had been put in charge of the packers' division, made the positive declaration that "as to the hogs farrowed next spring (1918) we (the Food Administration) will try to stabilize the price so that the farmer can count on getting for each 100 pounds of hog ready for the market thirteen times the average cost per bushel of the corn fed into the hog."

This explicit promise was published by the agricultural press all over the nation, and as a result farmers began breeding more hogs. But before these hogs could be marketed, some one in the Food Administration had a brilliant idea. If it could be made to appear that the 13-bushel ratio intended to cover the price of corn on the farm, instead of the price of corn at Chicago (there being a difference of about 20 cents), the result would be that the packers could save \$2 or \$3 per 100 pounds on the promised price of hogs.

This suggestion was no sooner conceived than carried out. Instead of asserting that he could not—or would not—fulfill the pledge the Food Administration had given to the hog raisers, Hoover in the Fall of 1918 called together an entirely new committee. Hoover personally appeared before this committee, and, on the plea that "food was needed to win the war and that every

hog was as valuable as a shell," finally persuaded the committee to give rubber-stamp approval to his pre-determined plan. As a result, in October, 1918, hogs throughout the Middle West actually sold for the value of 11.4 bushels of No. 2 corn at Chicago. The difference between the promised price and the sums actually paid by the packers averaged more than \$2.75 per hundred. On the basis of the historic ratios between Chicago corn and Chicago hogs, the farmers who accepted Herbert Hoover's promises at face value did not quite get back the cost of their hogs' production.<sup>1</sup> The packers, of course, profited accordingly. The Food Administration never satisfactorily explained this bare faced betrayal.

Upon another later occasion, Food Administrator Hoover circulated wide spread propaganda in the Middle Western states to persuade the farmers to "put more fat on hogs." In addition to appeals in the farm press, mass meetings were arranged, and to these were sent Gifford Pinchot, now governor of Pennsylvania, and Edward C. Lassiter of Texas, an official of the National Cattlemen's Association. Relying upon Hoover's personal promise, Pinchot and Lassiter toured the Corn Belt making eloquent pleas for "more fat on hogs." Responding, as they always responded to every appeal to "help win the war," the farmers accordingly fattened their hogs.

The very day that the especially fattened hogs began to arrive at the livestock terminals at Omaha, Kansas City, St. Joseph, South St. Paul and Chicago—all controlled by the "Big Five"<sup>2</sup>—the packers by a concerted move penalized the price of the animals 25 cents per hundred pounds on the pretext they were "too fat."

Naturally there was an outcry by the hog raisers. Pinchot and Lassiter hastened to Washington. They thought there must be some misunderstanding, or that some underling had blundered. Anxious to retrieve the situation, they obtained an audience with Hoover and made their protest. Hoover was adamant. Their per-

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<sup>1</sup>In discussing this question in its issue of November 12, 1926, *Wallaces' Farmer*, published at Des Moines, Iowa, by Henry A. Wallace, son of former Secretary of Agriculture Wallace, declared in part as follows:

"The Food Administration did one of two things. Either it deliberately misrepresented to the farmers in 1917 in order to induce increased production, or it deliberately broke in 1918 the promise made in 1917. . . . We believe farm folks would like to hear from Mr. Hoover himself on this subject."

<sup>2</sup>The Cudahy, Wilson, Morris, Armour and Swift packing companies are known in the West as The Big Five.

sonal pleas that he live up to their plighted words of honor did not move him. He sustained the packers.

In just indignation, Pinchot and Lassiter resigned. Lassiter handed his resignation to Hoover personally and declared: "I do not intend to be used by you to rob the hog farmers in the interests of the packers."<sup>1</sup> This bit of history appears in the published proceedings of the United States Senate Committee on Agriculture.

Hoover made one more effort to break the price of hogs. In the spring of 1918, Prof. E. Dana Durand, a reactionary economist, who was one of Hoover's chief emissaries, was sent to Chicago to spread the propaganda for cheaper pork—for the Allies. William Hirth of the Missouri Farmers' Association, now chairman of the Corn Belt Federation of Farm Organization, is authority for the statement that Durand told the packers Hoover had power to take over the packing houses and might do so if they permitted the price of pork to increase. Durand has never denied this statement, and he gave out interviews in the Chicago newspapers predicting a return of \$1 corn and \$10 hogs. Such an uproar went up from the farmers' organizations and agricultural press that Durand beat a hasty retreat to Washington.

The milk producers of the nation also learned the true meaning of the verb "to Hooverize." The Food Administration put the milk condensaries under licenses and divided them into districts.

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<sup>1</sup> Writing to Henry C. Wallace, who was Secretary of Agriculture under Presidents Harding and Coolidge until his death in October, 1924, Gifford Pinchot in a letter dated Feb. 17, 1918, stated:

"It is curious to find a man born on a farm in Iowa, as Hoover was, showing such blindness toward everything that affects and controls the farmer, but we both have met cases before where later education had wiped out the earlier training. In Hoover's case the mining engineer has won against the earlier farm boy and eliminated him.

"The Food Administration has been run upon the theory that the great special interests such as the packers, the canners, the millers, should first be invited to suggest their own conditions and prices—and often their own men as well—and then must be persuaded voluntarily to accept such modifications of these proposals as the Food Administration found it to be indispensable to make, although the law had given them completely into Hoover's hand. But the farmer, the most independent of men, the last man to starve, who can be affected by persuasion alone, whose will to produce is beyond the reach of authority, was to be given his orders and told to go and carry them out. With all the blunders of all the ages to pick from, in the language of the cartoonist 'Can you beat it?'

"Under these circumstances . . . with the power of the Food Administration largely in the hands of men nominated by and representing the packers and other great special interests . . . it seems to me as if the full measure of possible mistakes had been pretty well filled to the brim. . . ."

No maximum price was fixed for condensed milk to the government purchasing agencies or private consumers, but each condensary was required once a week to certify under oath as follows:

“This condensary hereby certifies that it has not during the preceding week paid a higher price for milk than any other condensary in its district.”

This cunning scheme effectually kept down the prices received by the farmer producers, and whenever they sought relief they were threatened with prosecution for being “combinations in restraint of trade.” With this air-tight monopoly, the condensary combine raised the price of milk prohibitively, but in many cases the actual farm producers were not getting enough to buy feed for their cows.

The foregoing facts reveal the record of Herbert Hoover as Food Administrator so far as farm producers are concerned. Each and every statement that I have made can be proved in a court of law if necessary. The record shows that Hoover opposed the farm producers of wheat, live-stock and milk with every weapon in his power. Apparently he was determined to provide the Allied governments with cheap food, and protests from agricultural organizations or personal appeals from friends did not swerve him from that purpose. But now let us look into his dealings with the canners, millers and packers:

Cost studies compiled by the Federal Trade Commission, and published in 1919, show that the average returns of mixed vegetable canning companies, whose statistics were available for both years, were 9 per cent in 1916 and 32 per cent in 1917. The profits of tomato packers rose from 17 per cent in 1916 to 60 per cent in 1917. Profits of pea canners increased from 8 to 21 per cent under so-called Food Control.

The same situation existed in the canned salmon industry. Ninety companies were examined by the Federal Trade Commission. In 1916 the average rate of return on their investment was 22 per cent. Under the benign auspices of the Food Administration, their net return on entire capital investment was 52½ per cent. Between 1916 and 1917, the salmon canners more than doubled their profits—and it so happens that Herbert Hoover had close

business associations with some of the leading salmon cannery men.<sup>1</sup>

The outstanding features of the meat-packing industry under Herbert Hoover's "regulation" were an increase of from 50 to 100 per cent in the retail prices of meat, and an increase of from 300 to 400 per cent in the net profits of the "Big Five" packing companies—Armour, Swift, Morris, Wilson and Cudahy.

That the manipulation of meat prices during the war was immensely profitable is shown by the fact that even after war-income-taxes were deducted, the net profits of the packers in dollars were more than three times as great in 1917 and 1918 than in the preceding pre-war years. According to the Federal Trade Commission, "four of these concerns have pocketed in 1915, 1916 and 1917 \$140,000,000. However delicate a definition is framed for 'profiteering' these packers have preyed upon the people unconscionably."<sup>2</sup>

Figures of the Federal Trade Commission showed that the average annual net income of the "Big Five" packers was \$20,146,784 in the years 1912-1914, and this increased to \$58,644,468 in the years 1916-1918.

"The increase in the rate of profit on net worth of the Big Five packers ranged from about 200 per cent increase for Armour and Morris to more than 300 per cent increase for Wilson & Company," declared W. Jett Lauck, the well known economist, in his work on "The Relation Between Wages and the Increased Cost of Living" published in 1920. "In 1918, as a result of Government regulation, the rate of profit on net worth decreased to some extent, but, with the exception of Morris & Company, was still at least 100 per cent greater for each company than in 1913. The rate of profit on net worth, as reported by Wilson & Company, was 300 per cent greater in 1918 than in 1913; that of the Cudahy Company shows an increase of about 150 per cent, Armour & Company an increase of 100 per cent, Swift & Company, an increase of 200 per cent

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<sup>1</sup> Herbert Fleischhacker of San Francisco, banker and heavily interested in the salmon industry, was connected with Hoover in at least one mining deal.

<sup>2</sup> In the hearings before the Senate Agricultural Committee in 1919, Francis J. Heney, Special Investigator of the Federal Trade Commission, testified as follows:

"The regulation of the packers by Mr. Cotton is a joke. They made more money under the regulations than they made in 1917, and Mr. Cotton told me himself on two occasions that their profits in 1917 could only be described by the word 'scandalous'."

and Morris & Company a gain of 64 per cent. These statements are based upon the reports made to the Federal Trade Commission.

"Altogether, the case against the meat packers is overwhelming," Mr. Lauck continued. "Higher dividends, stock dividends in one instance equal to 400 per cent of the capital stock and amounting to the enormous sum of \$80,000,000; accumulation of surplus equal to the entire former capitalization—all these show the profits the packers have reaped from the war. They prove conclusively that prices have been raised far above the figures warranted by increased expense, a fact which is brought home with double force when it is remembered that the increase in the price charged by the Big Five for beef was eight times the entire labor cost of the product in the packing industry."

War years, under a "gentleman's agreement" with Food Administrator Hoover, also proved very profitable for the flour millers. From July 1, 1917, to July 1, 1918, during the period of so-called "control," the millers of the Northwest made an average profit of 44.7 per cent on their entire capital investment, according to the Federal Trade Commission report. The Commission also reported "a tremendous concentration in the milling business," which was largely brought about during the war period.

The milling division of the Food Administration was dominated by heads of two of the largest Minneapolis mills. One of these mills made such extortionate profits under the "gentleman's agreement" with Mr. Hoover, that it was compelled to pay back part of the excess by reducing the price of its flour from \$10 to \$8 per barrel late in 1918—but this action was not taken until the Federal Trade Commission sent agents to Minneapolis to investigate complaints about this company's profiteering.<sup>1</sup>

It was openly charged by the smaller millers of the Northwest, that the Food Administration displayed rank discrimination in dealing with violations of its orders. The smaller mills would be closed outright, while nothing was done to the larger mills. Several of the smaller mills in Minnesota at Chaska, Farmington and Morris were closed by the Food Administration, but none of the big Minneapolis mills were "disciplined." There is no doubt at all that the milling division was operated so as to make it increasingly

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<sup>1</sup> A director of this mill was a high official in the Food Administration.



difficult for the smaller mills to compete on equal terms with the so-called "Big Ten."<sup>1</sup>

Sugar refiners also did very well under the Food Administration. According to a report made by the Secretary of the Treasury to the United States Senate, beet sugar producers in 1917 made income tax returns showing net earnings of 45 per cent on capital actually invested, after deducting taxes. Cane sugar refiners showed net profits of 191 per cent on capital actually invested, after deducting all taxes. Roughly speaking, net profits of beet sugar and cane refiners increased about three-fold during Mr. Hoover's control period.<sup>2</sup>

The foregoing facts regarding food profiteering are drawn from Senate Document 259, a report of the Secretary of the Treasury in response to a Senate resolution requesting all information in possession of the Treasury Department relating to profiteering. Every patrioteer in the country tried to prevent publication of this report, and only after a hard fight by Senators LaFollette, Norris and Borah was a small edition printed. As a result of this virtual suppression, most of the facts contained in this chapter are little known.

Senate Document 259 shows that one of the Minneapolis mills made 5,000 per cent profit on its invested capital; that one cannery firm made 4,244 per cent net profit in a single year; and that a certain Chicago packing house, whose "dollar-a-year men" infested the Food Administration, made a trifling 1,200 per cent net profit while Herbert Hoover and Julius Barnes were forcing wheat farmers and hog raisers to sell their produce at less than cost.

It is very probable that the profits of the sugar refiners, canners, millers and packers would have been even more shocking had it not been for the fact that the Federal Trade Commission—which happened to include W. B. Colvin and Victor Murdock, two very high minded public servants—conducted a series of searching in-

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<sup>1</sup> In a speech in the House of Representatives on May 27, 1924, Congressman Thomas D. Schall, now United States Senator from Minnesota, declared:

"The United States Grain Corporation was a damnable thing, a stench in the nostrils, the darkest of the whole cloud of war grafting and everybody knows it. It robbed the farmers of the Northwest ruthlessly, deliberately, cruelly. It put out of business hundreds of small millers. It operated solely and entirely for the benefit of the 'big fellow,' using the machinery of storing and of marketing and of gathering information solely for their profit."

<sup>2</sup> See appendix. Exhibit H.

vestigations during the war under the zealous direction of Special Investigator Francis J. Heney.

It was fear of exposure by the Federal Trade Commission, and not the farcical "regulation" of the Food Administration, which placed any limit at all upon the extortions of the profiteers. The Federal Trade Commission report on the profits of the packers, and their illegal monopolization, was suppressed during the war at the request of Herbert Hoover. This was brought out late in 1919 on a resolution by Senator Norris.

It was just at the climax of the Heney investigation of the meat packing combine when Hoover took control of the Food Administration and proceeded to fill his executive staff with high salaried men in the employ of the packers. There was such nation-wide protest over the exactions of the packers that strong sentiment existed in Congress to have the government take over the plants for the duration of the war.

President Wilson finally appointed a special committee to discuss this question. It was "loaded" with friends of "rugged individualism," as exemplified by the packers. They turned down, of course, the suggestion of government ownership; but, as a sop to public opinion, requested the Federal Trade Commission to advise the President what profits should be permitted.

The Federal Trade Commission made such a recommendation on July 1, 1918. This report pointed out that under Hoover's regulations, the packers would make a net profit of \$100,000,000 in 1918. Hoover had been boasting that he had limited the packers' profits to 9 per cent of their invested capital. The Federal Trade Commission report pointed out nearly all the packers had greatly increased their capital stock immediately after the war began, and also borrowed huge sums of money; and that Hoover was allowing them returns on this borrowed money to swell their earnings. The Federal Trade Commission contended that the packers should only be allowed interest on their borrowed money, but not dividends, too.

Hoover asked President Wilson to suppress this report, and his letter contended that its publication "would produce an absolute state of panic in the United States." The whole correspondence can be found in *The Congressional Record* of September 24, 1919.

The Food Administration had ample power to deal with the situ-

ation. The Food Control act conferred upon Mr. Hoover the right to take over and operate grain elevators, storage warehouses, flour mills, canneries and packing plants. In addition, by the authority to issue or withhold licenses, he could put any profiteer out of business at a moment's notice. It would have been possible for him to have prevented hoarding and to have kept prices down by stamping out food speculation. Germany, France and Great Britain *did* take these steps in carrying out their system of food control, and Mr. Hoover should have been familiar with the situation in Europe. But, instead of keeping down domestic prices to a reasonable level, Mr. Hoover virtually invited the profiteers to help themselves. They did.

His "meatless days," and widely advertised "war bread," were simply clever devices to divert the attention of housewives from the unrestrained plundering of the war period. The lavish circulation—at government expense—of Mr. Hoover's speeches as public documents, and the silly "food pledges" which hung in millions of kitchens, were largely a waste of money; although probably these things helped psychologize millions of women into the "war spirit," and certainly gave Mr. Hoover himself invaluable publicity, which he later turned to good account in advancing his personal political ambitions.

He undoubtedly *did* provide the Allied governments with cheaper grain and meats, but any money which they saved in that respect was merely squandered in paying exorbitant prices for war munitions and other supplies. Inasmuch as the American producers paid all the bills, the drastic reduction of returns received by the farmers was distinctly an economic disadvantage, while the indefensible domestic profiteering which he permitted resulted in wide-spread hardship and bitterness and weakened the national morale accordingly.

## CHAPTER XVIII

### *FOOD DICTATOR OF EUROPE*

**T**HE SIGNING of the Armistice on November 11, 1918, did not terminate Herbert Hoover's power as economic dictator. Instead, his authority was widened. At the cabled request of the President, a complacent Congress promptly appropriated \$100,000,000 for the aid of Central Europe, and, leaving Julius Barnes in charge of the United States Grain Corporation, Mr. Hoover hurried to Paris late in November to direct the American Relief Administration, while Woodrow Wilson, Lloyd George, Clemenceau, and Orlando were wrangling in Versailles.

Hoover came to Europe at a critical period. The Central Powers had been blockaded for four years when the Armistice was signed, and during the latter stages of the war even the neutrals—Switzerland, Holland, Spain, and the Scandinavian kingdoms—were deprived of many essential supplies. The trade currents of the world had been shut off by arbitrary barriers until absolute starvation threatened whole nations; while other countries had over-accumulations which were almost as ruinous to their industry. Yet there was nothing insuperable about the problem. After all, the axiom that nature abhors a vacuum applies to economics as well as everything else; and in the United States, Canada, South America, Australia, India, and China, were huge surplus stocks with ample credits to have filled every need. If the Allied councillors only had removed all war-time restrictions and let commerce take its course, Europe's recovery would have been surprisingly swift.

But this modicum of statesmanship and economic vision was wholly lacking. Instead of lifting trade barriers and honestly trying to reconstruct Europe with all possible speed, the Supreme Economic Council—of which Herbert Hoover was chairman—used its power to bludgeon the beaten nations into granting concessions. The trade of the entire continent was tied up while Mr. Hoover, Lord Reading, Emile Francqui, and other Allied spokesmen—

virtually acting as super-salesmen for their various industrialists—dickered for exclusive commercial advantages.<sup>1</sup>

Instead of playing the rôle of "Savior of Europe"—as some of his most enthusiastic eulogists were once wont to aver—it can be conclusively proved that Herbert Hoover, as one of the most influential of the Allied advisors, was in no small degree responsible for the policies which kept the continent in almost constant turmoil

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<sup>1</sup> That the different drives against Russia were all designed to aid certain powerful industrialists among the Allied powers was clearly brought out in an article entitled "Denikine and Dividends", written by J. T. Walton Newbold which appeared in the *London Labour Leader* July 17, 1919. Mr. Newbold said in part:

"Besides the wonderful wealth of coal, iron, cement, maganese, and other solid minerals which is to be found in Southeastern Russia, and the remarkable fertility of the soil in the Ukraine, the area of Russia wherein General Denikine and General Gregorieff are operating, possesses other treasures of extreme importance. Petroleum, in the development of which 'the conspicuous part played by British capital is well-known,' is found in enormous quantities on the eastern shores of the Black Sea, around the Caspian, and in the northwestern region of the Ukraine in Galicia. . . .

"The aim and purpose of the British capitalists in rendering every support to Denikine may be judged from the following quotations:

"The gradual extension of Allied influence in the Caucasus is shown by the better news from Baku and Maikop (in the Northern Caucasus Maikop is in the hand of General Denikine's troops) given in this issue. . . . The cooperation of the Baku local Government reported recently in the reorganization of the oil industry, therefore, is that of the small Republic, and it is a pleasure to read that this cooperation is under British direction. . . .

"Petrotsk, on the Caspian, was recently reported a Bolshevik centre; so was Astrakhan, the great Caspian oil port. . . . The market will extend as the zone of Allied influence broadens. There is evidence of an intelligent policy on the part of the British Government, and that policy may be said to have for one of its chief objects the restoration of the Caucasian oil industry and traffic, under British control. . . . Shareholders in Rumanian and Russian oil companies have, therefore, on the whole, grounds for moderate cheerfulness!"—*Petroleum World*, Feb. 1919.

"The thought in the minds of some of General Denikine's most influential supporters may be gauged from the following statement made by the chairman of four Caucasian oil corporations at the annual meeting of the Bibi-Erbat Oil Co., Ltd.:

"The oil industry of Russia, liberally financed and properly organized under British auspices, would in itself be a valuable asset to the Empire. . . . Russia's oil industry is still, granted normal conditions, the second greatest in the world, and a golden opportunity offers itself at the present moment to the British Government to exercise a powerful influence upon the immense production of the Grozuy, Baku, and Trans-Caspian fields, and—still nearer home—perhaps upon the oilfields of Rumania, rich in priceless petrol.

"It is an opportunity that our enemy, the Germans were eager to seize upon directly they thought they were masters of the situation, and I wish I could think that the lesson might not be lost on our own political rulers."—*Petroleum World*, Jan. 1919.

for more than three years after the Armistice was signed, thus directly prolonging the dreadful consequences of the conflict.

Utterly disregarding their promises to use Woodrow Wilson's "Fourteen Points" as the basis for a lasting peace, the Allies demanded such onerous terms that it was necessary to hold the club of starvation over the German and Austrian peoples to compel their acceptance. This was done with a callous barbarity which has few parallels in history. The Allied governments maintained the German blockade with all its rigors until mid-March, 1919, and then only raised it when enlightened opinion in the United States, Great Britain, and France vigorously protested, and it seemed likely that all of Central Europe was about to be engulfed in anarchy. Tens of thousands of deaths and untold misery were brought about by this blockade, and the subsequent relief, at the best, could only partially repair the suffering caused by this malign stupidity.

Hungary was treated with much the same blundering brutality. When the monarchy fell, it was replaced by the republican government of Count Michael Karolyi. He was a high minded, unselfish patriot, and his government was energetic in dealing with post-war problems which assailed the unhappy country. But, although the Armistice agreement, under which Hungary laid down its arms, contained a definite pledge that the Allies would not interfere with Hungary's internal affairs, this was cynically violated from the first, and financial aid and even food were denied. The result was that the moderate government of Karolyi had to give way in April, 1919, and was supplanted by the Soviet régime of Bela Kun.

Food continued to be withheld, and the Allied War Council incited the Czecho-Slovaks and Rumanians to attack Hungary. The Red army won a series of remarkable victories at first, but was finally defeated. The Allies then informed the right-wing Social Democrats that if they ousted Bela Kun and called a constituent assembly, the Allies would lift the blockade and recognize the new government.

The Socialists agreed. Bela Kun resigned and a moderate ministry was formed. It lasted less than a week. The Rumanian army entered Budapest, imprisoned the moderate leaders, slaughtered at least 300 so-called "Reds," and then installed the reactionary Admiral Horthy in power. The Allies failed to protest this flagrant

breach of good faith, or to prevent the subsequent butchery of Jews as well as radicals.<sup>1</sup>

Captain T. C. C. Gregory, of San Francisco, a close friend of Herbert Hoover and fellow-trustee of Stanford University, was the American Relief Administration agent who helped engineer this disgraceful deal. He withheld supplies until Bela Kun had been ousted, although the supplies had been purchased with funds advanced by the Bela Kun government. Gregory actually boasted of this exploit in a signed article appearing in the *World's Work* of June, 1921, entitled "Overthrowing a Red Régime—How a San Francisco Attorney Ousted Bela Kun." In this article Gregory writes:

"I was in constant touch with Hoover in Paris; he required no exhaustive explanation of our situation to spur him on to the most strenuous efforts, and the Supreme Council was immediately drawn into a discussion of ways and means." Later in the article, after relating how "there remained for us the task of bringing our conspirators and Paris together on these matters of principle," Gregory went on to say: "There is no doubt that Mr. Hoover was the principal agency responsible for the quick return we received."

Toward the end of the article, Captain Gregory tried to make it appear that he and Hoover also ousted the Archduke Joseph of Hapsburg, who was placed in power by the Rumanian troops, but he failed to state that the Archduke speedily was followed by Admiral Horthy as regent, and is wholly silent about the infamous "white terror" which succeeded.<sup>2</sup>

Against the Soviets, the Allied Supreme Council relentlessly pursued a course that can only be described as criminal. Although Russia had put millions of men in the field, and suffered staggering losses for the Allied cause, a blockade was imposed so rigorous that even the importation of medical supplies was prohibited. This was done over the protests of the International Red Cross.

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<sup>1</sup> See appendix, Exhibit E.

<sup>2</sup> Cable dispatches from Berne appearing in the *New York Times* late in March, 1920, declared: "Admiral Horthy's dictatorship and terrorism exceed those of Bela Kun, and the Red Terror is now supplanted by the White Terror. The acts of Horthy's army excel in brutality any excesses of the Bolshevik" and on April 3, 1920, the *New York Nation* said editorially: "To be a Jew and a Communist or either one in Hungary is to invite death by torture." To substantiate this The *Nation* submitted documents showing almost unbelievable brutalities perpetrated by the Horthy regime on a wholesale scale.

In 1917 the United States had sold \$400,000,000 worth of materials to Russia, and in 1919 we could have carried on an even larger volume of trade had not Mr. Hoover and other "economic experts" opposed such a policy. At one stroke they cut off 130,000,000 customers—approximately one-tenth of the world's entire population—and the effects of this commercial dislocation are being felt throughout the world to this day.

The blockade of Russia was illegal and inhumane,<sup>1</sup> but, when it failed its purpose, as a next step the Allied Supreme Council proceeded to incite a series of armed attacks on the Soviets which continued to shed blood for three years on a dozen different fronts from Siberia to the Gulf of Finland. No one knows how many thousands of lives were sacrificed nor how many millions of dollars of United States' funds were wasted on these fruitless attempts to overthrow the Soviets. This knowledge has carefully been kept from the American people, and only scattered bits of information have leaked out from time to time. President Wilson went so far as to employ thousands of United States troops in these "private

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<sup>1</sup> A protest against the blockade of Russia, signed by some seventy of the most eminent French men of letters, including Anatole France, Georges Duhamel, Henri Barbusse, Charles Gide, and Victor Henri, was published in *L'Humanité* of Paris on October 25, 1919, and is given below:

"A great unfortunate country, torn and exhausted by all its foreign and civil wars, is about to experience sufferings even greater than those which have so far overwhelmed it. Russia is about to see again drawn around it a criminal blockade without precedent and without excuse. Millions of innocent beings who not always are able even to understand the causes of their profound suffering, but who are none the less tortured, are about to experience more cruelly than ever hunger and all the material and moral disasters which hunger brings with it.

"The Allied Governments, to attain this inhuman end, have united with their former enemies, and have not hesitated to exert pressure on neutral countries.

"We are not concerned with politics. We are not even concerned with knowing whether or not the present Government of Russia imperils—as people say—the order of the world. A great crime is being committed against humanity, a crime such as can result in no good for anyone. We refuse to be parties to this crime; we refuse to be parties to it even by our silence. We protest with all the force of our hearts and minds against an act unworthy of humanity in general and of the traditions of our country in particular."

That the food shortage in Russia was primarily due to the blockade is indicated in the letter which Tchicherin, People's Commissar of Foreign Affairs, sent to Fritjof Nansen, the famous Norwegian explorer who on April 17 offered to head an International Relief Committee. Tchicherin said in part:

"Great indeed are the sufferings and privations inflicted upon the Russian people by the inhuman blockade of the Associated and so-called neutral Powers and by the incessant wars forced upon it against its will. If left in peace and allowed free development, Soviet Russia would soon be able to restore her national production, to regain her economic strength, to provide for her own needs, and to be helpful to other countries. . . ."



wars," which were waged without the consent of Congress as the Constitution provides.

One of Hoover's first moves after his arrival in Europe, was the announcement on December 21, 1918, that 14,000 tons of food would be sent to Finland. The account which appeared in the *New York Times* on December 22 is worthy of repetition as an example of the untruthful propaganda issued by official agencies. In the following account the italics are mine:

"Washington, D. C., Dec. 22—Official announcement was made tonight through the War Trade Board that Finland had apparently been able to overthrow *German rule*<sup>1</sup> since the signing of the armistice; and set up a popular government and that large shipments of food had been authorized to help the suffering population. *This action, which has been recommended by Herbert Hoover, Food Administrator, has been approved by the Allied nations.*

"The statement also is made that this government is prepared to extend material help to all parts of Russia which succeed in driving out the Bolsheviki and the German agents. It is understood that one problem which President Wilson and Herbert Hoover took up with the Allied nations was the importance of such action at the earliest date possible and that the tonnage needed for Russian aid will be supplied as rapidly as required, *despite other claims upon it.*

"The announcement concerning Finland is taken here as an indication that this government in concert with the Allies is hopeful soon of extending the Russian relief program which includes the shipment of 200,000 tons of food, clothing, agricultural supplies and railroad equipment in the next three months *to follow the armies of occupation.*

"It is understood that the shipments to Finland are in addition to the 200,000 tons and that the government is prepared to take similar action for relief of other regions as soon as it is shown that the Bolsheviki and the Germans have been deprived of power for evil among the people.

"This plan of extending aid gradually to many parts of Russia will be carried out as rapidly as possible pending a decision on the question of *increasing the armies of occupation.* Advices here say there is a strong movement on foot in England and France to increase the armies at once in the hope of getting aid to the districts about Petrograd where conditions are worst and thus cause a breakdown of the *German-Bolshevist rule.*"

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<sup>1</sup> The utter hypocrisy of the pretense that food was being used to overthrow "German rule" can be revealed best by recalling that the armistice of November 11, 1918, left Estonia, Latvia and Lithuania under the control of German occupying armies for fear that they might follow Russia's example and adopt a radical form of government. Furthermore, General von der Goltz—an officer of the Imperial German army—was allowed to capture Riga on May 28, 1919—with the approval of the so-called Peace Conference—and several thousands of Lettish men, women and children were executed merely because they were suspected of Bolshevism. Later, in October, 1919, some 20,000 German soldiers under command of General von der Goltz acted as rear guard when Judenitch launched his drive on Petrograd. Incidentally, the Allied Economic Council of which Hoover was chairman, blockaded the Baltic states because they would furnish soldiers for the contemplated campaign against Russia. The blockade against

Here is the truth about Finland: It had been a province of Russia and after the November, 1917, revolution it set up a Soviet government. This only functioned for a few months and was soon overthrown by the "White" Finns, aided by German troops from the Baltic provinces under General Mannerheim. The slaughter which followed caused the White general to be known throughout the Scandinavian nations as "Butcher" Mannerheim. Thousands of labor leaders, Socialists, heads of co-operative societies, and radicals of every description were summarily shot at drum-head court-martials. It was the régime of this wholesale assassin which Herbert Hoover and Woodrow Wilson assisted with food and war munitions, and they tried to justify themselves with the public by pretending that he had set up "a popular government" and overthrown "German rule." The facts are that Mannerheim was then being kept in power by the bayonets of the Baltic Germans.<sup>1</sup> De-

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Esthonia was maintained as late as April, 1919, and resulted in untold suffering among innocent women and children who from the first had been sympathetic to the Allied cause.

<sup>1</sup> The following editorial from the New York *Nation* of May 17, 1919, gives a correct characterization of the "popular government" which Herbert Hoover was supporting with food:

"The Mannerheim Government in Finland, the recognition of which by Great Britain last week was received with cheers in the Tory House of Commons, has now been recognized by the United States. It is sufficient to say that an act so outrageously inconsistent both with our fair professions and with the inherent justice of the case will almost inevitably strike back into the face of the forces which perpetrated it. Mannerheim led the White Guard against the Red or Soviet forces. To his standard rallied all the upper-Baltic Junkers, all the German-controlled commercial interests in Finland and all men in Finland who possessed lands and privileges under the old regime. He was frankly and openly a representative of German imperialism. He proposed to set up a monarchy in Finland, and to place one of the sons of the Kaiser on the throne."

<sup>1</sup> The truth about Mannerheim and his notorious government is told in the following article taken from the *Folkets Dagblad Politiken*, one of the leading papers of Stockholm, in its issue of April 10, 1919. The article follows in full:

"Strong influences have been at work for some time to drive Finland into a war with Soviet Russia. Even during the government of Svinhufvud, the present Regent, General Mannerheim, was intriguing with Entente agents with the purpose of becoming the ruler of Finland, while as a reward for the assistance of the Entente powers he hinted that Finnish troops should attack Soviet Russia and restore the monarchy there.

"During Mannerheim's visit to England and France this plan was further discussed and certain Entente statesmen promised Mannerheim to support his ambitions as well as to provide Finland with grain and war material. Mannerheim also conferred with former Czarist generals, pledged Finland to eventual cooperation with these generals and their counter-revolutionary troops, to aid in reestablishing a monarchy in Russia and to furnish an asylum for the Russian generals who were to be allowed secretly to form a general staff in Helsingfors.

"As a reward for a victorious campaign in Russia and the defeat of the

spite strong support from the Allies, Mannerheim was voted out by the Finns in the election in November, 1919.

The "armies of occupation" vaguely referred to in the Washington dispatch were American and British detachments at Murmansk; Americans and Japanese at Vladivostok; Czecho-Slovakians in Eastern Siberia; and French naval forces at Odessa. "White" Russians were acting in concert with these armies. As the afore-mentioned "official report" conclusively proves, it was the intention of Woodrow Wilson and Herbert Hoover to use no less than 200,000 tons of foodstuffs in feeding the nondescript forces marshalled in an undeclared war against Soviet Russia—"despite other claims upon it"—and this was when women and children were dying like flies in Germany, Austria, and Hungary because of the Allied blockade.

A week after Herbert Hoover advised the sending of 14,000 tons of food to aid "Butcher" Mannerheim, he was formally asked to negotiate with Germany in regard to allowing food to be brought past the Allied blockade. Baron von der Lancken and Dr. Reith were the officials appointed by the German government for this purpose, and they wired from Berlin to W. L. Brown, director of the Commission for Relief in Belgium at Rotterdam, asking for an interview with Hoover. Brown communicated their desires to Hoover and in return got this reply:

"You can describe two and one-half years of arrogance toward ourselves and cruelty to the Belgians in any language you may select and tell the pair personally to go to hell with my compliments. If I have to deal with Germans it will not be with that pair."

HERBERT HOOVER

This statement appeared in the *New York Times* of Dec. 27,

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Bolsheviki in Karelia, Mannerheim demanded Murman as far as Archangel, and Finland's retention of the Aland Islands. Eventually Finland, which was to become a monarchy, preferably under a Russian-Danish royal family, should enter into a union with Russia, though retaining complete independence.

"At the same time the Finnish general staff was working out a plan of campaign against northeastern Russia and Petrograd. This plan of campaign was discussed thoroughly in three meetings of the staff, and was at last determined upon, though not for immediate action. English tanks, French military commissions, and masses of war material have been sent from England and France to Finland, together with food for the campaign."

1918, and never has been denied. Later, when he became a candidate for the Presidency, Hoover's apologists sought to palliate this brutal refusal to discuss the sending of food into Germany, by explaining that the German delegates had aroused Hoover's wrath by refusing to intercede when Nurse Edith Cavell was executed. This may be true, for von der Lancken was civil governor of Belgium during the German occupation; but Hoover's statement, "if I have to deal with Germans" would seem to indicate that he did not look with favor upon any proposals—regardless of their source—which would send foods into Germany.

This is borne out by his subsequent actions. On January 1, 1919, he made public a long report of "wanton destruction" by the Germans in Belgium which was cleverly calculated to revive war passions. Again, on January 3, he gave a statement to the press that the Germans "lacked nothing but fats," which in turn was calculated to slow down any independent relief drives, although the Germans themselves declared they desperately needed all kinds of food stuffs.

Later, in the summer of 1919, there is evidence to show that Herbert Hoover did make efforts to persuade the French and British to allow him to ship pork and other supplies into Germany; but, although he was known the world over as "The Great Humanitarian," and his words would have had tremendous weight in arousing public opinion, it is not on record that he ever protested publicly about the barbarity of the blockade. Certainly his profane refusal to meet the German officials—which was given to the press—as well as his later statements, seemed to show approval of the Allied policy in refusing food to Germany.

President Wilson, in a moment of unguarded frankness, had asked Congress for the \$100,000,000 European relief appropriation on the plea that it was needed to fight the spread of Bolshevism, and from the very first Herbert Hoover spent the money for this purpose. He had ample reason to hate the Bolsheviks. As has been pointed out in previous chapters, he would have been one of the wealthiest men in the world if the Soviet government had not cancelled the vastly valuable concessions which he and Leslie Urquhart and their British associates held through the Irtysh, Tanalyk, Kyshtim, and Russo-Asiatic Corporations. As matters stood, with Lenine and Trotsky in control, there was only a remote

likelihood of these properties being restored; but the Russian royal family had been partners in these enterprises, and this probably explains Hoover's eagerness to support any military enterprise which held out the slightest hope of putting back the Romanoffs on the Czar's throne.

In this policy Hoover had powerful aides. Lord Reading (Sir Rufus Isaacs), English food controller and member of the Allied Economic Council, had been Hoover's lawyer for many years. Emile Francqui was perhaps the most influential man in Belgium. A large Paris bank also was interested in Hoover's Russian holdings. The Romanoff family had been his partners. Clemenceau and Lord Curzon of England were perfectly fanatical in their anti-Bolshevism. It is probable that Woodrow Wilson—willing to sacrifice any principle to put over the League of Nations—didn't know what it was all about. He later denied having any prior knowledge of the notorious "secret treaties" before he dragged this country into the war, so it is quite possible that he had never heard of Hoover's interests in Russia. In any event, Wilson left our Russian policy almost entirely in Hoover's hands, and Hoover also had control of the food and other resources which the war-worn Allies lacked. This permitted him to feed, while Wilson in some cases helped finance, the military expeditions which the Allied diplomats successfully launched against Russia.<sup>1</sup>

Mr. Hoover had all of the United States' resources behind him in these series of "undeclared wars." The War Finance Board, the

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<sup>1</sup> *The Nation* of June 7, 1919, declared editorially that it must have been a shock to more than one good American to learn from General March's testimony before the House Military Committee on Thursday last that our Siberian war was financed by the President's \$100,000,000 war fund. "The President," said General March, "turned over \$5,000,000 at one time and another sum I cannot exactly recall at another, but we believe this money was virtually lent to the Czecho-Slovak Government." General March's belief is interesting, yet we cannot forbear a question. "Congress was in session all last summer while the President was deciding on 'intervention.' Why did not our new Autocrat of all the Russias go before Congress, state his reasons for embarking on a new war, and ask congressional warrant and good American precedent for such a course, at any rate. But perhaps Mr. Wilson feared that Congress and the American people did not care to make war on the Russians—we are confident that they do not like his present method of conducting it. We have Mr. Hoover's word for it that eight ships with 20,000 tons of supplies are in the Baltic, awaiting only the fall of Petrograd in order to feed its starving inhabitants. The Russians are to starve because four men in Paris do not like their politics; on the day when they surrender to the ideas and armies of the Big Four, then they may have bread. Unhappily, that day is still deferred."

Shipping Board, the United States Grain Corporation, and the American Red Cross, all co-operated with the American Relief Administration. Millions upon millions of dollars' worth of airplanes, tanks, trucks, uniforms, guns, munitions, and military supplies of all descriptions were sold to the Poles for a mere tithe of their real value.

The American Red Cross—which now declares it cannot relieve men and women and children starving as the result of strikes, unemployment, or crop failures, because these are not “acts of God”—was then under the direction of Henry P. Davidson of the firm of J. P. Morgan and Company. Mr. Davidson permitted Red Cross supplies to be used in the wake of the royalist armies of Denikine, Judenitch, Kolchak, and Wrangel.<sup>1</sup> And Mr. Hoover not only fed the civilian populations, so that more food could be devoted for military purposes, but on at least one occasion furnished these Czarist adventurers directly with American Relief Administration supplies.

This was brought out on the floor of the United States Senate by Thomas Watson of Georgia. After showing how 86 per cent of the Children's Relief Fund had been expended by Hoover inside the borders of Poland, or in contiguous territory, when the Poles were making war on Russia, Senator Watson specifically charged that on July 24, 1919, Captain James B. Martin, in com-

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<sup>1</sup> That the American Red Cross displayed rank favoritism in dispensing relief in Europe is attested to by hundreds of reputable observers. Petlura of the Ukraine peasants' government refused to join Denikine's drive upon Petrograd because the Czarist general declined to guarantee that the Ukrainian peasants could keep their land. The following dispatch by Henry G. Alsberg, the well-known journalist, writing from Kamenets-Podolsk on Sept. 26, 1919, reveals the attitude of the Red Cross in this instance:

“The Ukrainians are condemned to death by the fact that the Entente is backing Denikine,” wrote Mr. Alsberg. “In an interview I had with Petlura he begged that, if only for humanity's sake, the Red Cross would send over a mission to fight typhus. Let me add here that right across the river in Rumania are all the medical supplies necessary, as well as plenty of food with which to feed the dying Ukrainian children. The head of the American Red Cross in Czernowitz and also the head in Bucharest, had a first impulse to send supplies here. But two American Red Cross delegates have since come from Paris who say that they will have to go first to the Ukraine to investigate conditions. One of them told me that the Entente had decided to back Denikine, and would do nothing for the Ukrainians in Petlura's territory. In short, far from having any mission to relieve the terrible suffering, they had been sent merely to report on how near Petlura was to breaking down. The same policy which drove Vienna to the brink of revolution, delivered Hungary into the arms of the Soviet, and the Soviet into the arms of the Rumanians, is being exercised on the Ukrainians in favor of the reactionary Denikine.”

mand of the United States Shipping Board vessel *Lake Fray*, then at Bordeaux, France, loading a cargo for return to the United States, received orders to reload his ship with army trucks and supplies, which were sent by the American Relief Administration to General Judenitch, then in Reval, preparing for his drive against Petrograd.

The whole truth probably never will be told about the intrigues responsible for the successive drives against Soviet Russia by the 200,000 Czecho-Slovakian prisoners of war in Eastern Siberia; followed by Kolchak, Denikine, Judenitch, and Wrangel. Kolchak, who frankly announced that he fought "to restore the throne and the cross," sought popular sympathy in the United States by a series of page advertisements in American dailies.<sup>1</sup> The enormous cost of this advertising campaign was paid in part with funds belonging to the United States government, which were turned over to Boris Bakhmetieff, ex-ambassador from the Czar's court to Washington, and spent by him for devious purposes long after he had any shadow of legal claim to act as representative of any Russian government. Our State Department connived at this defrauding of the country.

On November 14, 1918, we find Mr. Bakhmetieff writing a regretful note to the Secretary of the Treasury, informing that official that he does not possess the cash to meet his interest obligations of \$4,728,997.60 due the United States government; but on January 10, 1919, the interest due the private investors in the \$50,000,000 worth of bonds floated through J. P. Morgan and Company was punctually paid after consultation with United States officials, and with the written approval of the Secretary of State, Robert Lansing. Mr. Wilson, himself, in a cable from Paris, approved this policy. I also have positive knowledge that the Wrangel expedition was financed to the tune of \$14,000,000 by the manufacturer of a certain popular automobile who hoped to get tractor contracts if Wrangel succeeded.

Had the Allied Supreme Councils been able to co-ordinate their drive, it is quite possible that the Soviet government might have been overthrown and the Romanoffs restored as the rulers of Russia. But nationalistic ambitions and the conflicting jealousies

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<sup>1</sup> Admiral Kolchak launched his drive against the Soviet Government from the Province of Perm, which happened to be the location of the largest holdings of Mr. Hoover's Russo-Asiatic Corporation.

of the various anti-Bolshevist leaders effectually prevented concerted action. Finland never threw its full force into the field. There was strong opposition at home to such a campaign, and in the second place Kolchak refused to guarantee Finland's independence in case he put a Czar back on the throne of Russia. The fear of having their new-born nationalism crushed, also prevented Esthonia, Latvia, and Lithuania from giving active support to the Allied program.

The Czecho-Slovakians fought only half-heartedly. The rulers of this new state had driven hard bargains with the United States, Great Britain, and France in return for promises to use the 200,000 men, who had been held as prisoners of war in Russia, to help destroy the Soviet. Doubtless the rulers intended to carry out their agreement, but the troops themselves had slight sympathy with this undertaking. The same is true of the "white armies" recruited by Kolchak and Denikine. Many of the soldiers were ruthlessly conscripted, and naturally they sabotaged constantly and deserted at the first opportunity. Indeed, more than once the "recruits" of the white armies turned their guns against their own officers and went over to the Soviets in a body.

Even the Allied troops had no stomach for this bloody business. American, British, French, and Japanese troops had been sent into Russia in August, 1918,—when secret advices made it clear the pro-Ally Kerensky government was about to collapse—on the theory that they were protecting munitions of war from falling into the hands of the Germans. But, after the armistice with Germany had been signed, this theory was no longer tenable. Several thousand American boys, who had been drafted "to make the world safe for democracy," began to ask why they should lay down their lives fighting Russian peasants in what was an obvious effort to restore the Czarist throne. Nor did these American boys fancy fighting shoulder to shoulder with forces of the Siberian bandit Seminoff, or with the "white Russians" and Japanese who wreaked unspeakable brutalities upon the helpless populace.<sup>1</sup>

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<sup>1</sup> Professor George V. Lomonossoff, the well-known Russian historian, who was a supporter of the Kerensky régime, and therefore cannot be accused of Soviet sympathies, has this to say about the barbarities perpetrated by our Allies in Siberia:

"Kolchak's rule in Siberia has been marked by appalling brutality and organized terror, beside which the most exaggerated stories about the Red Terror in Russia dwindle into insignificance. To prove this one need not rely upon statements



Although the pious lies of their rulers continued to dupe the populations of the United States, Great Britain and France, these homesick boys dying on the desolate steppes of Siberia, or battling amid the blinding blizzards of the Murmansk peninsula, saw plainly enough that their lives were being used as pawns in a sordid, imperialistic scheme. They smuggled letters past the censor, telling relatives and friends why they were still in active service months after the war had been officially ended; and while the American press was still supine under a rigid censorship, Borah, LaFollette, France and Hiram Johnson began to voice outspoken protests on the floor of the United States Senate. Then a Michigan regiment mutinied—most of the officers joining with the men—and this effectually served notice upon Woodrow Wilson and Herbert Hoover that American troops were no longer available to continue this wholly illegal “undeclared war.”

Sailors of the French fleet already had revolted at Odessa; the French and British troops held in readiness at Salonika admittedly were restive; English regiments in the Murmansk peninsula were getting completely out of hand; and the Dominion government of Ottawa—to its eternal credit—flatly informed the Empire that it no longer would permit Canadians to be used in Russia. To make matters worse, another English regiment destined for Russia refused to embark on troop ships, and Lloyd George, in a burst of candor, is said to have told Clemenceau that if they persisted in sending Allied troops against Russia, “Soviets will be set up in London and Paris.”

Then and then only were the United States and Allied “armies of occupation” withdrawn from Russian soil; but this did not mean that the members of the Allied Supreme War and Economic

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from Bolshevik sources. Sufficient evidence has appeared in publications pronouncedly hostile to the Russian Soviet Government.

“The March issue of the *Red Cross Magazine* printed a horrible story of a death train containing hundreds of prisoners taken by the Kolchak forces who were dragged from one end of Siberia to the other end until they succumbed from hunger, cold, and disease.

“A most interesting contribution to the characterization of the present rule in Siberia may be found in the June issue of *Heart's Magazine*. It is written by an American Army Intelligence officer. He frankly admits that 95 per cent of the people in Siberia are Bolsheviks, and that counter-revolutionists are able to keep them down only by methods of extreme brutality. He speaks of cases where Kolchak's Cossacks flogged people into unconsciousness with iron rods. He gives instances of indiscriminate executions of people who dared to voice their protest against the régime of Admiral Kolchak.”

Councils abandoned their efforts to bring about the overthrow of the Soviet government by fair means or foul. It merely meant that instead of using Allied troops, they subsidized mercenaries such as Mannerheim, Gregorieff, Seminoff, and von der Goltz, or encouraged with finances, food, and materials of war every Czarist counter-revolutionary who could raise a following.

When the armies of Kolchak, Denikine, Judenitch, and Wrangel were in turn decisively defeated, Poland was the sole remaining factor on which the Allied councillors could pin their hopes of crushing the Soviets. Europe was sick of war. One would have thought that even the malignant stupidity which seemed to rule the Allied Supreme Councils might have been willing to call a halt on the abortive efforts to smash the Soviets. But Paderewski—the piano-playing premier was merely a puppet in the Allied hands—was led on by promises to invade Russia, and this precipitated another major conflict in Europe at a time when millions of men, women, and children were in imminent danger of starvation because of the economic prostration resulting from the long deferred peace.

Once more it was Herbert Hoover—the “Savior of Europe”—who, under the guise of charity, provided a large proportion of the supplies needed to set on foot this new military enterprise. Taking advantage of the authority which Congress very unwisely had conferred upon him, he filled the public prints with accounts of the dreadful shortage of food among the “Polish children,” and then—ignoring the starving children of other countries—concentrated his efforts in that belligerent nation, thus effectually encouraging and upholding this fresh attack upon the Soviets.

The millions of American money which Hoover poured into Poland were spent at a time when Polish armies were 200 miles beyond the boundaries assigned to them by the League of Nations. In other words, Poland was invading Russia in a war of aggression which the Soviet government sought to avoid, and Hoover was feeding the civilian population so that Polish government might concentrate all its resources in supporting the 700,000 soldiers which it maintained on a 1,600 mile-front. More than \$100,000,000 worth of American army supplies also were turned over to the Polish army, and the American Red Cross established relief stations behind the invading forces.

Senator James Reed of Missouri charged on the floor of the United States Senate on January 4, 1921, that \$40,000,000 of the Congressional relief fund "was spent to keep the Polish army in the field," and, Senator Reed continued, "the Polish army was engaged in a war we never authorized, and with a nation with which we were at profound peace." Senator Reed added that he had documents in his office to prove every assertion he made. Senator Reed under-stated the case.

In addition to the Congressional relief fund, some \$23,000,000 had been raised by popular subscription for the suffering children of Central Europe, and as Senator Watson showed—by far the greater part of this sum also was spent in Poland by Hoover, although the advertisements soliciting contributions had declared that Austrian, German, and Armenian children would receive equal benefits.

That the great bulk of the so-called European relief funds were used to fight the Soviets is clearly revealed by the report which Hoover made to Congress early in January, 1921. This report showed that of the \$94,938,417 accounted for, all but \$8,028,412 was spent in territory immediately contiguous to Russia or in non-Bolshevist Russia. Of this amount, \$51,671,749 was spent in Poland; more than \$6,000,000 was spent in Czecho-Slovakia—when the Czech prisoners of war were attacking Russia—; and the rest of the fund was spent in Finland, Esthonia, Latvia, and Lithuania at a time when the Allies were endeavoring to cajole these small Baltic countries into joining the concerted drive on Russia.

Congress appropriated the fund on the supposition that it was to be devoted to "Central Europe;" but, as the report proves, nothing was spent in Germany, Austria, or Hungary; and of the \$8,028,412 spent in Armenia, it later developed that large amounts were used in rationing an "anti-Bolshevist army" of 20,000 men which had taken refuge there and which the Allies hoped to use in another effort against Russia.

Mr. Hoover's post-war "relief" record is hardly one which reflects credit upon him as "The Great Humanitarian." At the same time, nobody will deny that many millions of children, and not a few millions of adults, were fed by organizations under his direction. Scores of private charities supplemented the official dona-

tions at Mr. Hoover's disposal. Somewhere between 10,000,000 and 12,000,000 tons of American foodstuffs were shipped to Europe in the three years following the Armistice, and other substantial contributions came from Canada, Mexico, South America, Great Britain, Australia, Holland, the Scandinavian countries—in fact from every quarter of the globe.

Every nation in Europe had a smoothly functioning Red Cross organization as the result of the war, and the Friends, the Jewish Joint Distribution Committee, and hundreds of other organizations were in the field—some of them long before Mr. Hoover. Nor did these agencies confine their charity to countries that were warring against Soviet Russia. Undoubtedly the American Relief Administration actually dispensed more food than any other one single agency—it had the most funds—but before we blindly accept Mr. Hoover's own estimate of his services as "Savior of Europe," let us see if it is not possible that the admitted benefits of his persistent interference in European affairs may have been more than outbalanced by the chain of evil consequences which he also set in motion.

The whole world today, especially the people of Germany, are paying—and paying with compound interest—for the selfish, short-sighted stupidities perpetrated by the Treaty of Versailles. Mr. Hoover, of course, was not one of the "Big Four" who actually signed that damnable document, but admittedly he was one of President Wilson's principal advisors; and, while it was being negotiated, he not only helped the negotiators impose their will upon the beaten Central Powers through the medium of the blockade, but later vigorously defended the treaty itself.

Furthermore, while the Allied Supreme Councils supplied money, food, munitions of war, and "moral support" to the so-called "white governments" of Finland, Poland, Armenia, and Siberia, and set on foot the military expeditions of Kolchak, Denikine, Judenitch, Gregorieff, Wrangel, and a dozen others, they are emphatically not in a position to disclaim responsibility for the ensuing loss of life in battle—nor for the ghastly pogroms against Jews as well as against radicals which were the concomitant of each of these counter-revolutionary drives. As a member of, and later chairman of, the Allied Supreme Economic Council, Mr. Hoover must bear his share of the odium; and, as the foregoing pages prove,

his was one of the most vigorous voices in urging the blockade and prolonged military campaign against the Soviets.

Instead of honestly promoting peace, the Supreme Councils of the Allies set up hostile "buffer states"; encouraged the imperialistic aggrandizement of Poland, Italy, Rumania, and Czechoslovakia; deliberately fomented national jealousies in both the Baltic and the Balkans; and launched no less than six military expeditions against Soviet Russia. Between the signing of the Armistice on November 11, 1918, and 1921, at least 21 distinct wars raged in Europe, and famine, pestilence, and unbelievably cruel pogroms stalked in the wake of each.<sup>1</sup>

It is a shameful chapter in our history that while food—purchased with public funds—was being withheld from the starving peoples of Germany, Austria, and Hungary, our so-called representatives in Europe—not content with feeding and financing the armies of Poland—were recklessly squandering government funds, and lavishly giving American relief and Red Cross supplies to such unprincipled military adventurers as Admiral Kolchak, Baron Wrangel, Denikine, Judenitch, "Butcher" Mannerheim, and von der Goltz, the German mercenary.

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<sup>1</sup> Probably the post-war censorship was responsible for the fact that almost no account of the wholesale massacres of Jews in Poland appeared in any American newspaper early in 1919 although the British papers did expose these pogroms. Consequently, this hideous consequence of our interference in internal affairs of Europe is almost unknown to the American people.

At Pinsk on April 5, 1919, Polish soldiers surrounded the Peoples Building where a general conference of cooperative societies was discussing plans for the distribution of flour and shot 90 of the delegates without any trial whatsoever. Later in April several hundred Jews in Vilna were slaughtered and on April 26 the Jewish quarter of Warsaw was raided by soldiers. Once more the casualties mounted into the hundreds.

The Committee for Relief of Jewish War Sufferers, a most responsible organization was cabled by its agents in Warsaw on May 25 that "pogroms took place recently in Kalisch, Dombrowo, Chmelnik, Pinchow, Stupnik, Wielun, Bust, and other parts of Poland . . . on March 12, Polish soldiers pierced the bodies of inoffensive children in Dombrowo . . . officers of the Polish army shot at a crowd. Shops were invaded and robbed and many persons were injured . . . in Kosnitz the Poles forced a Jew to kneel down and kiss Polish ground until exhausted. . . . On the plea that they are searching for hidden weapons, Polish gendarmes invade respectable Jewish homes and rob them of all portable belongings." The cablegram declared explicitly that "The Polish authorities in small towns are instigators of these pogroms." There seems no possible doubt of the situation, and equally no doubt about the propriety of holding the Polish Government responsible for it.

Let it not be forgotten that many of these Polish soldiers were armed with United States rifles sold to them by the War Finance Board, and that many others wore American uniforms supplied from the same source.

It was the ruthless policy of rigid blockade, combined with destructive invasions that ravaged the fertile grain growing regions of the Volga valley for three successive years, which primarily was the cause of the Russian famines in 1921-1923. This took a toll of at least 5,000,000 human lives—fully as many as were saved by all the American relief agencies in Europe—and it will be difficult for Mr. Hoover's most ardent defenders to exculpate him from a direct responsibility for this ghastly catastrophe.<sup>1</sup>

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The following extract from a letter written by the Lithuanian National Council to Dr. Henry Moscowitz, the well-known social worker, appeared in the New York press of June 14, 1919, and gives some slight idea of the cruelties perpetrated by the Polish troops:

"Using Bolshevism as a pretext, Poland has invaded and is now occupying large parts of Lithuania. Its troops are there indulging in atrocities so horrible that the entire liberal opinion of the world stands aghast and raises the query once more whether Poland can really be trusted with the powers of self-government."

Official confirmation of the appalling atrocities committed in pogroms conducted by Polish troops may be had in the report of Sir Stuart Samuel, who was commissioned by the British Government to investigate the massacres or ill treatment of Jews in Poland. This report, covering seven large closely printed pages, was transmitted to Earl Curzon on June 2nd, 1919. The complete report may be read in the International Relations Section of *The Nation* of August 7, 1920.

<sup>1</sup>The fact that the American Relief Association and other agencies later spent some \$50,000,000 in aiding the starving Russians might, at first thought, make the foregoing indictment seem ridiculous, but in the succeeding chapter the true story of Mr. Hoover's connection with Russian relief will be told in full—and told for the first time. When the reader is in possession of these facts he will be in better position to judge whether Mr. Hoover is entitled to be hailed as "The Great Humanitarian."

## CHAPTER XIX

### *THE TRUTH ABOUT RUSSIAN RELIEF*

RUSSIA was desperately short of food even during the middle stages of the World War. The revolution of March, 1917, which ousted the Czar, had its inception in bread riots in Petrograd. Wholesale graft and miserable inefficiency under the Romanoff régime had brought about an almost complete collapse of industry and transportation throughout Russia months before the Bolsheviks appeared on the scene, and the vacillating Kerensky government had done little to remedy matters. City populations of Russia were on decidedly short rations when the World War ended.

But, instead of rushing supplies into Russia, the Allied Supreme Councillors tightened the already rigid blockade; and after a few vague gestures toward recognition and peace, Woodrow Wilson weakly allowed himself to be pushed into a position where publicly he was proclaiming the principles of democracy, while secretly he financed military adventurers who were seeking to restore the Romanoffs.

Herbert Hoover, as we have shown in the preceding chapter, must shoulder most of the responsibility for this. As chairman of the Allied Supreme Economic Council, and head of the American Relief Administration, he not only was the President's chief advisor in so-called "reconstruction policies," but he had a fairly free hand in distributing the foodstuffs which Congress had placed at his disposal.

The Allied Supreme Councillors were repeatedly warned that the blockade of Russia was causing terrible suffering among millions of people. On April 2, 1919, William C. Bullitt, Lincoln Steffens and Captain W. W. Pettit returned from Petrograd with peace proposals from the Soviets. They also brought back authentic information showing that famine already was impending in Russia—

and, as Bullitt stated, "the blockade by land and sea is the cause of the distress."

Others besides Bullitt solemnly warned the Allied Councillors of the inevitable consequences of continuing the blockade against Russia. On April 3, 1919, Dr. Fridtjof Nansen, the celebrated Norwegian explorer, who had dedicated himself to trying to restore international goodwill, wrote to Woodrow Wilson, calling attention to the fact that in Russia "hundreds of thousands of people are dying monthly from sheer starvation and disease," and suggesting the creation of "a commission of a wholly non-political order, devoted solely to the humanitarian purpose of saving life. If thus organized upon the lines of the Belgian Relief Commission, it would raise no question of political recognition or negotiations between the Allies with the existing authorities in Russia."

Hoover was present at the meeting of the "Big Four" which discussed Nansen's letter, and Prof. H. H. Fisher, formerly "official historian" of the American Relief Administration, now lecturer of history at Stanford University, is authority for the statement that the reply was personally drafted by Hoover. That note, delivered to Nansen on April 9, follows:

"Dear Sir:

"The misery and suffering in Russia described in your letter of April 3rd, appeals to the sympathies of all peoples. It is shocking to humanity that millions of men, women and children lack the food and necessities which make life endurable.

"The Governments and peoples whom we represent would be glad to cooperate, without thought of political, military or financial advantage in any proposal which would relieve this situation in Russia. It seems to us that such a commission as you propose would offer a practical means of achieving the beneficent results you have in view, and could not, either in its conception or its operation be considered as having any other aim than the 'humanitarian purpose of saving life.'

"There remains great difficulties to be overcome, political difficulties owing to the existing situation in Russia and difficulties of supply and transport. But if the existing local governments of Russia are as willing as the Governments and people whom we represent to see succor and relief given to the stricken peoples of Russia, no political obstacle will remain. There will remain, however, the difficulties of supply, finance and distribution in Russia itself. The problem of supply we can ourselves hope to solve, in connection with the advice and cooperation of such a commission as you propose. The problem of finance would seem to us to fall upon the Russian authorities. The hope of transport of supplies to Russia we can hope to meet with the assistance of your own and other neutral governments whose interest should be as great as our own and whose losses have been far less. The problems of transport in Russia and of distribution can be solved only by the people of Russia themselves, with the assistance, advice and supervision of your commission.

"Subject to your supervision, the problem of distribution should be solely under the control of the people of Russia themselves. The people in each locality should be given, as under the régime of the Belgian Relief Commission, the fullest opportunity to advise your commission upon the methods and personnel by which their



community is to be relieved. In no other circumstances could it be believed that the purpose of this relief was humanitarian and not political; under no other condition would it be certain that the hungry would be fed.

"That such a course would involve cessation of all hostilities within definite lines in the territory of Russia is obvious. And the cessation of hostilities would necessarily involve a complete suspension of the transfer of troops and military material of all sorts to and within the Russian territory. Indeed, relief to Russia, which did not mean return to a state of peace would be futile and would be impossible to consider.

"Under such conditions as we have outlined, we believe that your plan could be successfully carried into effect, and we should be prepared to give it our full support.

(signed)

V. E. ORLANDO  
D. LLOYD GEORGE  
WOODROW WILSON  
G. CLEMENCEAU"

At first reading, the above reply might seem a fairly reasonable acceptance of Dr. Nansen's offer, but the suggestion that hostilities must cease contained elements of grim humor when one reflects that the Finns and the Czecho-Slovakians, as well as Kolchak's and Denikine's expeditions, even then were being financed by the Allied governments and fed in part with American Relief Administration supplies furnished by Hoover. And, of course, the other condition that the Soviets must completely suspend all transfer of troops would have worked out entirely to the advantage of the counter-revolutionists. The Soviets were facing foes on several widely separated fronts, and could only cope with them by moving their armies from place to place; whereas Kolchak and Denikine and the Finns were recruiting their forces and constantly receiving fresh supplies from the Allies.

The Soviet government, in a long reply written by Tchicherin, declared that Dr. Nansen's "humanitarian intentions" had been "fundamentally disfigured by the governments of the Associated Powers." Tchicherin added that the famine in Russia was caused by "inhumane blockade and by the incessant wars forced upon it against its will. If left in peace and allowed free development, Soviet Russia would soon be able to restore her national production and to regain her economic strength, to provide for her own needs and to be helpful to other countries . . ."

Unfortunately, just as the Soviet peace proposals, and Dr. Nansen's suggestions for Russian relief came before the Allied Councilors for consideration, the Kolchak-Denikine forces won a few temporary victories.<sup>1</sup> Scenting the early collapse of the Bolsheviks,

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<sup>1</sup>The following excerpt from Mr. Bullitt's testimony—(on page 1270) before

the Allied Councillors promptly broke off all negotiations and Dr. Nansen's humanitarian plan fell through. He continued his efforts to alleviate the suffering in Russia, soliciting private funds in the Scandinavian countries and England, and broadcasting world appeals. This, however, availed but little in the face of the continued Allied blockade.

A few years later, Herbert Hoover's publicists made the American people believe that he was entitled to practically all the credit for coping with the Russian famine. Yet, as the foregoing facts show, it was Dr. Nansen who first suggested Russian relief in April, 1919, and at that time Hoover was decidedly cold to this proposal. Moreover, while Dr. Nansen was touring the capitals of Europe making personal appeals for the starving Russians, Herbert Hoover not only was giving his sanction to the Russian blockade; but was dispensing foods to the Finnish forces which were invading Soviet territory; and also was aiding the Baltic states and such portions of "liberated Russia" as were under the control of the "White armies." This is not a personal conclusion on my part. It is admitted—though perhaps unwittingly—by the official statements of Hoover's own aides:

No. 8, Series No. 2, of *The American Relief Administration Bulletin*, unmistakably reveals that Hoover's relief agency was supplying "white Russia" with foodstuffs paid for by the United States taxpayers at the same time that the Allied blockade—agreed to by Wilson as President and Hoover as chairman of the Allied Supreme Economic Council—was bringing the famine measurably nearer in Soviet Russia.

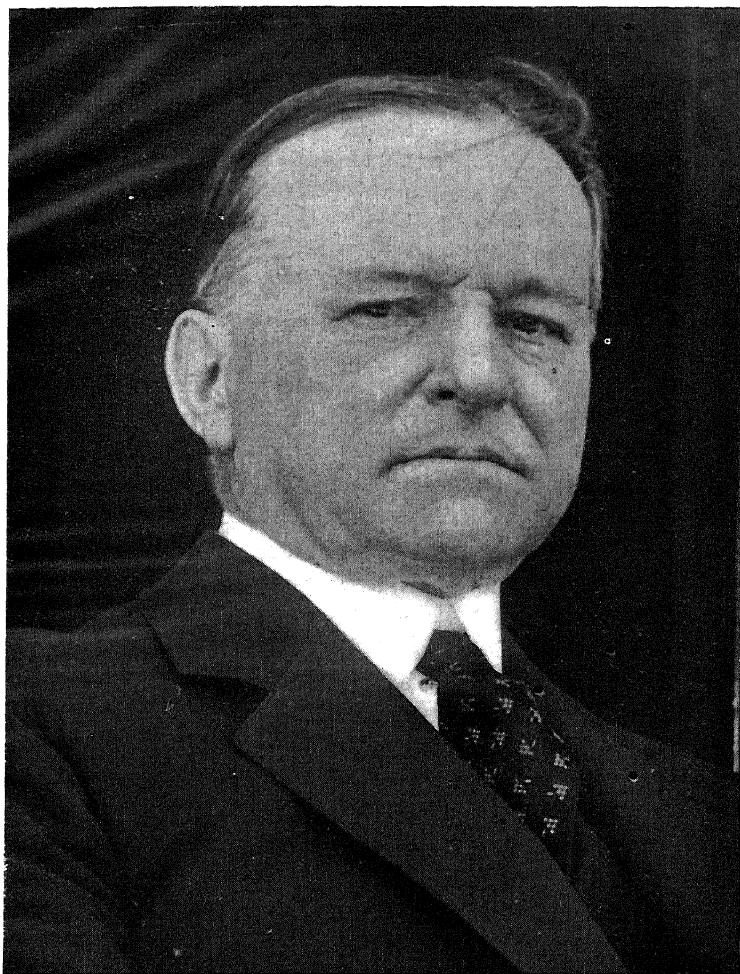
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the Senate committee may be of interest in showing why the imminently reasonable Soviet peace proposal was allowed to lapse:

Senator Harding. Lest I missed something while I was out of the room I am exceedingly curious to know why the Soviet proposal was not given favorable consideration.

Senator Knox. Mr. Bullitt has stated that.

Mr. Bullitt. The principal reason was entirely different. The fact was that just at this moment, when this proposal was under consideration Kolchak made a 100-mile advance. There was a revolt of peasants in a district of Russia which entirely shut off supplies from the Bolshevik army operating against Kolchak. Kolchak made a 100-mile advance, and immediately the entire press of Paris was roaring and screaming on the subject announcing that Kolchak would be in Moscow within two weeks and therefore everyone in Paris, including, I regret to say, members of the American commission, began to grow very lukewarm about peace in Russia, because they thought Kolchak would arrive in Moscow and wipe out the Soviet government.



Underwood & Underwood

**THEODORE J. HOOVER**

*Brother of Herbert Hoover is now Dean of Engineering at  
Stanford University.*



"The American Relief Administration's work in the liberated regions of Russia has followed closely the fortunes and mishaps of the forces arrayed against Bolshevism," the *A. R. A. Bulletin* declared. "From the beginning of the relief in April, 1919, its field of operations has enlarged or contracted as Rodzianko's and Judenitch's men advanced or retreated. . . .

"The work of feeding in Pskoff proper came to an end on the 26th of August with the capture of that city by the Soviet troops. Part of the district remained in the possession of the Whites and there the work was carried on as before. . . .

"There was little change during September until the offensive against Petrograd began [This was Judenitch's drive]. September the 28th saw the White troops under way in the direction of Luga and the A. R. A. European Children's Fund following the army and feeding the children of the districts newly liberated. . . .

"On the 15th of October, General Judenitch announced that Petrograd would fall within three days. On the 16th, Karsnoe Selo was captured and the A. R. A. immediately organized a kitchen there. . . .

"The difficulties encountered in the work of liberating Russia, the rapid movements of the troops in advance and retreat, and the fact the children fed were constantly shifting from place to place, has made it impossible for the Administration to keep charts showing mortality among the little ones or the improvement in their physical condition. . . ."

Nothing could better show the purely political complexion of Herbert Hoover's relief work than the above quotation from the *A. R. A. Bulletin*—and nothing could more conclusively demonstrate that supplies appropriated by Congress were used to support the Czarist forces which were trying to crush the Soviets. Hoover's aides in Russia were doing just what Captain Gregory boasted of doing in Hungary:—feeding the reactionaries and dangling food before the radicals in the hope that their famished condition would induce them to desert to the other side—where they would be offered a square meal.

Mr. Hoover's activities in Poland have been touched upon in

the preceding chapter. To recapitulate briefly, it is only necessary to point out that when Pilsudski, Paderewski and Grabski finally were persuaded to launch 700,000 troops into Russia in a last desperate effort to over-throw the Soviets, Herbert Hoover, using both the American Relief Administration and European Children's Relief Fund, spent nearly \$90,000,000 inside the boundaries of Poland while the Polish armies were invading Russia. When the Poles were beaten back across their own borders almost to the gates of Warsaw, the agents of the A. R. A. hastily retreated, evacuating their supplies as they went. More than once Red Cross supplies and A. R. A. foodstuffs were destroyed to keep them from falling into the hands of the Russians, although the populations left behind the lines were almost destitute. Mr. Hoover spent this money in the name of charity; but obviously his real intent was to bolster up this final drive against the Bolshevists.

When the Polish campaign eventually collapsed in August, 1920, and Wrangel's expedition was chased out of the Crimea, the Allied Councillors finally began to see that they could not overthrow the Soviets by force of arms. This brought about a definite shift in Allied policy.

Great Britain, realizing that the Soviet government was permanent, stole a march on her Allies by opening negotiations for the resumption of trade relations. It also may be presumed that Herbert Hoover saw the handwriting on the wall, for the train which bore the Polish delegates to Minsk, where they signed an armistice agreement, also carried Maurice Pate and H. C. Walker, A. R. A. representatives, who went to see if some plan could be worked out with the Soviet authorities whereby the feeding of 200,000 children in the Ukraine and White Russia could be continued, pending the territorial adjustment between Russia and Poland. They also inquired as to conditions under which relief might be carried on in Russia proper.

Naturally, the Soviet authorities were not enthusiastic about allowing the Hoover organization to enter Russia. They replied they had machinery fully adequate to distribute relief, and said that "new and technically unnecessary machinery for relief," such as the committees the American Relief Administration had set up in neighboring nations, would be wholly unnecessary. Plainly, they feared the A. R. A. as a counter-revolutionary organization

—and in view of Hungary's experience their fears were quite understandable.

Later, in October, 1920, after the treaty between Poland and Soviet Russia had been signed, the A. R. A. asked if it might open some soup kitchens in Minsk, then a part of Soviet Russia, but largely inhabited by Polish sympathizers. The Soviet authorities replied that the request would be considered if the United States State Department formally made such a request. Hoover did not press the matter.

Despite the blockade, and the drastic censorship which still cut off Russia from the outside world, and despite Herbert Hoover's repeated refusals to make an appeal in Russia's behalf,<sup>1</sup> the truth about the impending famine began to leak out to the outside world. Dr. Nansen was laboring mightily to raise private funds and he was not a man who could be silenced or ignored. Also, the Quakers and Jewish Joint Distribution Committee carried on their work in Russia after the American Red Cross withdrew, and from time to time their returning workers brought word of the terrible distress brought about by the blockade.

Not unnaturally, Mr. Hoover's refusal to do anything for Russia after his prodigality in other parts of Europe—especially those sections which were fighting the Bolsheviki—began to arouse unfavorable comment in the liberal and labor press.<sup>2</sup> The Friends of Soviet Russia and other radical organizations were beginning to solicit relief without waiting for Mr. Hoover. Likewise they were noising about the story of his enormous expenditures in Poland at

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<sup>1</sup> In December, 1920, Hoover became chairman of the European Relief Council which launched a drive for \$33,000,000 fund for the aid of Central Europe. Hoover declined to devote any of this money toward Russia. In January, 1921, Dr. Judah L. Magnes of the Joint Jewish Relief committee urged Hoover to aid Russia and his letter evoked a reply which stated:

"I would say first that I will not ask the American people for charity toward Bolshevik Russia until complete American supervision can be established, upon the same terms as we act everywhere else in the world; second, that the organization I direct will not jeopardize Americans by establishing them in Russia so long as Americans are held prisoners without cause."

A month later when the Friends received a cable stating that the Soviet government would give them "the fullest opportunity" to distribute relief supplies from America, Mr. Hoover was once more approached but could not be persuaded to undertake the task.

<sup>2</sup> On Feb. 16, 1921, in an editorial entitled "Mr. Hoover, Feed Russia," the *New York Nation* stated among other things that "We cannot understand the conception of charity which selects children to feed according to the politics or even the actions of their parents."

a time when the Polish troops were invading Russia. And now and then hints would be made in public that conceivably Mr. Hoover's cancelled concessions in Russia might partly explain his apparent reluctance to include the Russian children in his numerous relief undertakings.

It was apparent by February, 1921, that Russia was facing one of the worst famines in all history. The Quakers, Jewish Joint Distribution Committee, and Russian Red Cross were broadcasting frantic appeals, and Dr. Nansen, making public addresses in all the capitals of Europe, raised nearly \$6,000,000 in less than five months. In Great Britain, where the situation was well known, thanks to the publicity of the British Friends and Dr. Nansen's efforts, the press was sympathetic to Russian relief; but in the United States, unfortunately, the daily papers practically ignored the famine.

This was why Wilbur K. Thomas of the Quakers, Dr. John J. Ohsol of the Russian Red Cross, Captain Paxton Hibben of the Near East Relief, Dr. Judah Magnes of the Jewish Joint Distribution Committee, and others personally appealed to Hoover to at least make a statement calling attention to the situation so that private agencies would have a fair chance of raising relief. At that time Mr. Hoover was so thoroughly established in the public mind as "The Great Humanitarian" that it was almost impossible to collect substantial charitable donations without his indorsement.

Month after month went by, each week adding to the grisly toll which hunger was taking in Russia, but Mr. Hoover did not make the desired statement. Instead, assertions were traced to some of his aides which subtly discouraged the raising of relief. Hoover, himself—ignoring the blockade which he had helped to impose—invariably attributed the misfortune to a breakdown of industry brought about by Socialism. He also overlooked few opportunities to arouse hostility by stressing the fact that a few Americans were held in the Russian jails for counter-revolutionary activities. Furthermore, I have it on the best authority, that more than once Herbert Hoover used his influence with the State Department to hold up the passports of relief workers, who were being sent to the famine districts by the Quakers.

When June arrived the world began to have some realization of



the horrible situation in Russia. A population of nearly 35,000,000 in the famine regions was threatened with extinction. Whole villages were being wiped out and hordes of hungry, diseased refugees were flocking into the cities, which also were short of food. Lloyd George, apparently repenting his earlier attitude, declared "it is one of the worst catastrophies in all civilization," and Sir Phillip Gibbs described the horrors which he had seen in a series of graphic articles which did much to arouse sympathy.

Then, in July, 1921, the Patriarch Tikhon, head of the Greek Catholic church in Russia, and Maxim Gorky, the famous novelist, addressed separate appeals for help which were spread around the world. Gorky's message, published by the American press late in July, was addressed "To All Honest People." He recited the harrowing story of the Allied blockade; the counter-revolutionary invasions; and then told of the drought and crop failure. He stated, in moving language, that millions of men, women and children in Russia were threatened with slow starvation, and concluded with the plea: "I ask all honest European and American people for prompt aid to the Russian people. Give bread and medicines."

Hoover, on July 23, cabled Gorky as follows:

"I have read with great feeling your appeal to Americans for charitable assistance to the starving and sick people of Russia, more particularly the children. To the whole American people the absolute *sine qua non* of any assistance must be the immediate release of the Americans now held prisoners in Russia and adequate provision for administration. Once these steps have been taken the American Relief Administration, a purely voluntary association and an entirely unofficial organization of which I am chairman, together with other cooperating charitable American organizations supported wholly through the generosity of the American people, have funds in hand, by which assistance for the children and for the sick could be undertaken immediately.

"This organization previously during the last year intimated its willingness to undertake this service as one of simple humanity, disengaged absolutely from any political, social or religious motives. However, for obvious administrative reasons it has been and is compelled to stipulate for certain undertakings. Subject to the acceptance of these undertakings, we are prepared to enter upon this work. We are today caring for three and one-half millions of children in ten different countries, and would be willing to furnish necessary supplement of food, clothing and medical supplies to a million children in Russia as rapidly as organization could be effected. The administrative conditions that we are obliged to make are identically the same as those that have been established in every one of the twenty-three countries where operations have been conducted one time or another in care of upwards of eight million children.

"The conditions are that the Moscow Soviet authorities should give a direct statement to the Relief Administration representatives in Riga:—

"A.—That there is need of our assistance.

"B.—That American representatives of the Relief Administration shall be given full liberty to come and go and move about Russia.

"C.—That these members shall be allowed to organize the necessary local committees and local assistance free from governmental interference.

"D.—That they shall be given free transportation, storage and handling of imported supplies with priority over other traffic, that the authorities shall assign necessary buildings and equipment and fuel free of charge.

"E.—That in addition to the imported food, clothing and medicines the children and the sick shall be given the same rations of such local supplies as are given to the rest of the population.

"F.—That the Relief Administration must have the assurance of non-interference of the government with the liberty of all of its members.

"On its side the Relief Administration is prepared as usual to make a free and frank undertaking:

"First. That it will, within its resources supply all children and invalids, alike without regard to race, creed or social status.

"Second. That its representatives and assistants in Russia will engage in no political activities.

"I desire to repeat that these conditions are in no sense extraordinary, but are identical with those laid down and readily accepted by the twenty-three other governments in whose territories we have operated."

On July 31 the Soviet government formally accepted Hoover's conditions. On August 10 Walter Lyman Brown, director for Europe, assisted by P. H. Carroll, J. C. Miller, and C. J. Quinn, respectively heads of the German, Polish, and Baltic branches of the A. R. A., met in Riga with Maxim Litvinov, assistant Soviet Commissar of Foreign Affairs, to work out details for the operations in Russia. After ten days of discussion, an agreement was signed on August 20, which incorporated all the conditions set forth in Hoover's cablegram of July 23.

The A. R. A. had approximately \$10,000,000 remaining from the Congressional relief fund. This money was immediately available for Russia. Seven days after the Riga agreement was signed, the first A. R. A. Russian unit arrived in Moscow. The first kitchen was opened in Petrograd on September 7. By mid-December, approximately 600,000 children were receiving at least one meal a day. It was evident from the first that the funds which the A. R. A. had on hand would be woefully inadequate to cope with the disaster. On December 6, in a special message to Congress, President Harding asked for an appropriation of \$20,000,000 for Russian relief, and after hearings by the House Ways and Means Committee and lengthy debates in the Senate, the bill was passed on December 22 and promptly signed by the President.

Hoover was appointed head of the purchasing commission to expend the appropriation, and President Harding signed an execu-

tive order which transferred \$4,000,000 of surplus war supplies and medicines to the A. R. A. Previously the Red Cross had agreed to furnish the A. R. A. with \$3,600,000 of medical supplies. The Soviet government also advanced \$12,000,000 in gold for the purchase of seed wheat, so that by January 1, 1922, the agencies under Hoover's control had an aggregate fund of nearly \$50,000,000 for the purchase of relief supplies and their transportation to Russia. By the end of January the A. R. A. was feeding approximately 1,000,000 children in its various relief stations throughout the Volga valley.

Now we come to the all-important question of motive:

Why did Mr. Hoover, after months of inactivity, if nothing worse, in the face of a vast and growing calamity, abruptly change front and begin rushing relief into Russia? In any attempt to review Mr. Hoover's record, or to assay his character, it is essential that this question be answered—and answered correctly. At this point I must confess my inability to look into Mr. Hoover's mind. Therefore, I do not know whether his prompt response was a spontaneous humanitarian impulse; whether he decided that longer delay in view of the world-wide circulation given to Gorky's appeal "To All Honest People" might prove damaging to his reputation as "The Great Humanitarian;" or whether he was moved in part at least by even less creditable motives. Indeed, I am not even sure that praise for our participation in Russian relief does not properly belong to President Harding.<sup>1</sup> All I can do is to pre-

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<sup>1</sup> It was rumored in Washington at the time that the suggestion for Russian relief originated with President Harding and in view of the admitted facts the rumor at least seems reasonable. Senator Joseph I. France of Maryland, who was foremost in the fight for recognition of Russia and the resumption of trade relations—he also actively aided in relief—grew tired of arguing with Hoover and finally centered his appeals on Mr. Harding. Other Senators also appealed to the President. Despite his personal derelictions, Warren Harding was exceptionally warm hearted and easily moved by any emotional appeal. Moreover, he was sincerely sympathetic to Russia.

As a Senator more than once he had criticized the "undeclared wars" which Woodrow Wilson was waging against the Soviets and those close to Harding before his election freely predicted that he would recognize Russia. (As a matter of fact he did permit the resumption of trade.) Harding also was a shrewd politician. While he had had nothing to do with the expenditure of \$90,000,000 of the taxpayers' funds in helping finance Poland's invasion of Russia, he realized that it would lay open his administration to attack if relief were longer withheld. Also, the country then was in the throes of a post-war "deflation" and Harding's advisors knew Russian relief could be utilized to work off surplus stocks of grain, thus raising prices for agricultural products and helping allay the rumblings of discontent among the congressmen from the Middle West.

sent certain heretofore unpublished facts and then let the reader draw his own conclusions:

The British Foreign Office had finally realized that the Soviet government was firmly established. Always realistic in political and business dealings, the British accepted the situation and tried to turn it to their own advantage by unofficially recognizing the Soviet government, and formally resuming trade relations in March, 1921.

In May, 1921, the Russo-Asiatic Consolidated, Ltd.—which then held all the stock of the Kyshtim, Irtysh, and Tanalyk companies in which Mr. Hoover had been so heavily interested—opened negotiations with the Soviet authorities for the restoration of its vast properties which had been confiscated in 1918. These negotiations were carried on between Leslie Urquhart, chairman of the board of directors of the Russo-Asiatic Corporation, and Leonid Krassin, head of the Russian Trade Delegation to Great Britain.<sup>1</sup>

The negotiations between Urquhart and Krassin, which were progressing satisfactorily on July 6 when the Russo-Asiatic shareholders met, continued without interruption until early in August, when the Moscow government cabled to Krassin that it would agree to the return of the Russo-Asiatic properties in the form of a long-term concession. There were, however, certain details of the working agreement on which Krassin and Urquhart had not been in full accord, and the Soviet authorities invited Urquhart to come to Moscow to adjust these disputed points.

Urquhart left London for Moscow on August 14, and, before leaving, he informed the stockholders of the Russo-Asiatic Corporation that he had reason to believe all the questions at issue "will

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<sup>1</sup> The written report of the directors of the Russo-Asiatic Corporation, sent to shareholders in advance of the first annual general meeting held at Winchester House, Old Broad Street, London, E. C., on Wednesday, July 6, 1921, stated:

"In 1918 these properties were confiscated by the Soviet authorities and claims for £56,000,000 (\$280,000,000) against those authorities, based on the stocks of metals, materials, etc., on the profit value of the proven ore reserves and the cost of plant, machinery, etc., were filed with the Foreign Office.

"Following the conclusion of a Trade Agreement between the British Government and the Soviet authorities, certain negotiations took place regarding the return of the confiscated properties and the resumption of work thereon. These negotiations were being continued and further reference will be made at the general meeting. Recent information received from the Russian properties confirms that no material damage has been done."

be settled to our satisfaction." Urquhart arrived in Moscow on August 20—the conference in Riga between the A. R. A. officials and the Soviet representatives was then in session—and he remained until September 12 in almost continuous conference with the Technical Economic Commission, appointed by the Soviet government for the express purpose of coming to an understanding with the Russo-Asiatic Corporation. The final decision, however, had to be submitted by the Economic Commission to the Council of People's Commissars under the chairmanship of Lenine.

As the result of their negotiations, an agreement embodying 27 clauses was prepared. When Urquhart left Russia on September 12, he had reached an agreement with the Economic Commission on 18 of these clauses, and, according to a letter signed by Mr. Urquhart, now in my possession, "in certain other clauses but slight disagreement existed."

It would seem, therefore, that when Leslie Urquhart left Moscow he was confident that his properties would be returned; but after several conferences with his fellow-directors on his arrival in London, he wrote to Leonid Krassin on October 11, 1921, "that the measure of disagreement between us and the Soviet government on vital points of this contract is so great, the attitude of the Soviet government and the present political and economic conditions in Russia so impossible, that we cannot see our way at present to continue the negotiations for the return of our properties, and prefer to remain as heretofore, claimants against Russia for damages caused by the Soviet government for unlawful appropriation of our properties and working capital."<sup>1</sup>

It may be purely a coincidence, but on November 11, 1921, shortly after Urquhart's letter to Krassin, Col. William N. Haskell, A. R. A. director for Russia, wrote to Alexander Eiduk, who had been appointed to act as liason officer between the Soviet authorities and all foreign relief organizations, charging the Russian government with failure to adhere to the Riga agreement, and threatening not to recommend any further assistance toward abating the famine. The significant passages in Colonel Haskell's letter of November 11 follow:

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"I regret exceedingly to be compelled to bring to your notice the serious

<sup>1</sup>The Russo-Asiatic Consolidated had filed a claim with the British Foreign office for £56,000,000 damages against the Soviet government.

situation in which the American Relief Administration finds itself at the present moment in its endeavor to carry out the important work on which it has embarked and to call particular attention to the lack of cooperation which the American Relief Administration is receiving from the Russian Government and the failure of the Russian Government to carry out their part of the agreement signed at Riga, August 20th. It would be impossible to enumerate all the broken promises and obstacles placed in the way of progress in our work by officials of the Soviet Government. In most cases the officials who have obstructed our work have been, I believe, subordinates in the various bureaus, but that fact is immaterial, as when obstruction is made the work stops."

After citing several cases of what he considered interference on the part of minor Soviet officials, Colonel Haskell, *after mentioning the possibility of greatly increasing contributions from the United States*, concluded:

"However, I am inclined to feel many misgivings as to the propriety of lending my influence and recommendation to any further assistance for Russia so long as the Russian Government through its representatives is unable to handle and provide the necessary means for handling the operations already under way within this country. If it requires so much pleading; letter writing and delay to accomplish our present program, I view with great doubt the ability of the Russian Government to carry through any relief program which will double, triple or quadruple the cooperation necessitated at the present time and which might require perhaps five or ten times the means now required from the Russian government."

The Soviet authorities finally smoothed things over. And, as has already been related, the Congress of the United States soon greatly increased America's contribution.

Meanwhile, despite his own admission that the sums available were wholly insufficient to feed the starving millions of Russia, Mr. Hoover, for reasons best known to himself, saw fit to discourage or oppose practically all the private relief agencies which were trying to raise funds in the United States to augment the government's \$20,000,000 appropriation.

The story of his activities in this direction is too long and too complicated to be retold at this time. Suffice it to state, that in a letter to President Harding he issued a blanket condemnation of more than 200 relief agencies as being "frankly communistic." He attacked another committee, composed of several hundred public-spirited men and women—including 10 Congressmen and 14 Governors—by inspiring newspaper attacks which were based on an old copy of a telegram sent out by the Department of Justice

concerning a committee of a similar name which had no connection whatsoever with the committee Mr. Hoover was opposing.<sup>1</sup> He seemed particularly bitter against the Russian Red Cross, although that organization had exactly the same international standing as the American Red Cross. Even the Quakers were not immune from Mr. Hoover's subtle opposition.<sup>2</sup>

When he personally launched this wholesale attack against private relief agencies, Mr. Hoover's publicity bureau began circu-

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<sup>1</sup> Hoover's charges on this occasion were false in many particulars. Senator France of Maryland, a member of this committee declared Mr. Hoover's tactics were "both underhanded and despicable."

<sup>2</sup> The unwarranted attacks by Mr. Hoover on private relief agencies provoked the following editorial in the *New York Globe* of February 9, 1922:

#### "TAKING FOOD FROM THE STARVING

"The natural consequences of the silly attack upon various bodies which are collecting funds and food for Russians in the famine areas will be to add to the millions of impotent and innocent victims. Bureaucrats scattered throughout the Department of Justice, the Department of State and the Department of Commerce, for purposes of publicity are carrying on a private war with the Bolshevik government. As individuals these press agents are entitled to their opinions, but it is an offense against humanity for them to attempt, as was done this morning, to stop the sending of food to the starving.

"Impartial information concerning the state of affairs in Russia is not scarce. Besides official investigations, many of the leading papers of this country and of England have sent correspondents into the country to make direct reports.

"Their testimony has been unanimous. Millions of peasant farmers with their women and children are in the stricken area. Lloyd George referred to the Russian famine as one of the great catastrophes of civilization. The need is so obviously terrible that the conscience of the civilized world was aroused. Congress acted, and many voluntary associations of citizens, men and women, most of whom loathed the Bolshevik government as completely as in other years they had despised the czarist regime, began to raise funds for the relief of those about to die.

"It is conceivable that some of the Bolshevik partisans in this country may have said foolish and prejudiced things. But what difference does that make? The anti-Bolshevik partisans are not less mad. The vast majority of the men and women concerned in Russian relief are thinking about the hunger of women, of little children, of simple farmers who are wasting to death, and not about Bolshevik politics. The attack made upon these organizations is consequently as infamous as it is absurd. The President of the United States has been conspicuous among those who were unwilling to sit idly by while millions of Russians went down to death because of the lack of food. The bureaucratic propagandists who liberate innuendoes and inspire slanders against these relief organizations might as logically attack the President.

"The Washington propaganda has grown to menacing proportions. The State Department, the Department of Commerce, and the Department of Justice are all infected with it. Messrs. Hughes and Hoover and Daugherty will do well to clean their houses before public irritation reaches too high a point. The American people will not long endure a presumptuous bureaucracy which for its own wretched purposes is willing to let millions of innocent people die."

lating erroneous reports that the transportation system in Russia had broken down.<sup>1</sup> This propaganda created the impression that there was little use in subscribing to relief funds, as supplies could not reach the starving Russians in time to be of assistance. These reports unquestionably decreased the amounts collected.

Now let us go back and look into the status of the negotiations between Leslie Urquhart and the Soviet government:

In June and July, 1922, conferences were held at The Hague between representatives of the British and Soviet governments. In return for recognition, the Soviets agreed to pay the debts contracted by the Imperial government, and also promised to give compensation to the former owners of properties which had been confiscated by the Russian government.

The long-drawn conferences finally came to nothing, but when the government representatives failed to reach an understanding, Mr. Urquhart—at the invitation of the Soviet authorities—once more resumed negotiations on his own account. In a statement made to the shareholders of the Russo-Asiatic Corporation he declared: “We felt confident of finding them in a more tractable mood than they were a year and a half ago, when as you recall, our attempt to reconcile Communistic theories with business realities proved a failure.”

While it may merely be another coincidence, it is interesting to learn that while Mr. Urquhart and the Soviet authorities were negotiating for the restoration of their enormously valuable mineral properties, the members of the American Relief Administration staff in Russia were meeting in Moscow, convening on June 17, to decide whether the relief work should be continued. Edgar Rickard, director general of the A. R. A.; James P. Goodrich, former governor of Indiana, member of the board of trustees and

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<sup>1</sup> Capt. Paxton Hibben, formerly of the Near East Relief, made the following statement concerning Mr. Hoover's activities along these lines in a letter printed in the *New York World* of April 30, 1922. Capt. Hibben, in part wrote: “Early in January various persons of standing connected with Russian relief agencies in no wise radical came to me with the following statement: ‘You know of course that Mr. Hoover is interfering with the collection of funds for famine stricken Russia by telling people there is not transportation for any more food than the American Relief Administration are already sending. He says that even if the capacity of the ports is increased there is a point in the railway system beyond which only 4,000 tons a day can be carried. This point he compares to the narrow neck of a bottle.’ As a matter of fact I did not know that Mr. Hoover was doing this, but I made inquiries and found that he was.”



special investigator; Walter Lyman Brown, director for Europe; Colonel Haskell and his principal assistants; and Christian A. Herter, who came directly from Washington as Mr. Hoover's representative, attended this conference. Nothing definite was decided. It was agreed that the final decision as to whether the A. R. A. should continue its relief work in Russia would be left to a meeting of the A. R. A. officers to be held in New York on July 30.

Those present at the New York conference on July 30, 1922, were Herbert Hoover, Julius Barnes, Edgar Rickard, W. B. Poland, George Barr Baker, Walter Lyman Brown, A. T. Dailey, Perrin C. Galpin, James P. Goodrich, Colonel Haskell, C. A. Herter, F. C. Page, Lawrence Richey (Mr. Hoover's private detective), R. H. Sawtelle, and Edwin P. Shattuck (of Cuban sugar lobby fame).

The New York conference finally announced that the relief work was to be materially decreased after the next harvest became available, but gave out a rather vague statement that the A. R. A. would continue to feed approximately one million children for an indeterminate period.

At the same time that the A. R. A. officials were holding protracted conferences in Moscow and New York, Leslie Urquhart was conferring with the Soviet authorities. They finally reached an agreement. Urquhart reported to the Russo-Asiatic shareholders that this was "a very fair arrangement for both sides."

At the second annual meeting of the Russo-Asiatic Corporation, held in October, 1922, Mr. Urquhart described his agreement with the Soviet officials in the following language:

"In my judgment—and I hope and believe you will agree with me—it provides a good working basis on which we should be justified in resuming operations in Russia. Given good faith on both sides—for that after all is the essence of any agreement—I felt that at last we had found a starting point for active business development. The agreement was fair to us; it was manifestly advantageous to Russia; once ratified and in operation it would become the forerunner of foreign enterprise in Russia and make the country once more an investment possibility. I might mention in this connection that certain negotiations had taken place between myself and M. Stomaniskoff, the Soviet representative at Berlin, with the view to the formation of a large trading organization in which the Soviet government would have had an interest. Long credits on good terms for materials and goods had been offered to our organization by large British manufacturing firms totalling several million pounds sterling. This scheme is now also in abeyance."

Mr. Urquhart went on to explain that the Soviet government had refused to ratify the agreement. "It failed to secure the necessary endorsement," he continued, "for reasons that had nothing to do with its business aspect. They were political reasons . . ." and he said that the Russians took the position they would not ratify the agreement unless they could get political recognition from Great Britain. Mr. Urquhart protested that no shareholder would think of exerting pressure on the British Foreign Office to this end, and declared the government could not "be bullied or badgered into adopting a policy [recognition] which on its merits it has rejected."

Mr. Urquhart told the shareholders that the company had in its possession technical knowledge, the result of long years of research on its Russian properties, without which they could not be worked.

"We are willing to use this accumulated knowledge and experience for the successful operation of our properties when they are returned to us," Mr. Urquhart said, "but we do not propose to give it away." He concluded:

"Finally, while I do not wish to give you too optimistic an impression, it is right that we should have a fair conception of our position. Our properties are in the richest country in the world, so far as natural resources are concerned. We have suffered from heavy temporary decrees and laws of the Soviet government, but laws of nature are above those made by human kind. Natural laws [hunger?] have forced the Government of Russia to cede to the economic requirements of the peasant population against their Communistic theories. It is essential for the 90 per cent peasant population of Russia to have new organizations such as ours to bring the dormant natural riches to the aid of industry and the economic life of the country, and this necessity has been recognized by M. Lenine and other leaders of government and is the reason for the contract we have just signed. I have, therefore, a certainty of conviction and very good reasons for my belief that the time is now very near when we shall be called back to work for the benefit of Russia and of ourselves as shareholders in this corporation."

Mr. Urquhart's speech was delivered to the Russo-Asiatic shareholders on October 23, 1922. On October 25, the following cablegram was sent by Herbert Hoover to Colonel Haskell to be transmitted to President Kamenev of the Soviet Republic:

"After meeting of Trustees and staff we have following suggestion to make reference your eighteen and press dispatch regarding Russian crops and contemplated export of grain:

"Interviews by Soviet officials in press indicate intention to export food from Black Sea ports, the statement being that this food will be sold in Mediterranean, and other food bought in Northern Europe for import through Baltic, the whole because of inability transport by rail from South to North Russia.

- “(1) Since famine areas lie southern Ukraine and Volga, we are unable to reconcile export of food from Black Sea ports, as foodstuffs to supply these areas would have to be imported through Black Sea ports and these proposals amount to importing food parallel with exporting from same ports. The export sale of food from Russia from any quarter while threatened by famine and starvation would at once destroy all outside sentiment for relief.
- “(2) Possession of crown jewels, church treasures, and other liquid assets have been widely advertised by Soviet authorities throughout the world and to solicit public charity without the full use of these assets to feed starving people would create a hopeless reaction.
- “(3) The A. R. A. is solely a charitable organization dependent upon public good will and generosity. It is prepared to carry out its original children’s program in any event, but before it could hope for successful strengthening of its resources it would be necessary to have pledges that
- (a) No foodstuffs would be exported from Russia under any circumstances until next harvest.
  - (b) Liquid assets such as mentioned above would be pledged to some European bank or agency for as much loan as could be obtained, the proceeds of which should be devoted to the import of foodstuffs for the famine sufferers. Otherwise the sincerity of Soviet authorities in relief of their suffering fellow countrymen will be open to constant challenge from all charitably disposed persons who will naturally insist that the first obligation of a government is to prevent starvation of its people and only when every resource of the government has been exhausted can there be rightful or successful call for their charity.
- “(4) If these things were agreed to the A. R. A. would make an effort to increase its program, but naturally as much increased resources are dependent upon public charity, it is utterly impossible to undertake any guarantee as to positive amounts.

The Hoover cablegram of October 25 was in response to earlier cables from Colonel Haskell to the effect that the Soviet authorities were preparing to export a comparatively small amount of grain. This had aroused no protest from Haskell, who was in Moscow, as he well understood the Russian government could not purchase farm machinery, locomotives, and other essentials needed to rehabilitate their industry and to prevent a recurrence of the famine, unless they had cash; and grain was their only exportable asset. The Soviets had been unable to negotiate a foreign loan, and they could not sell the crown jewels and church treasure abroad as foreign governments would not guarantee the properties from seizure by bond-holding debtors.

On November 6 Kamenev replied to Hoover, setting forth that it was essential to have at least \$10,000,000 to get essential industries going, and offering to forbid the export of grain if this loan

could be arranged. This evoked another cablegram from Hoover on November 18 which follows in full:

- “(1) The original proposition was the statement from the Soviet Government confirmed by the A. R. A., that some eight million Russian people, including three millions children, were in immediate jeopardy of starvation, together with definite request from the Soviet for our charitable help.
- “(2) It is obvious that the volume of intended exports of grain now disclosed by their statement would maintain the whole adult population in the famine areas, leaving the problem solely one of children.
- “(3) The A. R. A. cannot enter into argument as to the stated reason of the legal inability of the Soviet Government to sell or borrow upon its liquid assets in order to revolve its foodstuffs internally or to import, further than to mention that Soviet Government has continuously sold confiscated property in England and continental countries for the last two years.
- “(4) Of major importance, however, is the fact that the A. R. A. being a charitable organization devoted to saving human life from starvation must protest against the inhumanity of a government policy of exporting food from starving people in order that through such exports it may secure machinery and raw materials for the economic improvement of the survivors. Any such action imposes the direct responsibility for the death of millions of people upon the government authorities.
- “(5) We do not believe that the American people will respond to an appeal to charity to prevent starvation when available food is being hauled by rail across the very areas where millions of people will die and is exported through the very ports into which food must be imported for their salvation.”

In the meantime, the A. R. A., which had fed 10,490,297 persons in August; 8,301,064 in September; and 6,092,073 in October; suddenly dropped the number fed to 805,503 in November, and shortly thereafter it was announced that the A. R. A. would permanently withdraw in the near future. The A. R. A. *did* wind up its work in June, although the testimony of the Soviet authorities, Dr. Nansen, Captain Paxton Hibben, the Quakers, and many members of the A. R. A., was that at least 5,000,000 Russians desperately needed further relief.

The following brief resume—in parallel columns—may help the reader get a clearer picture of the story I have attempted to tell in the preceding paragraphs:

A. R. A.—SOVIET RELATIONS

RUSSO-ASIATIC-SOVIET NEGOTIATIONS

	May 1921	Leslie Urquhart starts negotiation with Soviets.
Gorky issues appeal for famine aid "To All Honest People"....	July 23 1921....	Soviets agree to discuss Russo-Asiatic properties.
Hoover promises relief under certain conditions.....	July 25 1921	
A. R. A. officials go to Riga to discuss relief conditions with Soviet agents .....	Aug. 10-20 1921....	Urquhart reaches Moscow Aug. 20.
A. R. A. opens first soup kitchen in Petrograd.....	Sept. 7 1921	
	Sept. 12 1921....	Urquhart leaves Moscow after stating "only slight disagreement existed."
	Oct. 11 1921....	Urquhart writes Krassin he cannot accept terms laid down by Soviets.
Col. Haskell threatens A. R. A. will withdraw from Russia.....	Nov. 11 1921....	"Feelers" exchanged between Urquhart and Soviets.
U. S. Congress asked to appropriate \$20,000,000 for Russia....	Dec. 6 1921	
Hoover says Russian railroads fail .....	March 1922	Unofficial negotiations between British and Soviet governments.
Col. Haskell again threatens A. R. A. will withdraw.....	April 1922....	British and Soviet governments fail to agree but
A. R. A. heads meet in Moscow to decide "if relief shall continue"	June 1922....	Urquhart goes to Berlin and Moscow to make private agreement. Reports success.
A. R. A. meets with Hoover in N. Y. Agree to continue relief for "indefinite period".....	July 1922....	Urquhart declines terms offered by Soviets.
Hoover refuses to extend aid....	Oct. 23 1922....	
	Oct. 25 1922	

In presenting the foregoing facts, I make no charges against Mr. Hoover. It is possible there was no connection whatever between the negotiations, which the Russo-Asiatic Consolidated, Limited, carried on with the Soviet authorities, and the alternate promises of relief and threats of withdrawal made by Mr. Hoover and his various American Relief Administration subordinates. That anyone could have the utter callousness to use suffering human beings as pawns, and to dangle food before a starving population in an attempt to force public officials to agree to commercial concessions, would be almost unthinkable if it were not a matter of record that the Allied diplomats *did* try to drive such a barbarous bargain.<sup>1</sup>

<sup>1</sup> After repeated appeals by Dr. Nansen, the Allied Supreme Council created the International Commission for Russian Relief which met in Paris on Aug. 30,

But, even if the simultaneous conferences between the Russo-Asiatic Consolidated and the Soviets, and the A. R. A. and the Soviets, are dismissed as nothing but a curious chain of coincidences—or a shrewd effort on the part of Mr. Urquhart to capitalize his close business relationship with Mr. Hoover—there are certain other phases of the American Relief Administration's Russian activities which, to say the least, reveal an amazing shortsightedness for a man of Mr. Hoover's admitted ability.

The first serious blunder was the choice of corn instead of wheat as the main staple to be supplied to the Russians. All relief workers know that corn is not adapted for starving—nor even semi-starving people. It is hard to digest and sets up an irritation in the intestines which often causes fatal hemorrhages among people weakened by lack of nutrition. Physicians connected with the Russian Red Cross protested when they first heard that the Congressional appropriation called for the purchase of corn, and some of the A. R. A. relief workers contend that the dysentery which took thousands of lives was caused by the corn diet.

Politics dictated the selection of corn. There was a surplus of maize in the Middle West and the price was very low. The administration politicians felt that an expenditure of ten million dollars or more for corn would raise prices and create a better feeling in the Corn Belt. It did—and incidentally several men close to the Administration profited enormously by speculation in corn, made easy by reason of their prior knowledge of the Administration's intentions. Hoover, while he must have known that

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1921. Walter Lyman Brown of the American Relief Administration attended as an "unofficial observer for the United States." Instead of discussing relief the assembled diplomats tried to devise means of cashing in on the calamity which had overtaken Russia. It was finally decided that no action would be taken until the situation in Russia had been investigated and if it was eventually decided that relief was needed credits might be granted the Russian government in case it promised to "recognize its responsibility for the discharge of existing debts and other obligations and liabilities. . . ." The Commission named M. Noulens of France to investigate Russia. He had been active in several anti-Soviet conspiracies when he served as former French diplomatic representative in Russia. Tchicherin replied to this with the statement that "The name of M. Noulens is in itself a whole program. When millions of men are without food and starving, M. Noulens' commission proposes instead of collecting bread to collect statistical data. . . . As to these proposals the Soviet government can only regard them as a monstrous mockery against the starving masses." The International Commission met once more on September 16, adopted resolutions of confidence in Noulens, and dropped all thought of raising relief for Russia.

wheat was far more suitable for the famine regions, permitted corn to be chosen without a protest, for political reasons.

The second blunder was the manner in which the American Relief Administration handled the shipments of seed wheat for Russia. The Soviets sent the A. R. A. \$12,000,000 to purchase seed wheat, and on the understanding that this seed wheat would be shipped from Atlantic ports not later than January so that it would arrive in Russia in time for spring planting. Acting on the assurance that this wheat would arrive in time, the Soviet authorities consumed for food large amounts of wheat which they had held in reserve for seeding purposes. Instead of leaving the Atlantic ports in January as had been promised, only two of the ships carrying seed wheat left New York harbor in January—one on January 24 and one on January 30—and of the remaining fifteen vessels carrying seed wheat, nine did not leave our Atlantic ports until after the middle of February. As a consequence, the planting in Russia for the 1922 harvest was materially decreased, and this in part was responsible for the carry-over of the famine into 1923.

The third major blunder by Mr. Hoover—if it was a blunder and not deliberate—was the disproportionate amount of the relief fund which was spent for transportation. Mr. Hoover made no effort whatever to get reduced railroad rates for relief supplies—although certain Middle Western railroads evinced a willingness to carry supplies free if the government would permit. Mr. Hoover also made no effort to obtain reduced rates for ocean transportation, and declined to use United States Shipping Board vessels which were then available—and which could have carried cargoes free. As a matter of fact, when it was announced that Congress had appropriated \$20,000,000 for Russian relief, steamship charters immediately went up \$3 per ton and the increased carriage was paid without question. It was estimated at the time that nearly 40 per cent of the funds available in Mr. Hoover's hands for Russian relief were spent for transportation, and consequently there was that much less left for the starving Russians. Much of this could have been saved by asking for reduced railroad rates and using vessels owned by the United States government.

Neither is it true, as some of Mr. Hoover's publicists have tried to make it appear, that the bulk of the Russian relief was supplied through Mr. Hoover's efforts. The total amount of relief raised

for Russia amounted to approximately \$150,000,000. The largest single contribution was by the Soviet government, which expended \$95,000,000 in fighting the famine. The United States came next with almost exactly \$50,000,000. England was third with contributions totalling about \$1,500,000. Sweden, France, and Germany made donations ranging from \$750,000 to \$500,000, and Czechoslovakia, Italy, Denmark, Australia, Switzerland, Belgium, Bulgaria, Poland, and the Far Eastern Republic gave generously according to their ability.

The real credit for combating the Russian famine belongs primarily to Dr. Fridtjof Nansen. He was the first to realize the seriousness of the situation and it was his high-hearted humanitarian appeal that broke through the Allied censorship, brought the news to the world, and finally forced the loosening of the brutal blockade which had been imposed by the Allied Supreme Council.

Members of the Jewish Joint Distribution Committee and the Quakers also did yeoman service. They remained in Russia when the American Red Cross withdrew, and when the American Relief Administration was confining its efforts to feeding the Polish invaders. At one time nearly 50 per cent of the personnel of these organizations were sick with typhus, and too high a tribute cannot be paid to their unselfish devotion.

It may also be freely conceded that the 200 members of the Russian unit of the American Relief Administration did splendid work, once the heads of the A. R. A. made their belated decision to help Russia. Most of the field workers came to Russia with wholly sincere motives, and risked their lives daily amid almost indescribable conditions. Several actually lost their lives and none of those who survived can forget the horrors they witnessed in the Volga valley. Nor will the people of Russia ever forget what they accomplished.

As for the part which Herbert Hoover personally played—well, let history decide.



*A DOUBLE-BARRELLED CANDIDACY*

JUST when Herbert Hoover conceived the idea of attaining the White House is impossible to tell. It is said that his wife first put the thought in his mind, but it is well known among his intimates that as early as December, 1917, when he had served as Food Administrator less than six months, the "Presidential bee" was buzzing in his ears.

Mr. Hoover's candidacy might have been thought a bit presumptuous in view of the fact that he had had no legal residence in the United States for more than twenty years, and never had voted. Indeed, it was more than doubtful whether under the Constitution he was eligible. Mr. Hoover, however, does not lack audacity, and in some ways events seemed particularly propitious. Woodrow Wilson was a broken man, physically and mentally. Besides, the third term prejudice stood in his path as an unsurmountable hurdle. McAdoo was able and ambitious, but he had quarreled with his father-in-law and no longer had the Presidential backing. Franklin K. Lane was a Canadian, and hence not available. Mitchell Palmer's nauseous record made it impossible to give him serious consideration. Not for years had there been such a dearth of material in the Democratic ranks.

Hoover's work as head of the Belgian Relief Commission had given him world-wide prestige. He was being equally well exploited as Food Administrator. At least two score of newspapermen were under his direction—though on the government payroll—and no small part of their efforts consisted of getting personal publicity for "The Chief." Not only was the press flooded with "news releases" of his statements, sent with request for immediate publication on the plea to "help win the war," but his speeches were printed as public documents and franked out broadcast at public expense.

Half the billboards in the land carried Hoover's appeals for

conservation in letters of fire—also paid for by the U. S. Treasury—and the “Hoover pledge” hung in millions of kitchens to remind housewives of his existence. The verb “hooverize” became accepted as part of our language, and, between the Fall of 1917 and the Spring of 1920, Herbert Hoover undoubtedly was better advertised than any man in America with the possible exception of Woodrow Wilson. Also, he had not been in public life before—in fact he had seldom been in America—and therefore he had acquired no important enemies.

In the Food Administration and the United States Grain Corporation, moreover, he had two powerful made-to-order political machines. Branches of these great governmental enterprises were located in every sizeable city, and the local grain and food and fuel administrators usually were men of prominence and of course enthusiastic partisans of “The Chief.” His policy as Food Controller had been such that he had strong supporters among the packers, millers, canners and sugar profiteers, who might be expected to give liberal campaign contributions out of their excess earnings. With these numerous advantages it is hardly to be wondered at that Mr. Hoover was tempted to forsake the business arena and enter upon a political career, especially since he already had accumulated a great fortune.

There is not much doubt that originally, as a matter of course, Hoover had hoped to have the Democratic nomination. The Democrats were in power; they had just concluded what—by some stretch of the imagination—might be called “a victorious peace;” and by every political precedent there was reason for supposing that they would continue in power. Hoover was favored by Wilson—who expected him to carry on the fight to put the United States into the League of Nations—and he also was on intimate terms with Col. Edward House—the Warwick of the Wilson administration. In any event, in November, 1918, on the eve of the Congressional elections, Herbert Hoover issued a signed statement which urged the American people to vote for Democratic Senators and Democratic Representatives so that in the approaching Peace Conference at Paris Woodrow Wilson could speak as one who had a politically united country behind him. Otherwise, Hoover declared, the result would be looked upon in Europe as a repudiation of Woodrow Wilson and the Allied statesmen would interpret a

Democratic defeat in the Congressional elections as a blow directed against the League of Nations.<sup>1</sup> Obviously, when he issued this partisan appeal, Hoover looked upon himself as a Democrat—and one who was most likely to pick up Woodrow Wilson's banner.

Hoover, however, did not precipitately plunge into the political pool. While he can be audacious when occasion demands, he is customarily cautious. As time went on, it became more and more apparent that the war was not nearly so popular as the politicians had supposed—and the League of Nations proved distinctly distasteful to many Democrats, as well as to an overwhelming majority of Republicans. Mr. Hoover, therefore, began to revise his method of approach. After all, many of his supporters were Republicans and some one about his headquarters—Mr. Hoover himself, for aught I know—conceived the brilliant idea that it might be possible to work up such a non-partisan demand for Mr. Hoover as President that neither of the old line parties would dare reject his claims—or at least it was hoped that *one* of them might yield to public clamor and draft him as its nominee. Certainly this scheme had the merit of being unique in American political procedure.

The first step, of course, was to put out news items which also would suggest to the public mind that Mr. Hoover *might* be a candidate—something which really had not occurred to the public at that time, since most persons took it for granted that his long residence abroad made him constitutionally ineligible. Nothing was easier. Hoover had in his employ skilled publicity men stationed

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<sup>1</sup> Amusingly enough, in the light of later events, Simeon D. Fess, now National Republican committeeman and a thick and thin Hoover supporter, then was chairman of the Republican Congressional Committee and on November 5, 1918, he issued the following reply to Hoover's appeal:

"American voters will not be deceived with specious appeals from Democratic headquarters that a Republican Congress will be interpreted in Europe as against the war. They know as well as Europe knows that every other country fighting Germany has a coalition government, adopted since the war began as an effective war measure, and that ours is the only great country at war which has been conducted on strictly party lines. Europe as well as America knows the attitude of Republicans, whose record is before the world, both of war and peace.

"As to Hoover's appeal, in an attempt to capitalize the blood of our sons fighting and dying in France, the voters will properly interpret such prostitution of official station on the day before election. . . The Food Administrator need fear only such results of investigations as findings in the interest of public welfare are compelled to make. The character of his appeal to be continued in office uninterrupted, and the basis upon which he puts it, arouse new interest in his department. . . ."

in almost every quarter of the globe. Apparently it was decided to "break" the news from Paris, and on August 24, 1919, *The New York Times*—this story also appeared in *The Chicago Tribune* and many other papers—contained a dispatch from its Paris correspondent which read as follows:

Paris, August 23—Herbert Hoover, head of the Inter-Allied Food Commission, is receiving hundreds of letters from friends in the United States asking him to consent to be a candidate for President in 1920 on the Republican ticket.

Yesterday he replied to a well known Easterner stating that he preferred not to be a candidate for office as he had given more than five years to public life and had intended to return to California in September with his family and retire.

Mr. Hoover "disliked the idea of going into politics because he feared political life would require him to abandon certain of his principles and that he would never consent to do," he said. He added that he planned to live quietly and privately, awaiting some future world development wherein he might again proffer his ability and his experience.

Well informed persons familiar with the contents of the letter say that it is not a refusal to become a candidate, but that if Mr. Hoover received assurances from the G. O. P. that he will be able to maintain his ideals and principles as a Presidential candidate he very likely will decide to run.

This "feeler" apparently was not productive of the desired results. Although Mr. Hoover patently was willing to be coaxed to become the G. O. P. Presidential candidate, I can find no record of Boise Penrose or the other hard-boiled Republican bosses falling over one another in their eagerness to tender him the nomination.

In the meantime, in August, 1919, it became known that Hoover, Julius Barnes, and Charles R. Crane, the millionaire manufacturer of Chicago, had paid approximately \$1,000,000 for *The Washington Herald*, a morning newspaper at the capital which had been a notorious money loser. Walter Rogers, former war cable censor, was installed as one of the new executives of *The Herald* and Mr. Barnes brought on Charles Mitchell and several other Duluth newspapermen to supplant its former editors. It was generally believed that the paper was purchased to further Mr. Hoover's candidacy, and when the sale became known its columns were widely read by other newspapermen who expected to obtain some clew to Mr. Hoover's opinions. *The Herald*, however, walked a tight rope of innocuous neutrality in its editorial policy, and the closest perusal failed to disclose any clew as to Hoover's political complexion.

Inasmuch as there had been absolutely no response by Republican politicians to the repeated "feelers" which he had been putting out ever since August, 1919, Mr. Hoover—somewhat chagrined—apparently decided to return to his first love, the Democratic party. At least he was the guest of Colonel House at a luncheon given in his honor in New York on December 5, 1919. Other guests were Ralph Pulitzer, owner of the recently defunct *New York World*, a strongly partisan Democratic organ; Frank I. Cobb, editorial writer on the same paper; Cyrus H. K. Curtis, publisher of *The Philadelphia Public Ledger* and owner of the *Saturday Evening Post*; Cleveland H. Dodge, millionaire Wall Street financier and mining man; and Viscount Earl Grey, British ambassador to the United States.

The account of this luncheon and its political causes and consequences was published on January 22, 1920 by *The Philadelphia North American*, the paper owned by John Wanamaker. *The North American's* account follows in full:

COL. HOUSE DINNER WAS BIRTHPLACE OF HOOVER BOOM—  
TEXAN'S TACTICS SEEN IN SUDDEN CALL FOR CANDIDATE

“Washington, January 22.

“The sudden effulgence of the Hoover star in the firmament of presidential possibilities is not a cosmic accident. It is the result of well and carefully laid plans, under the direction of that practiced President maker, Col. E. M. House.

“The chronology of the Hoover boom begins with the return from Europe of Col. House, sick in body and sore at heart over the heartless treatment he had suffered at the hands of President Wilson. Having had the luxury of private ownership of a presidential administration for more than six years, Col. House refused to be thrown in the discard without ceremony.

“What was done prior to December 3 in the way of getting a new President for the quiet little Texas Colonel does not yet appear. The first fact of record is that on December 4 the *New York World*, whose chief recent claim to fame had been its unfaltering devotion to President Wilson, editorially announced that it would not stand for a third term for him.

“The very next day, December 5, Col. House gave a dinner at his apartments. Among the Colonel's guests were Ralph Pulitzer and Frank Cobb, respectively owner and editor of the *World*; Cleveland H. Dodge, a very rich man, hitherto a friend of the President and Col. House; and Cyrus H. K. Curtis, publisher of the *Public Ledger*, of Philadelphia.

“On the following Monday, December 8, the *World* published a story in which its veteran political reporter, Louis Seibold, occupied several columns telling that Col. House and the President were on the outs. A great deal of the several columns was taken up with a recapitulation of the Colonel's value as a counselor and his shrewdness as a political manager.

"Soon Hoover talk began to spring up with apparent spontaneity in various quarters. There was mysterious discussion as to his availability as a candidate for either party. Hoover headquarters were opened here and there, frequently under the management of a former member of Mr. Hoover's food administration.

"About the middle of December the *Public Ledger* devoted nearly two columns of space to exalting Mr. Hoover, without declaring for him for President; but, as the *Ledger* did not retract or mitigate its praise next day, it was considered very showy for the *Ledger*.

"About that time came the announcement that a group of capitalists had purchased the *Washington Herald*.

"Among these were Charles R. Crane and Julius Barnes. Crane is a rich Chicago manufacturer, who had been a big contributor to the Wilson campaign and had since that time been on intimate terms with Col. House. Barnes is the Federal wheat dictator and a close friend of Hoover. The other capitalist in the group was Hoover himself.

"Within four days, the *New York World* made its declaration for Hoover. Explaining its position, the *World* said it would be glad to support him as a candidate on a platform that 'represented the historical principles of the Democratic Party;' it would 'be glad to support him as an independent candidate on a platform of progressive liberalism;' and it would 'not hesitate to support him as the Republican candidate on a platform representing the kind of government which Mr. Hoover exemplified in his public career.'

"The *World's* declaration set the old Democratic organization by the ears. The Senators who meekly have taken orders from Wilson for seven years in the hope of inheriting his mantle couldn't see Hoover with a telescope, and they used a megaphone in telling it to the world.

"But the widespread Hoover uprising left little doubt that the able noiseless Col. House had done a good job. *The New Republic*, a periodical devoted to spreading Col. House's kind of internationalism and operated by Col. House's personal friends, comes out this week for Hoover. The Devoted "E.S.M." editorial writer of *Life* also picks Hoover as the successor of Wilson in its adoration of the White House.

"In the meantime the other Democratic aspirants are living in dread that the little Texas Colonel will give another dinner. From present appearances that would make Hoover unanimous in the Democratic convention. Always with the possible exception of Mr. Bryan in the doubtful background."

Strangely enough, on the same morning *The North American* printed its story, *The Philadelphia Public Ledger*, owned by Cyrus H. K. Curtis, one of the guests at Colonel House's luncheon and a very close friend of Mr. Wilson, printed in its most prominent position on the first page a story that "Herbert Hoover is Woodrow Wilson's candidate for the White House." It appeared under this head:

“HOOVER CHOICE  
OF WILSON FOR  
THE PRESIDENCY

The story, under a Washington date line, began:

“Herbert C. Hoover is Woodrow Wilson’s candidate for the Presidency. That assurance was given to *The Public Ledger* correspondent tonight from a quarter which bears every indication of being well informed. . . .”

Shortly after Colonel House and his colleagues had launched Hoover’s boom for the Democratic nomination, Julius Barnes reopened the drive on the Republican front at a speech delivered before the convention of the National Wholesale Drygoods’ Association at the Waldorf-Astoria hotel. Mr. Barnes, after enthusiastically reviewing portions of Hoover’s record, attempted to classify him as a “progressive Republican,” but almost in the next breath served notice on the Republicans that if they did not accept Hoover as their party candidate, the Democrats might seize the opportunity to choose Mr. Hoover as the nominee who would be an almost certain winner. Incidentally, Mr. Barnes gave what one reporter termed “a sort of vicarious assurance that Mr. Hoover would accept the Democratic nomination if it were offered to him.”

Naturally, while the Republican party bosses remained merely amused, the public was becoming more than a little bewildered by this political merry-go-round. Newspapermen rushed out to find Mr. Hoover so that he might confirm Mr. Barnes’ remarks—and perhaps amplify his own opinions.

When asked pointblank by a reporter to declare his politics, Mr. Hoover answered that he was a “Liberal.” This did not go over so well when it was recalled that Mr. Hoover had lived in London for more than twenty years—and during most of this period the Liberal party was in power. More than one paragrapher caustically opined that Mr. Hoover had forgotten he was back in the United States.

In the meantime, Julius Barnes, Edgar Rickard, George Jackson of Baltimore, Edwin P. Shattuck (of Cuban sugar lobby memory), Capt. John F. Lucey, who had been with Hoover in Belgium, and several others opened headquarters in New York; and numerous

"Hoover for President" clubs began to spring up all over the country. A curious reporter went to the New York headquarters and asked one of Mr. Hoover's friends if it had been decided whether he would seek the Republican or Democratic nomination.

"Politics will have nothing to do with his campaign at the start," was the oracular reply. "Before long Mr. Hoover will make his declaration of principles. . . . It will set forth just what Mr. Hoover believes to be the issues of the campaign and his own attitude toward those issues. The politicians then will have a chance to look them over and if the demand of the people is strong enough for just this kind of a platform either one of the parties may consider that Mr. Hoover is just the man to win with."

A few days later, Mr. Hoover appeared in New York and handed out a prepared statement in answer to the pressing questions by reporters. This statement deserves reproduction as a political curiosity. It follows in full:

"In order to answer a large number of questions all at once, let me emphasize that I have taken a day off from the industrial conference in Washington to come to New York solely to attend to pressing matters in connection with the children's relief. I want to say again, I have not sought and am not seeking the Presidency. I am not a candidate. I have no 'organization.' No one is authorized to speak for me politically.

"As an American citizen by birth and of long ancestry, I am naturally deeply interested in the present critical situation. My sincere and only political desire is that one or both of the great political parties will approach the vital issues which have grown out of the war and are now with a clear purpose looking to the welfare of our people, and that candidates capable of carrying out this work should be nominated.

"If the treaty goes over to the presidential election (with any reservations necessary to clarify the world's mind that there can be no infringement of the safeguards provided by our Constitution and our nation-old traditions), then I must vote for the party that stands for the League. With it there is hope not only of the prevention of war but also that we can safely economize in military policies. There is hope of earlier return of confidence and the economic reconstruction of the world.

"I could not vote with a party if it were dominated by groups who seek to set aside our constitutional guaranties for free speech or free representation, who hope to reestablish control of the Government for profit and privilege. I could not vote with a party if it were dominated by groups who hope for any form of Socialism, whether it be nationalization of industry or other destruction of individual initiative. Both of these extremes, camouflaged or open, are active enough in the country to-day. Neither of these dominations would enable those constructive economic policies that will get us down from the unsound economic practices which of necessity grew out of the war, nor would they secure the good will to production in our farmers and workers or maintain the initiative of our business men. The issues look forward; not back.



"I do not believe in more than two great parties; otherwise combinations of groups could, as in Europe, create a danger of minority rule. I do believe in party organization to support great ideals and to carry great issues and consistent policies. Nor can any one man dictate the issues of great parties. It appears to me that the hope of a great majority of our citizens in confronting this new period in American life is that the great parties will take positive stands on the many issues that confront us, and will select men whose character and associations will guarantee their pledges.

"I am being urged by people in both parties to declare my allegiance to either one or the other. Those who know me know that I am able to make up my mind when a subject is clearly defined. Consequently, until it more definitely appears what party managers stand for, I must exercise a prerogative of American citizenship and decline to pledge my vote blindfold.

"I am not unappreciative of the many kind things that my friends have advanced on my behalf. Yet I hope they will realize my sincerity in not tying myself to undefined partisanship."

It was perfectly plain by this time, that the strategy of the Hoover forces was to create a non-partisan demand for him in an effort to force his nomination by one of the major parties. *The Saturday Evening Post* not only thundered editorially for a business man for President, but ran numerous made-to-order "fiction" articles, all plainly intended to boost Hoover. *The New York World* and other friendly newspapers followed suit. Julius Barnes, when badgered by reporters to declare Hoover's politics, snapped out "he is the business man's candidate." Everywhere the effort was made to show that there was a great ground swell of sentiment behind Hoover—that the business men and "plain people" were demanding his candidacy.

There is very little evidence that this was the case. Despite the unprecedented publicity in his behalf, the public remained cold—and even hostile. Most persons considered him an alien, and his campaign simply did not take hold. At a meeting in the 15th Assembly District in New York City, his name was jeered by the gathering, and when a former relief worker rose to praise Hoover his remarks were drowned out by hisses. In the latter part of March, Capt. John F. Lucey announced that the demand for Hoover's nomination was so insistent all over the country that it had been decided to hold a Hoover convention at Chicago on April 15. A few days later the Chicago convention was "postponed." A conference of Hoover workers, scheduled at the Hotel Astor for May 7, failed to attract a single visitor. Captain Lucey and two subordinates sat alone, sadly looking at the empty chairs. In the

Michigan primary, where Hoover's name appeared on both the Republican and Democratic tickets, he received the largest Democratic vote—though his total was less than 20,000—but on the Republican ticket he had less than one-third the number of votes given to Senator Hiram Johnson.

Yet few candidates ever have had such powerful support in a pre-convention fight. In Massachusetts, Edward Filene, the multi-millionaire merchant, was instrumental in forming the Hoover Democratic club. In New Hampshire, his supporters threatened to form a third party if the Republicans or Democrats did not endorse him. His campaign was well financed, and Mr. Hoover had a small army of Food Administrators, United States Grain Corporation employees, and former relief workers at his disposal. Obviously, Mr. Hoover was willing to accept the nomination from either party; but, unfortunately for his chances, he could not make up his mind soon enough whether to be a Republican or Democrat. It was at this juncture that he first revealed that amazing indecision which sometimes for long periods seems to almost paralyze his faculties.

The Democratic nomination could have been his almost for the asking. The best the Democrats could do that year was to pick James Cox. But the results of the Michigan primary made it plain, even to Hoover, that this was not to be a Democratic year and his advisors told him the same story. His course should have been plain—since his political principles seemed easily reversible. But Mr. Hoover hesitated about declaring himself a Republican. After all, the G. O. P. party bosses distrusted him, and he *might* have to fall back on the Democrats. His vacillations at this period comprise one of the most ludicrous chapters in American politics.

"I am not in politics," Mr. Hoover said on February 18. "No, I am not now or at any other time going to have anything to say on the political situation." On February 24 he added, "I am not a party man. Before I can answer whether I am a Democrat or Republican I shall have to know how each party stands on the issues of the day."

By March 11, Mr. Hoover apparently had slightly clarified the doubt which seemed to exist in his own mind, for in a letter addressed to Ralph Arnold, of the Los Angeles "Make Hoover President" club, he avowed he was an "independent progressive" who

objected "as much to the reactionary group in the Republican party as I do to the radical group in the Democratic." He still protested, however, that he was not a candidate and "cannot conscientiously participate in any organization" which intended to make him one. Instead, he asserted, he belonged to "a group which thinks the American people should select their own officials at their own initiative and volition and resents the manufacture of officials by machine methods." (This evidently was a slam at such bosses as Senator Boise Penrose of Pennsylvania, who still remained cold to the Hoover advances.) "Party organizations," Hoover believed in, but he added that the objects of parties should be "the promotion of issues and not of men." He concluded by stating he was "not a straddler on any issue."

While Mr. Hoover was going through these mental convolutions, it was becoming more and more evident that a hot though smoldering resentment existed throughout the country over the arbitrariness and hypocrisy of the Wilson régime, and, as the months went by, the blindest observer could sense that the Democratic nomination wasn't worth having. Besides, the dates of the conventions were approaching apace; and thus far the non-partisan demand to "draft Hoover for President" had signally failed to develop. Something had to be done—and had to be done quickly. Finally, urged on by his followers, Mr. Hoover plucked up his courage and crossed the political Rubicon by declaring outright that he chose to be affiliated with the Republican party.

In a long telegram—sent on March 30—to the managers of the Hoover Republican Club of California, he declared that "recent developments over the treaty . . . convince me that it is my duty to confirm the action that my Republican friends there (in California) have already taken without consulting me." He went on to state that "if the Republican party, with the independent element of which I am naturally affiliated, adopts a forward-looking, liberal, constructive platform on our economic issues . . . and is neither reactionary nor radical in its approach to our great domestic questions . . . I will give it my entire support."

Hoover explained that he wanted the United States in the League of Nations—although he thought some reservations were needed—as our entrance was required to "stabilize the world."

"While I do not and will not myself seek the nomination,"

Hoover concluded, "if it is felt that the issues necessitate it and it is demanded of me I cannot refuse service."<sup>1</sup>

On receiving this message, his friends entered him against Hiram Johnson in the California Republican Presidential primary which was to be held on May 4. This proved to be the Waterloo of Mr. Hoover's 1920 campaign. Senator Johnson was an experienced campaigner and there was no doubt whatsoever as to where he stood on all the "issues of the day." The doughty Californian was one of the "irreconcilables" opposed to the League of Nations, and he roared his opposition from every cross road in the State, while Hoover was blowing hot one day and cold the next.

Even more damaging to his candidacy were the following questions addressed to Mr. Hoover, which the Johnson supporters broadcasted all over the state:

1. Did you ever vote in the United States of America? If so, when and where?
2. Were you ever registered as a voter of the United States of America prior to Oct. 15, 1919, when you registered as a resident of Palo Alto, California? If so, when and where?

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<sup>1</sup> "What are the interests back of Mr. Hoover's candidacy?" The *Providence Journal* asked editorially the day after his belated announcement. "Has his decision to place himself in the Republican ranks been reached in the hope . . . that he is the one man who can be expected to maintain in the White House many of the doctrines that Mr. Wilson has vainly sought for seven years to cram down the throats of the people? Is Mr. Hoover the last 'White Hope' of the Wilsonian policies? "How is that we find some so-called 'influential' newspapers in New York and elsewhere, which have always been the fuglemen for the Wilson administration, suddenly breaking into a chorus of demand for Mr. Hoover for President? Why are certain 'internationalists'—men closely allied to Mr. Wilson and members of his Cabinet and on whom the President leaned for advice in Paris when he ignored the desires of his Cabinet and his fellow commissioners—secretly working in Mr. Hoover's interest? For what purpose did Mr. Hoover ally himself with that great and good friend of the Administration, Mr. Charles R. Crane, in the purchase of the *Washington Herald* on the eve of a fight for the Presidential nomination? Hopeless of presenting to the country a Democratic candidate with a reasonable chance of victory, what more natural than that Mr. Wilson should turn, for aid and comfort in the future guidance of the Republic along the lines of the Wilsonian dream to the man who in November 1918 lent the weight of his voice to the President's appeal for the election of none but Democratic Congressmen?"

"Has Mr. Wilson chosen an heir who may catch his mantle and continue his prescriptions for the salvation of the world under the guise of a Republican chief in the White House?"

"Mr. Hoover's declaration that he differs with the extreme position taken by the President in his participation in purely European affairs will deceive no one, as far as it makes any suggestion that there is any antagonism between them. The President has long realized the hopelessness of ever securing any support for his activities in that direction."

Neither Mr. Hoover nor his backers dared attempt to answer these questions; and—to make matters worse—it was proved that when Hoover had registered at Palo Alto on October 15, 1919, he had declined to state his previous political affiliation.

Hoover had claimed California as his adopted state—the official biographers still declare that he had a legal residence there ever since 1912 and one of them actually goes so far as to tell of his home which he claims was built in 1912. In the 1920 California primary, however, it was proved beyond peradventure that Herbert Hoover had never resided in Stanford since his graduation from college;<sup>1</sup> that he owned no real estate in California prior to June 1, 1919; and later it was brought out that his Palo Alto residence—which was built on land leased from Stanford University by Mrs. Hoover and on which, incidentally, they pay no real estate taxes—was not started until July 7, 1919, and not completed until November, 1920. The British *Who's Who* and *The Court Directory* of London both listed Hoover's residence from 1910 to 1917 as Red House, Hornton Street, Kensington West, London.<sup>2</sup>

The progressive Republicans also refused to accept Hoover's sudden espousal of their cause. Theodore Roosevelt, of course, was dead; but Hiram Johnson had been Vice Presidential nominee on the Bull Moose ticket and it was hard for Hoover to win over this following, especially since he was vigorously repudiated by such leading progressives as Gifford Pinchot.<sup>3</sup>

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<sup>1</sup> In a sworn deposition taken in London, England, on Aug. 16, 1912, and used in the United States Circuit Court, Northern District of Montana, in the case of the Mineral Separations Syndicate, Ltd., versus James M. Hyde, the following appears:

“Q. What is your name, age, residence and occupation?”

“A. My name is Herbert Clark Hoover; my age is 37; my occupation is a mining engineer; and my residence is the Red House, Hornton Street, London West.”

<sup>2</sup> The 1914 copy of *Who's Who On the Pacific Coast* failed to mention Hoover, although it contained the biographies of 3,000 Californians.

<sup>3</sup> Gifford Pinchot, in a telegram sent to the Johnson headquarters during the 1920 Presidential primary, described Hoover in part as follows: “When Hoover came back to America as Food Administrator he found that dealing with the political representatives of our people is a wholly different matter from conducting relief.

“It became evident at once he had neither the knowledge nor the capacity to work with Congress, and that he was not only ignorant of the way things are done under our government, but out of sympathy with it.

“The real Hoover is not the man his carefully planned publicity campaign, both during and after the war, has succeeded in creating in the minds of many people. By nature he is as autocratic as President Wilson himself. If he should

The Hoover campaign committee spent money recklessly, and had hundreds of paid workers in the field,<sup>1</sup> and he also had strong support by some of the more reactionary newspapers, but his pre-primary vacillation and lack of any positive policy failed to arouse popular support, and when election day rolled around Hoover's hopes were buried under a veritable land-slide of ballots. Johnson polled nearly two votes to Hoover's one and carried all but two counties in California.

This crushing defeat effectually ended Hoover's 1920 Presidential drive. Naturally, the Democratic politicians would no longer dicker with a man who had repudiated their principles to become an avowed Republican candidate; and Boise Penrose and his cronies were not much impressed with a candidate who couldn't even carry his adopted state. Despite the thundering of *The New York World*, the Democratic convention did not so much as consider his name; and when the Republican delegates met, Mr. Hoover did not even have enough strength to trade with. Despite

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be nominated and elected there would be in the White House a natural aristocrat whose sympathy is with big business and the middle man as against both the producer and consumer.

"Hoover makes his appeal for support largely upon the ground that he is not allied with the politicians. It may or may not be true, but it is true that he is now and constantly has been the close friend and follower of the men of the 'invisible government' who own and control the machine politicians of both parties.

"I am little impressed by Hoover's progressive talks and suddenly acquired affection for the farmer. I saw him when he had a chance to do what he is now talking about and he did precisely the opposite.

"In my judgment Hoover is wholly unfitted to be President, because in action he has proved to be for the few, against the great majority; because he has too long been out of touch with America and the American people; because he is essentially a foreigner; and therefore is neither a real Republican nor a real American."

That Gifford Pinchot in 1928 supported Hoover for President does not necessarily invalidate his earlier estimate of the man.

<sup>1</sup> Meyer Lissner of Los Angeles, Hiram Johnson's manager, in a telegram to the Senator after the primary, declared that "Mr. Hoover's Presidential primary campaign was the worst saturnalia of political extravagance ever exposed or conducted in Southern California."

Mr. Lissner charged that the Hoover organization contained "most of the discredited leaders of the old Southern Pacific political machine" and added "that the day after election the Hoover headquarters was like pay day at an immense industrial plant, jammed all day by a horde of hired workers clamoring for their pay . . . within one hour more than 600 such had been paid in amounts ranging from \$4 to \$42.50 . . . towards evening there were still 123 in line waiting for pay and they were still being paid off the next morning . . ."

the frantic cheering of the carefully packed galleries, he only got 13 scattered votes at the convention in Chicago.

The humiliating collapse of his carefully conducted campaign for the Presidential nomination might have been expected to put a definite end to Herbert Hoover's political career. He has, however, a wholly admirable pertinacity, and, while his friends were greatly depressed, his own ambitions were far from being crushed. At least, his pre-convention campaign had been prolific in experience, and, despite his defeat, he doubtless felt confident that given another chance he could by sheer native ability rise above the mediocrities who composed the Republican leadership, impress his personality upon the country, and live down the then current idea that he was an alien. In any event, he decided—very wisely as it turned out—that if he could not be President he would at least be included in the cabinet.

This was not difficult of accomplishment. Mr. Hoover and his backers had close personal and business relationships with the oil interests responsible for the selection of Warren G. Harding. The non-partisan sentiment among business men which had been built up in Mr. Hoover's behalf—and his widely press agented reputation as an engineer, economist and humanitarian—made it easy to argue that his selection would add both stability and respectability to the official family. It is uncertain who conducted the preliminary overtures, but immediately after Harding was nominated he had Hoover in mind.<sup>1</sup>

Albert B. Fall, who is now in prison for his part in the oil scandals which disgraced the Harding administration, recently gave his version of how Hoover came to be first mentioned for a cabinet post. In an article written for the *North American Newspaper Alliance*, which appeared in *The New York Times* of July 16, 1931, the former Secretary of the Interior, in referring to this incident, said:

"The name of Herbert Hoover as a prospective Cabinet officer first came up at a dinner party given by Senator Henry Cabot Lodge the day after the convention had nominated Harding for the Presidency.

"It is entirely probable," Fall wrote, "that but for Harding's determination to include Hoover in his Cabinet, Mellon might not have become a Cabinet member at all. Hoover's presence made it possible for Mellon's friends to get Mellon in.

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<sup>1</sup> Exhibit G in the Appendix may cast some additional light on Hoover's appointment.

"The friends were Senators Penrose and Knox of Pennsylvania.

"At the Lodge dinner party there were present," Fall says, "Senators Frank Brandegee, Reed Smoot, John W. Weeks, Harding and himself. Harding first brought up Hoover's name," Fall continued.

"What do you think of him?" Harding asked.

"There was an exchange of stares all around. One could guess what they were thinking. Hoover was, by association at least having been built up in a popular way under a Democratic administration, a Democrat! This was a group of dyed-in-wool Republicans.

"He should be in the Cabinet,' I ventured. 'Probably no man is better known in this country today. I believe that if he isn't recognized and in a big way regardless of his association with the Wilson administration, millions of people are going to be disappointed.'

"Hoover, because of his war work, is extremely popular with women,' I also pointed out. Senator Smoot agreed that Hoover was too well established to be overlooked, but was not sure he should be in the Cabinet.

"He must be built up first as a Republican,' he said. 'He should make some speeches for Harding and definitely establish himself as a Harding supporter.'

"Where is Hoover now?' Harding asked. Fall replied that Hoover was in Chicago and Harding said, 'I must see him as soon as possible.'

"I knew then,' Fall wrote, 'that Harding's mind was made up.'

Harding did, in fact, send for Hoover almost as soon as his campaign got under way. Naturally, I have no means of knowing what went on at their conference, but on October 10 Hoover made a speech at Indianapolis urging the election of Harding and Coolidge on the ground that "Senator Harding has pledged himself to take the leadership in bringing about the consummation of this vital principle of definitely organized international action [a League or Association of Nations] that will secure the entry of the United States and the preservation of peace."<sup>1</sup>

Aside from this one speech, and a few statements urging the election of the Republicans on both international and domestic grounds, Herbert Hoover did not take an active part in the campaign. As a matter of fact his help was hardly needed. Harding was elected by a landslide and shortly thereafter he announced that the former Food Administrator under Woodrow Wilson would be Secretary of Commerce, in the cabinet of "best minds" which included Denby, Daugherty, Will Hays and Fall.

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<sup>1</sup> Possibly Hoover was unaware of the fact, but it is well established that Harding had privately pledged Lodge and other "irreconcilables" that if he became President the United States would *not* become a member of the League of Nations.



*AS SECRETARY OF COMMERCE*

IT WAS REMARKED about Washington, during the first year of the Harding administration, that "Hoover is Secretary of Commerce and assistant secretary of everything else." There was more than a modicum of truth in the witticism. Hoover was an indefatigable worker in those days and he had ideas, too—which hardly could be said of some of the other "best minds." James Davis turned over the Department of Labor almost without a struggle, and in farm policies the President deferred to Hoover instead of to Henry Wallace. On one notable occasion, Hoover over-rode Charles Evans Hughes, then Secretary of State, on the question of recognizing Russia; and there were periods during the administration of the amiable, easy-going Harding—occupied with golf and poker—when it almost seemed as if the seat of government had been transferred from the White House to the bare, business-like Department of Commerce building on lower Pennsylvania Avenue.

That Mr. Hoover proved an extremely capable Secretary of Commerce, is conceded by everybody who has studied his record during the eight years he occupied this post. The Department of Commerce was considered of secondary importance prior to 1920, but Mr. Hoover soon transformed it into an agency that not only materially expanded our foreign trade, but gave helpful guidance to the efficiency engineers who were endeavoring to reduce waste and avoid unnecessary duplications in the manufacturing processes of domestic industry.

Under Mr. Hoover's direction, the Department of Commerce became a veritable clearing house for information concerning the development of foreign trade. American businessmen, as a whole, simply did not realize that they could expand beyond our national boundaries; and those who did have imagination, lacked the precise knowledge necessary for the conduct of exportations. Mr. Hoover's

experts taught them how. He established some 60 branches of the Department of Commerce in foreign countries, and also established about the same number of local branches in the various home exporting centers so that busy men would not have to write to Washington every time they wanted information. It has been truly said that some of these Department of Commerce representatives "did about everything except to sign the contracts when it came to landing foreign trade."

Trade commissions were sent to various parts of the world to develop a demand for American-made goods. The automotive commissions were especially valuable in spreading information as to the benefits of modern cars in the more backward portions of the world, and today many a "flivver" is bumping over the rutty roads of Persia or Palestine as the direct result of this governmental salesmanship. The cocoa trade and the expansion of American fruit business—in which, by the way, friends and former business associates of Mr. Hoover were largely interested—also were built up by super-salesmen on Uncle Sam's payroll.

These trade commissions and commercial *attachés* roamed the four quarters of the globe, seeking opportunities for American goods, sending back word of pending contracts, smoothing over tariff difficulties, or helping our consuls negotiate with foreign governments when unfair discriminations were placed against American products. All the while they were sending reports back to Washington and many of these documents are models of concise, well written information.

The elimination of duplication, and unnecessary industrial waste by the Department of Commerce, also saved large sums of money for American manufacturers. The Bureau of Standards was, of course, functioning, and functioning well, long before Hoover returned to the United States; but he set up a new Bureau of Commercial Standards which made itself an important factor in our national economy. There were sixty-six sizes of paving brick and the Department of Commerce experts, co-operating with the manufacturers, finally persuaded them to reduce the number of sizes to eleven—and later to five. The same process of standardization was carried on with the manufacturers of lumber, bricks, beds, steel bars, chinaware, sewer pipe, window glass, plumbing supplies, and scores of other necessities.

Under Hoover's direction, the Census Bureau's work was greatly enlarged and it began compiling statistics for every day use by businessmen; he improved the Bureau of Mines inspection service and greatly expedited the notoriously slow conduct of affairs within the Bureau of Patents. Hoover in those days was a dynamo of driving energy, and he co-ordinated and speeded up all of the numerous branches of the Department of Commerce; surrounded himself with some very able men—sometimes he augmented their government salaries out of his private purse—; and while he was doing these things his publicity bureau saw to it that the nation as a whole recognized Hoover as an extremely efficient executive, and—as they claimed—one who had a patriotic zeal for public service.

That Hoover did accomplish widespread and important reforms within the Department of Commerce I am the first to concede. That is entirely to his credit, and no one familiar with the facts will attempt the slightest denigation of his record in this respect. But even here, as elsewhere, Hoover's "official biographers" or paid publicists have tried to create the impression that he is almost a superman by attributing to him powers which no mere mortal possesses, and making wholly exaggerated claims in his behalf—and of course with his consent. These attempts to take credit for events or developments brought about by natural causes, or world wide trends, in some cases border on the burlesque.

According to Will Irwin, his most eulogistic biographer, Herbert Hoover also was largely responsible for averting disastrous consequences in the 1921 deflation. But let Mr. Irwin tell the story in his own words:

"Among these 'outside' activities," he writes, "perhaps the most important to the American people was his attack on the problem of unemployment in 1921. We all know the situation—a sudden post-war deflation, millions of idle men. Hoover—very busy at the moment with reorganization of his own department—recommended to the President an unemployment conference of eminent business men, manufacturers, labor leaders and economists. Appointed to deal with the emergency, it proceeded under Hoover's guidance to one of the greatest co-operative efforts ever undertaken in the United States. Federal, state and municipal governments organized to undertake and to accelerate public work. Manufacturers agreed to institute jobs of cleaning up and reconstructing their plants; and to stagger their employment so as to give as many people possible some wages each week. When the people began to recover their income they began also to buy. In three months the wheels were turning again; the backbone of hard times was broken. European governments have struggled with this problem for years, but never in history was there such swift solution. The conference went further: studied

unemployment down to its very roots, gathered data which will serve invaluable in future crises."

The foregoing seems rather grimly ironic in view of the situation now existing in these United States. If, as Mr. Irwin alleges, "the backbone of hard times was broken" in 1921, almost entirely by Mr. Hoover's efforts, why has the same remedy failed so dismally in the present dire emergency? Was the formula wrong? Or does Mr. Hoover as President no longer possess the almost miraculous powers which seemed to be his—according to his biographers—when he was a mere Secretary of Commerce?

But Mr. Irwin went even further. In referring to the Industrial Conference which Hoover headed in 1921 he asserted:

"Out of their wisdom and experience they enumerated the signs by which coming inflation manifests itself. And the best remedy seemed to be light, more light—sound scientific collection and collation of facts, publicity of these facts in the right quarter. If the government would in some manner keep watch of the signs, would, as the danger signals flashed, inform certain pivot-men of our industrial army—notably the credit bankers—we might nip inflation in the bud, thereby preventing the distress and disorganization of deflation." Not content with this, Mr. Irwin added: "No nation ever enjoyed such abundant and stable prosperity as the United States between 1922 and 1927. (He wrote his book in 1927.) The physicians of our body politic (presumably Mr. Hoover and his "experts") have discerned no symptoms of the inflation which precedes a flop . . ."

After reading the above lines, one hardly knows whether to smile or sigh. Certainly the "flop" is here—and what a flop! Nor does the record reveal that the "physicians of our body politic" foresaw the calamity or flashed the "danger signals" to warn the "pivot-men of industry."

Instead, as everyone now knows, despite the warnings of such men as Paul Warburg, and scores of other responsible bankers, that the bubble of inflation had been blown to the bursting point, Mr. Hoover and Mr. Mellon—"the greatest Secretary of the Treasury since Alexander Hamilton"—did absolutely nothing to avert the catastrophe which every economist worthy of the name could see coming. Indeed, the periodic issuance of ill-considered "boosting" statements from the White House and Treasury Department, actually boomed the bull market and encouraged the orgy in stock gambling. And, after the first collapse in November, 1929, the pollyanna assurances of President Hoover and Secretary Mellon that all was well with the world, and prosperity was "just around

the corner," contributed in no small degree to the second and third market crashes.

No person not entirely blinded by partisanship would contend that Mr. Hoover is responsible for the existing hard times. We were headed straight for a collapse long before he entered the White House. I have merely included the foregoing paragraphs to prove to what ridiculous lengths his "official biographers" go in building up the superman myth.

Mr. Hoover's entire Presidential campaign—or at least so much of it as was articulate and did not depend upon whispered appeals to religious prejudice—revolved around the baldly stated proposition that he was the one true prophet of prosperity. The "Coolidge market" was on the boom then. Republican politicians and captains of industry alike asserted the national welfare demanded that Herbert Hoover be placed in the Presidency and Andrew Mellon be continued in the Treasury Department as Wall Street's patron saint.

This was done—and now we have the debacle. Admittedly Mr. Hoover is not blamable for this, but at the same time he could have put on the brakes and eased the worst effects of the crash by compelling the Federal Reserve system to cut down brokers' loans gradually and thus check speculation. And he also could have gotten his widely press agented "building program" under way in time to have helped unemployment. To date it has hardly passed the blue print stage, and, as millions of Americans are discovering to their sorrow, it is difficult to feed on promises.<sup>1</sup>

Unemployment is a baffling problem at best under our unscientific social system of "rugged individualism," and it is particularly difficult in the face of a world wide depression. Nevertheless, cer-

<sup>1</sup> The following quotation from the *New York Times* of September 8, 1931, would seem to verify the above statement:

Summarizing the results achieved under this plan, President Hoover recently made public the following figures:

Projects completed .....	57	\$25,326,876
Contracts let .....	192	135,637,366
Sites acquired, plans completed .....	61	44,249,800
Sites acquired, plans partially completed .....	192	181,353,023
Sites advertised, bids opened .....	156	34,871,800

Measured in terms of the money to be spent, this table shows that approximately 5 per cent of the government's program has been completed, approximately 30 per cent is under contract and in process of construction and approximately 65 per cent is in the stage in which sites are being acquired and plans completed.

tain constructive measures could have been taken and Congress was in a mood to take them had the suggestion come from the White House. Senator Wagner's unemployment bills were at least a step in the right direction. When these bills passed the President killed them by a "pocket veto." He also fought a Congressional appropriation to aid the suffering, and more than once disparaged any idea of relief. His insistence that a Congressional appropriation would constitute a "dole" seems doubly strange when one remembers the millions of the taxpayers' money which Mr. Hoover spent in Europe during and after the World War.

Now we must consider certain other little-known phases of Mr. Hoover's career as Secretary of Commerce which place a less favorable complexion upon his record. It has been claimed that he performed a valuable service for American industry by promoting close co-ordination by means of trade understandings and agreements. Doubtless this is partly true, but as Mr. Samuel Untermyer pointed out in a letter published in *The Washington Post* on March 21, 1924, some of the "co-operation" which Mr. Hoover encouraged among the lumbermen and others, not only encroached upon the powers of Congress, but verged dangerously close to open violation of the Sherman anti-trust and anti-price fixing laws.

Possibly the Sherman anti-trust act should be repealed (personally I rather incline to the opinion that some of its provisions are no longer in the interest of public policy) but the responsibility for such action is clearly lodged with the legislative branch of our government, and should not be attempted by executive compromise. However, Mr. Hoover's whole record—as President and Food Administrator as well as Secretary of Commerce—makes it unmistakably plain that he will always give what we loosely term "property rights" a preference over human welfare. Mr. Hoover believes—doubtless sincerely—that the best way to stimulate industry is to have large productive units operating under high profits. It is impossible to understand Mr. Hoover's policies unless one takes into consideration his instinctive sympathy with what we know as "Big Business."

This commercial philosophy of Mr. Hoover's was very well described by Senator Borah's criticism of his record as Food Administrator when he declared, "I do not mean to say, sir, that Mr. Hoover himself has received any personal or individual benefit. . . .

I simply mean that his viewpoint is such that he permits these people (the packers and millers) in effect to fix their own prices and to arrange their own affairs to such an extent that it is a case of an individual dealing with himself in these transactions. I have been utterly amazed at the facts which show how these combines have influenced and controlled the situation."

Mr. Hoover's record as radio administrator is another glaring instance of how he consistently favors big business and aids in the building up of monopolies. When Mr. Hoover became Secretary of Commerce, "air rights" were very nebulous, and the radio industry was still in its infancy. That Mr. Hoover did much to develop it I am far from denying, but at the same time it is significant that he is charged with having so administered his authority to assign wave lengths and broadcasting channels, that today virtual control of the air is lodged with the General Electric "radio trust."

Also, it is highly significant that practically all the independent stations—particularly those which ever have had the temerity to feature progressive speakers—have been relegated to the short range and little used channels, if they are not kept off the air entirely. Radio is coming more and more to supplant platform speaking and newspapers as a publicity medium, and in aiding in the thorough trustification of this most modern means of propaganda, Mr. Hoover performed an immeasurable service for the principle of monopoly.<sup>1</sup>

There have been other activities of Mr. Hoover, while Secretary of Commerce, which lay him open to the charge of having used his official position to help personal friends and business associates at the expense of the public. Probably the most flagrant case of favoritism was his effort—which has been highly successful—to crowd out the native Alaskan fishermen, thus monopolizing the immensely rich Alaskan salmon fishery grounds for the benefit of a few influential Chicago and San Franciscan packers.

Mr. Hoover's first steps in this direction were taken in 1922 and 1923, when he persuaded President Harding to sign "executive orders," which permitted the Bureau of Fisheries—under direct control of the Secretary of Commerce—to set aside certain reservations in the western Alaska fishing grounds. The next step was

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<sup>1</sup> Mr. Hoover also permitted close friends to profit by radio patents while he controlled the Patent Office. This is discussed more in detail in the Appendix.

to bar out independent fishermen—on the specious plea of “conservation”—and to confer a virtual monopoly upon half a dozen big packers. (Incidentally Herbert Fleischhacker, head of the San Francisco salmon packers, was formerly a business associate of Mr. Hoover and acted as a fellow committeeman in the reorganization of the Natomas Mining Company.)

It so happens that nearly one-third of the Alaskan Indians are absolutely dependent upon salmon fishing as their means of livelihood, and the discrimination against the small independent packers—and also against individual fishermen—caused great suffering and actual destitution among these Indians. So many complaints were made, that in 1924 Congress interfered and enacted a law which was intended to guarantee equal rights to all citizens participating in the Alaskan fisheries; but Secretary of Commerce Hoover so administered the law that at least one third of the independent, native fishermen have already been driven out of business.

Mr. Hoover has enacted his unfair decrees in the name of “conservation,” but, as a matter of fact, more fish have been taken out of Alaskan waters since his regulations went into effect than before. Wealthy absentee packers have been prospering as a consequence; but for the last six years there has been acute distress among the Alaskan natives who have been arbitrarily deprived of their hereditary fishing grounds.

A whole chapter—in fact a series of chapters—could be devoted to an exposure of the rank injustice which Mr. Hoover has perpetrated on the natives of Alaska through his grossly unfair fishing regulations, but space will not permit me to do more than to include a few remarks which Dan A. Sutherland, Alaska’s former Delegate to Congress, made in the House of Representatives on January 7, 1930. Mr. Sutherland, by the way, is a staunch Republican.

After showing that in British Columbia more than three times as many men are employed to catch three-fifths of the number of fish taken from Alaskan waters, Mr. Sutherland went on to state:

“You will ask me why this great disparity in the number of fishermen employed in the two countries. My answer is that in British Columbia the fisheries are administered for the benefit of all the people and in such a manner that any citizen can participate on an equality



with any other citizen. It is an old axiom of English law laid down by the courts when ownership of property in their dominions was adjudicated that 'a country and its resources belong to its inhabitants' and the fishery authorities of British Columbia adhere to that sound principle.

"The fisheries of Alaska are administered for the benefit of the privileged few. The privileged few select the administrator and regardless of the rights of others he proceeds to strengthen the privileges upon which the Alaskan fisheries are now in a large and always increasing part based. Were the just and fair methods of administering the fishery law as practiced in British Columbia applied to Alaska I believe I am safe in saying that at least 10,000 people would be added to the population of Alaska.

"In 1924 Congress passed a new fishery law for Alaska," Delegate Sutherland continued, "which gave the Secretary of Commerce extraordinary powers to be exercised in administration, but it contained a provision that we believed would serve to protect the rights of all citizens. This is the language of the committee report on that bill:

"At the present time it is the policy of the Department of Commerce as one means of control of fishing to grant a limited number of fishing permits within any designated area and to exclude all others from fishing rights therein. Your committee does not question the purpose of the Department in this regard, but it has reached the unanimous and positive opinion that this practice of granting exclusive fishing privileges should cease, and in this section it is declared that all regulations authorized to be made shall be of general application and that no exclusive or several right of fishing shall be granted, nor shall any citizen be denied the right to take fish in waters where fishing is permitted."

"Of course," Delegate Sutherland went on, "the privileged method of trap fishing was in effect (under Hoover's regulations) when the bill was passed, and Congress did not contemplate their abolishment, but we had reason to believe that the Secretary of Commerce would give all fishermen a fair chance in the pursuit of their calling.

"This is what the Bureau of Fisheries did to the Indian population of the southern coast of Alaska as soon as Congress had conferred upon it powers to regulate the fisheries:

"When the canning of salmon began in Alaska and for some years after all the fish were taken by seines. The early packers recognized the Indians' right to certain places where the salmon were easily taken and paid royalty for the privilege of fishing at such places."

"Mr. LaGuardia: Is that a matter of departmental regulations, based on the law, or is it the fault of the law itself?

"Mr. Sutherland: It is the fault of the Department. The law can be applied. It is identical with the law of British Columbia which I am discussing. The trouble is in the administration of the law and nothing else. Virtually every nation on earth and I think every state of the Union delegates certain powers to its administrative bureaus, and it is presumed that they will follow the law and the statutes and also the court decisions of the past with regard to the fishery law."

After discussing in detail some of the unjust regulations put into effect by the Bureau of Fisheries, and showing how they discriminated against the Indians, Mr. Sutherland continued:

"I have listened for hours here and in the Senate to discussions of

the distressed conditions of the Porto Rican natives, the mill operatives of North Carolina, the coal workers of West Virginia and Pennsylvania. In those cases economic laws had some part in causing poverty and destitution. The poverty, distress and destitution of the Alaskan natives can be attributed only to the selfishness and greed of our absentee landlords and the spinelessness and duplicity of our Department of Commerce."

Delegate Sutherland then presented letters from old residents of Alaska, missionaries, and editorials from Alaskan papers, telling of the destitution among the Indians. Part of one letter, written by Mrs. Helen V. Reid, a social worker, follows:

"These natives, mainly Hydahs and Thlingets have been a fishing people for generations. Owing to the nature of the district where they reside, fishing is their only means of obtaining a livelihood. With the advent of the canneries the result of their catch was sold to these concerns while their women worked there during the brief fishing season.

"In recent years the canneries have installed mammoth traps which not only reduce the native's haul and make the disposal of his fish precarious and of little value, but they drain the Alaskan waters of salmon to such an extent that despite the gigantic hatcheries and so-called conservation methods (which virtually restrict only the independent fishermen, allowing the fish traps to operate without material interference), the slaughter of salmon is imperiling the greatest industry in Alaska.

"Besides this, every season the corporations operating the canneries bring hordes of alien labor from California and Washington to usurp the work belonging to the native, resident fishermen of Alaska.

"Across the border in Canada, the native fishermen are protected by laws prohibiting nonresident fishermen from operating except at an exceedingly high tax.

"Corporations in California and Chicago are reaping huge dividends annually at the expense of the residents of Alaska. Is this justice?"

"I challenge the claim of the Department of Commerce," Mr. Sutherland concluded, "that its policy of taking the fish of the ocean from one class of citizens and giving them to another class is conservation of the supply. Surely, if conservation were the motive it could be accomplished by a fair division of the fish. There are no less salmon taken in Alaskan waters now than there were before the so-called period of depletion. Let me quote the bureau's own figures on that:

"During the five war years from 1914 to 1918 inclusive, when fishing was most intensive, there were taken from Alaskan waters 26,076,661 cases of salmon. In the year 1919 to 1923, inclusive, 21,151,405 cases were taken. The reduction in amount was at least partly attributable to decreased market demand for the product. Then an alarm was raised about the depletion of the salmon supply, and Congress in 1924 gave the Department of Commerce the power it asked to regulate the fisheries. In the five years from 1924, when the power was conferred on the bureau, to 1928, inclusive, there were taken from Alaskan waters 26,045,885, or

just 30,776 cases less than were taken in the five war years, and this was the greatest amount ever taken in any five year period.

"During the years of intensive fishing it is claimed the salmon of Alaska were depleted, and yet in the five years since this power was given to the Secretary of Commerce there have been just as many fish taken from Alaskan waters as there were in the five years which it is claimed caused the depletion. There has been no conservation or anything of that kind."

In another speech on the same subject, Delegate Sutherland declared:

"There is not an independent fisherman on the coast of Alaska from Dixon's entrance to Bering Sea who will not arise to refute that assertion (Mr. Hoover had given out a press release stating there was a splendid spirit of co-operation shown by the fishing industry with the Department of Commerce's efforts to administer the fisheries of Alaska) and to curse the day that Mr. Hoover instituted his policy of unjust discrimination against the local fishing population of the Territory.

"The press organs of the packing interests lay great stress on the prosperity of the industry, but they do not inform the public that the local fishing population of Alaska did not participate in this prosperity. While the cannery proprietors and their stockholders are spending the winter in the States rejoicing in their prosperity, many of the Alaska fishermen are in poverty and distress as a result of Hoover's policy in regulating the salmon industry solely for the benefit of the Chicago, San Francisco, Portland and Seattle investors, and in discrimination against Alaskan residents. Once was a time when the national or state prosperity meant the general prosperity of the people as a whole but today prosperity in Alaska is reckoned by the Department of Commerce in dividends to cannery owners."

Doubtless it was this same inherent bias towards the profits of big business—well described by Delegate Sutherland—which in 1921 caused Mr. Hoover to use his official influence in so amending the Capper-Tincher anti-grain gambling bill that it was virtually emasculated. Mr. Hoover escorted Julius Barnes, F. C. Van Dusen and F. B. Wells of Minneapolis and L. F. Gates of Chicago to the office of Secretary Wallace, and sat with them in conference while the four biggest grain gamblers in the United States actually wrote out the amendments which later were tacked on to the bill. These facts are particularly pertinent in view of Mr. Hoover's recent declaration that the price of wheat was being deliberately depressed by "short selling." The original Capper-Tincher bill was intended to check short selling by imposing a tax of 20 cents per bushel on all grain sold for future delivery, except where the seller was the owner of the grain, or its grower, and ironically enough this clause was vitiated by an amendment obtained in great part by Hoover's help.

When the Capper-Tincher bill was introduced in Congress, President Griffin of the Chicago Board of Trade said that "the grain exchanges of the country will close their doors and voluntarily withdraw from business rather than submit to this intolerable, unfair and arbitrary legislation."

The original bill provided for real regulation. Grain gamblers had reason to fear its passage. The Secretary of Agriculture was given wide powers in enforcing the law and was authorized to make investigations regarding the operations of grain exchanges. Governing boards of grain exchanges were required to file reports of all transactions, and were empowered to limit purely speculative trades. The bill also provided—and this was highly important—that co-operative associations of farmers *must* be admitted to the trading privileges of all grain exchanges.

The original provisions of the bill were drastic in some respects, but they were designed to eliminate market depression through short selling. Naturally, leaders of the grain trade complained, and finally appointed a delegation to go to Washington to "satisfactorily amend" the bill. This delicate task of legislative tooth pulling was entrusted to Barnes, Wells, Van Dusen and Gates. Barnes at that time was closely associated with Hoover. He had been foremost in promoting Hoover's Presidential campaign and was a part owner in *The Washington Herald* which was purchased to further Hoover's political interests.

When the delegation of grain gamblers came to Washington, they went first to Hoover's office and he personally convoyed them to the office of Secretary Wallace. There the grain gamblers, the Secretary of Commerce, the Secretary of Agriculture and two attorneys sat in conference and worked out amendments to the bill which largely nullified its original intent.

One amendment gave the big exchanges such as the Duluth Board of Trade, the Minneapolis Chamber of Commerce and the Chicago Board of Trade a virtual monopoly in handling grain. Another amendment struck out the words "reasonable limitation" upon the amount of grain which could be handled by any one operator at any one time on "open trades." A third amendment was designed to prevent co-operatives from being admitted to the grain exchanges. A fourth amendment took from the Secretary of Agriculture the sole power to enforce the law and placed



Underwood & Underwood

ON INAUGURATION DAY

*Herbert Hoover, with President Coolidge, riding to the capitol to be sworn  
in as president.*



it in the hands of a commission consisting of the Secretary of Agriculture, *the Secretary of Commerce*, and the Attorney General. This insured that the grain gamblers would have one friend in court, at least so long as Mr. Hoover remained Secretary of Commerce.

The measure as amended was a sore disappointment to those who had hoped to check speculation in the necessities of life. It did not limit trading in futures or short selling, and it actually strengthened the big grain exchanges in their monopoly. The bill also headed off regulatory measures which at that time were pending in at least two state legislatures. When the amended measure finally passed the Senate, and was adopted by the committee in conference, there was open jubilation on the floors of all the big grain exchanges in the country.

The aforementioned incident not only is revealing as another instance of interference by Mr. Hoover in behalf of friends and business associates, but also presents at least partial proof of a strange situation well known on Capitol Hill:—namely, that the agricultural policies of both the Harding and Coolidge administrations were inspired by Herbert Hoover and not by the Secretaries of Agriculture.

This has been charged many times on the floors of both the House and Senate—and it even has been alleged by Senators that Mr. Hoover personally penned the Coolidge explanation as to why he vetoed the McNary-Haugen bill.

Evidence corroboratory of these Senatorial allegations comes from George N. Peek, president of the American Council of Agriculture and Secretary of the North Central States Agricultural Conference. In a pamphlet entitled "Herbert Hoover and the Farmer," which was inserted in *The Congressional Record* of April 5, 1928, by Senator Peter Norbeck of South Dakota, Mr. Peek stated in part:

"First as Food Administrator and later as agricultural advisor of the last two administrations, Herbert Hoover is more directly and personally responsible for the present plight of the American farmer than any other man in the nation, although his machinations have been well concealed under a flood of propaganda.

"It was no secret among the friends of Secretary Wallace and particularly among the farm leaders of the Middle West that he was constantly opposed and harassed by Mr. Hoover during both the Harding and Coolidge administrations in almost every effort to rehabilitate agriculture.

"Shortly after Mr. Hoover went into the cabinet in 1921 he undertook to get control of the Bureau of Markets in the Department of Agriculture. It was then, and is now, generally believed by farm leaders in the Middle West who were familiar with his activities that he sought the transfer in the interest of private dealers, speculators and manufacturers of farm products, the interests of the first two groups particularly being directly opposed to the interests of co-operative associations of producers. Conspicuous among these groups was Julius Barnes, who became president of the United States Chamber of Commerce and who used this high office to prejudice business throughout the country against adequate legislation for the farmers. It is worthy of note that the officers of the United States Chamber of Commerce have persistently opposed adequate farm legislation, particularly the McNary-Haugen bill, although they failed to submit the question to a referendum of the membership, as is the usual custom of the Chamber."

So early as 1920 there was strong political agitation throughout the West and Southwest for some form of farm relief. The Norris-Sinclair farm export bill was the answer to that demand—and it may be said in passing that it was a far more sound and scientific measure than any other bill which has since been drafted for the purpose of helping restore agriculture. Mr. Hoover, however, was foremost in opposing the Norris-Sinclair bill; and it was openly charged in Congress at the time that he opposed a governmental export agency because some of his friends and business associates—notably Julius H. Barnes and Prentiss N. Gray—were privately engaged in the same business and did not relish public competition.

The Norris-Sinclair bill was defeated—largely as the result of Mr. Hoover's personal lobbying—but the agitation for some measure of relief did not diminish. It was then that President Harding—at the suggestion of Hoover—called his "agricultural conference" to decide upon some permanent policy of farm relief. It was said at the time by Secretary Wallace that his nominees were almost all vetoed by Secretary Hoover, and that the majority of the assembled delegates were personally chosen by Hoover—Harding, of course, complacently agreeing.

Secretary Wallace, in his *Year-Book of Agriculture*, stated that in this conference were present "sixty-seven delegates representing business having direct relations with farmers." He failed to add, however, that there was hardly a single *bona-fide* farmer invited to attend. Among these sixty-seven "having direct relations" were J. Ogden Armour, Julius H. Barnes, Robert MacDougal, president of the Chicago Board of Trade; C. H. Markham, presi-



dent of the Illinois Central Railway; Eugene Meyer, Jr., managing director of the War Finance Corporation; Thomas C. Powell, president of the Erie Railway; Kingman M. Robins, with the Farm Mortgage Bankers Association; W. H. Stackhouse, National Implement and Vehicle Association; Charles H. Swift, meat packer; Harry Thayer of the Tanners Council, U. S. A.; Frederick B. Wells, Minneapolis grain dealer, and Thomas E. Wilson, president of the American Institute of Meat Packers.

Naturally, these exploiters of the farmer hardly could be expected to recommend any legislation which would decrease their own profits. Nor did they. After some vague talk about "promoting co-operatives" and "long-time policies" they adjourned, after having accomplished their only real purpose:—the delay of any constructive helpful action.

The 1922 "agricultural conference" was so effective in postponing any affirmative legislation, that Coolidge was persuaded to call a similar conference after his election late in 1924. Once more Hoover and his picked "farmers' friends" dominated the proceedings,<sup>1</sup> and the whole keynote of its policy was contained in the vague recommendation that "there must, therefore, be established a balanced American agriculture by which production is kept in step with the demand of the domestic markets and only such foreign markets as may be profitable." Such a recommendation could only mean that most of our farm exports of wheat, cotton, tobacco, livestock, etc., be discontinued while the American farmer depended solely upon the domestic market until enough farmers were starved out to make production profitable for those remaining.

This, in fact, is exactly what is happening in the United States as the result of the Hoover let-alone policy:

Between 1920 and 1928 farm values have shrunk from 79 to 55 billions of dollars—a total loss of 24 billions.

Between 1920 and 1928 farm mortgages have increased from 6 to 14 billions of dollars—and are still increasing.

Farm bankruptcies have increased 1,000 per cent since 1920; at least 3,000,000 persons have been driven off the farms in the

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<sup>1</sup> The notorious C. Bascom Slemph then was Mr. Coolidge's private secretary, and Secretary of Agriculture Wallace before his death told friends that every single name suggested by him had been crossed off a list which he had seen in Mr. Slemph's office.

last decade; while farm tenantry has increased by leaps and bounds. Today the purchasing power of the farmers—who after all comprise nearly 30 per cent of our entire population—is almost prostrated and this is one of the major reasons why we are so slow in recovering from the depression which started with the bursting of the speculative bubble.

Curiously enough, after opposing the Norris-Sinclair bill, and twice urging the veto of the McNary-Haugen bill on the grounds it was “socialistic” and “put the government into competition with private business,” Hoover, after he became President, insisted upon the enactment of the Farm Board Bill. This ill-advised measure, which he dragooned through Congress, not only has done more to interfere with private business than any of the measures which Hoover opposed, but so far has spent nearly \$490,000,000 of the taxpayers’ money without visibly benefitting the farmers—and the Farm Board Bill, in turn, was used as an excuse for foisting the indefensible Smoot-Grundy tariff upon the country.

It is not strange, considering all the aforementioned circumstances, that Hoover’s warmest admirers fight shy of attempting any explanation of his agricultural policy—or rather his lack of one. His actions in this respect alone, as Food Administrator, Secretary of Commerce and President, are sufficient to convict him of inconsistency, gross favoritism to big business associates, and finally, of a perfectly appalling economic short-sightedness.

## CHAPTER XXII

### A CANDIDATE ONCE MORE

HOOPER was a potential candidate for the Presidency from the day that he first entered Harding's cabinet. Of this there is not the slightest question. Despite his surface softness, he has bull-dog pertinacity, and a marvelous ingenuity in shaping circumstances to suit his ends. Had Harding lived, Hoover conceivably might have been a candidate in 1924, for it is doubtful whether any President's reputation could have survived the numerous scandals of the "Ohio Gang." But Coolidge, with his usual luck, had succeeded to the chief magistracy; the bull market was booming; and "Cautious Cal" had been built up by clever propaganda until there was no coping with his popularity. Probably reasoning that not even Coolidge could defy the third term tradition, Hoover cannily clung to his Cabinet post and prepared to bide his time.

However, the phrase "bide his time" does not mean that Mr. Hoover was content with mere watchful waiting, trusting that chance would cause the desired plum to fall within his reach. That is not Mr. Hoover's method. Instead, quietly but efficiently, always working beneath the surface, and working so smoothly that even prospective rivals never suspected the full extent of his manipulations, this man who in 1920 had shown himself so utterly inept in the pre-Presidential campaign, between 1924 and 1928 gave one of the most masterly exhibitions of political fence building ever seen in these United States.

Most of the credit for this vastly improved political technique probably belongs to George Akerson of Minneapolis, who was hired in 1926 as Mr. Hoover's private secretary at a salary of \$1,000 per month. Akerson at that time was Washington correspondent for *The Minneapolis Tribune*. He was a mighty good newspaperman and an even better politician. He received his training in a hard, intensely practical school, back in the days between

1916-20 when the grain gamblers, bankers, packers, millers and steel corporation heads in the Northwest were waging a bitter battle with the National Nonpartisan League.

As political correspondent for *The Tribune*, Akerson soon came to know more about the radical farmers' organization than many of its own executives, and his counsel was so sound that eventually he became a sort of general advisor to the "Old Guard" Northwestern Republicans. After the League's agitation waned, *The Tribune* sent Akerson to Washington, where he soon established a reputation as one of the smartest—though he always was extremely reactionary—correspondents in the capital.

Hoover recognized Akerson's political acumen, and when he considered the time propitious for a quiet but determined drive for the 1928 nomination, the Minneapolis newspaperman was installed in the Department of Commerce with a title of private secretary. (Fairness requires the explanation that Mr. Hoover paid Akerson's salary out of his own pocket.) Akerson's duties were almost entirely political. He had "covered" several national conventions and personally knew practically every prominent politician in the country. He had many warm friends in the Northwestern states, where opposition to Hoover was strongest. He was a shrewd observer of the trends and under-currents of opinion and—unlike Mr. Hoover himself—Akerson talked a language that politicians could understand. Trustworthy, discreet and intensely loyal, it was Akerson who journeyed from coast to coast in 1926 and 1927, "lining up" reluctant or lukewarm party leaders, disposing of patronage problems, always singing the praises of "The Chief," and always dickered for prospective delegates.

Nor did Akerson overlook the press. One of his first steps was to organize among the Washington correspondents an informal, "inside" group from some of the larger papers, strategically placed about the country, who were flattered enormously when their advice was sought on matters of policy. By this simple strategy Akerson obtained invaluable publicity. He did not forget the lesser lights of journalism, either. He personally presented them to "The Chief," and frequently correspondents and their wives were invited to the Hoover home. Naturally these humble scribes, elated by this social recognition, were not unreceptive to Akerson's future suggestions. Likewise, the Department of Commerce

press bureau—already effective—increased its output until the public prints were fairly deluged with accounts of Mr. Hoover's multifarious activities. George Akerson is a past master at the art of "planting a story," and he certainly planted a bumper crop of stories for Herbert Hoover.

This publicity campaign has had no counterpart in American politics, but Akerson was shrewd enough to see that it was not over-done. Accomplishments were credited to various subordinates, and yet always the impression was created that Mr. Hoover—hovering in the background—was the creator and director of everything the Department was doing. Now and then, when the occasion warranted his appearance, Mr. Hoover stepped boldly to the footlights, performed his amazing feats of economic legerdemain, and took his bows with becoming modesty.

On such instance was the so-called "rubber crisis" in 1926. The United States consumes at least two-thirds of the world's raw rubber and we were dependent upon the British possessions for our supply. Starting in 1922, the British government restricted the output of its East Indian plantations, and prices began to increase until they were almost prohibitive. Hoover, preceded by an international ballyhoo, announced that he intended to grapple with the British monopoly in the interests of the American consumers.

It was announced that rubber culture was to be started in the Philippines (rubber trees are not bearing until several years old); Department of Commerce experts asserted that Henry Ford's enormous plantation in Brazil was suitable for the growth of rubber trees; Edison said golden rod plants might be converted into rubber (by a process not yet perfected); and Harvey Firestone started his vast enterprises in Liberia (which deserve a chapter in themselves).

Shortly after the start of these blasts of Hoover publicity, the prices of rubber *did* fall—and fell suddenly and sharply. Mr. Hoover's publicists immediately claimed that this had been brought about by his unaided efforts, although they always are vague in telling exactly what he *actually did* to break the British monopoly. As a consequence, hundreds of thousands of grateful automobile owners were convinced that Herbert Hoover had helped them save money.

As a matter of cold fact, what had happened was this: The price of rubber was increased by the British governmental regulations until it reached approximately \$1 per pound. This meant a fortune for rubber producers. Naturally, such an unprecedented demand immediately created its own supply. The East Indian plantation owners "bootlegged" an extra supply of rubber at every opportunity; the Dutch rubber growers—who were under no restrictions—quadrupled their output; Brazilian growers also increased their production. As an inevitable consequence, the inflated market suddenly collapsed under an enormously increased crop. Mr. Hoover, through his various experts in the Bureau of Foreign Markets, had kept in close touch with the situation and undoubtedly knew exactly what to expect. His statements were timed to anticipate the collapse and he claimed the credit.<sup>1</sup>

The Mississippi flood—almost providentially it seems—provided another opportunity for Mr. Hoover's political aggrandizement. (One Senator wittily remarked later that the inundation ruined the South, but made Mr. Hoover President.) When the great river went on one of its not infrequent rampages in the Spring of 1927, somebody among Mr. Hoover's numerous advisors was smart enough to see the possibilities, and President Coolidge—before he quite realized what it was all about—was

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<sup>1</sup> In discussing Mr. Hoover in a speech made in the House of Representatives on March 2, 1927, Delegate Dan A. Sutherland of Alaska said:

"The India Rubber market miracle of 1926 serves well to illustrate the Hoover propaganda method. With one superhuman gesture he commanded the British rubber monopolists to desist in their unfair practices and a few days later his propagandists announced a crash in the rubber market and a consequent saving of many millions to American automobile owners by Mr. Hoover. Although full explanation of the fluctuation of the rubber market by operation of the laws of supply and demand was made by economists and by American rubber purchasers who had bought unusually heavy orders and who assured the public that the price would almost immediately return to normal, the incident still stands as one of Mr. Hoover's superhuman performances. In thus applying his knowledge of what was sure to occur, in natural order, to impress the public with his phenomenal powers, he was much like the boatswain who had learned to read the chronometer and thus was able to impress his fellow seamen with his unusual powers by commanding the signal ball at Greenwich to drop at his will. A perhaps more notable exercise of scientific knowledge along Hoover's lines was in the case of Capt. John Smith, who intimidated Chief Powhatan and his Indian followers by eclipsing the sun for their benefit. Capt. Smith had a greater incentive to miracle working than Mr. Hoover has, and no man would criticize the doughty old captain for his emergency performance."

persuaded to name the Secretary of Commerce as head of the relief organization.

Surrounded by a small army of reporters, newspaper photographers and movie news-reel men, Hoover made an impressive tour of the flooded districts. Army airplanes buzzed overhead; boats scurried here and there picking up marooned refugees; while Hoover, calm, impassive, steamed down the river, meeting local committees from the various towns—which had been functioning from the first—telling them to do what they were already doing, or commending what they already had done. The reporters hung on every word; the papers were filled with pictures; and when the flood finally subsided—as floods invariably do—once more some hundreds of thousands (perhaps millions) of Mr. Hoover's more moronic countrymen were half persuaded that by some miraculous power he had actually commanded the raging waters to retire.

That Mr. Hoover accomplished some good in the 1927 flood disaster goes without saying: He had the entire power of the government at his beck and call—army planes, coast guard boats, and the Red Cross organization—and he is by no means unskilled in co-ordinating big movements of men. Any competent person, with equal authority, probably could have done equally well, and probably dozens of persons could have done far better—for after all, Mr. Hoover was wholly unfamiliar with the locality and knew very little about the vagaries of the great river.<sup>1</sup> As a matter of fact, United States Army engineers did most of the actual work—but the praise was for Herbert Hoover.

Mr. Hoover's exploits in flood control were still ringing in the public's ears when President Coolidge—then in his summer retreat in the Black Hills—astonished the correspondents with his now famous phrase that "I do not choose to be a candidate in 1928." There is a general suspicion that "Cautious Cal" did not expect his equivocally worded statement to be taken at its face value, but it gave Herbert Hoover the "break" he had been waiting for.

Hoover, Akerson, and a party of friends, were camping among

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<sup>1</sup> After the river had subsided and Mr. Hoover had returned to Washington, he was called before a Congressional Committee to give it some constructive ideas on permanent flood control. He deftly side-stepped by recommending a commission to investigate the subject.

the California redwoods when Coolidge made his statement at the Black Hills. Some friend on the San Francisco newspapers grabbed a long distance telephone, dispatched a messenger for Akerson, and told him the news. Akerson was not slow in grasping its import. Frantically galloping back to the Hoover encampment—George is fat and short of breath—he informed “The Chief” that his chance had come. In less than two hours the announcement of Hoover’s own candidacy was on the wires and Coolidge could not have changed his mind had he wanted to.

While Hoover did not have the field to himself very long, he was fortunate in his rivals. With the exception of Frank Lowden of Illinois, they certainly were the most appalling collection of candidates ever brought forward in American politics—and Lowden was fatally handicapped by his straightforward espousal of farm relief. The Eastern money bags looked upon this as almost akin to Bolshevism, and while the Middle Western farm leaders made plenty of noise they had but few votes to bring to the convention. The other candidates were General Charles Dawes, and Senators Frank Willis, Charles Curtis, James Watson and the preposterous Guy Goff of West Virginia. In such an array, Hoover’s worst enemy—granting an elemental sense of patriotism—could hardly wish him anything but success.

The four Senatorial candidates soon became known as “The Allies” among the newspaper correspondents, but each had the temperament of a prima donna, and instead of presenting a united front they secretly knifed one another—for the benefit of Hoover. The only practical result of their alliance was a working agreement not to oppose each other’s attempts to garner the “native son votes” from the states where they lived. As a matter of fact, Frank Willis was the strongest of the four and he dropped dead while making the opening speech in his primary campaign. That left Hoover a clear field in Ohio, and with the assistance of such notorious bosses as Maurice Maschke of Cleveland, and Walter Brown of Toledo, he carried the Buckeye state primaries by an overwhelming majority—his only opponent being the already dead and buried Senator. Had Willis lived, it is very doubtful indeed whether Hoover would have won the Ohio delegation, but in the light of future events this hardly would have prevented his nomination.



Hoover was unopposed in the California primaries and he also won in Maryland without opposition. His first real test of strength came in Indiana. Senator Jim Watson ran against Hoover and after a vigorous campaign defeated him by more than 30,000 votes. Three weeks later, Guy Goff won the West Virginia primaries over Hoover by a majority of more than 20,000. Hoover also lost out in Illinois and did not have a single instructed man on the New York delegation. In Texas, rough, steam-roller tactics were used by the Hoover forces, and the anti-Hoover delegates finally bolted the convention amid an accompaniment of swinging police clubs. The only actual contests did not reveal any overwhelming sentiment for Hoover, but no one could muster up much enthusiasm for such candidates as Curtis, Watson, Goff or Dawes; and Lowden could not get started outside the Corn Belt. Consequently, Hoover won most of delegations almost by default—though Akerson's earlier work must not be overlooked.

It was one of the most depressing pre-convention campaigns ever witnessed in America. With the exception of Lowden and the loud mouthed Dawes, all the candidates seemed determined to avoid any expression upon any issue. Nicholas Murray Butler, early in the campaign, declared that Lowden was the only aspirant "with enough courage to tell where he stands," and he denounced the tactics of the others as "obnoxious salesmanship." It was apparent, early in May, that Hoover would get the nomination—just as there was no doubt that Al Smith would be the Democratic candidate.

When the Republican delegates finally convened at Kansas City the only real opposition to Hoover came from the throngs of Oklahoma, Kansas, Nebraska, Iowa, North and South Dakota and Minnesota farmers, who had motored down to make a last furious protest against the former Food Controller. But they were not allowed to enter the hall, and their anti-Hoover parades had little effect upon the hard-boiled delegates.

None of the Allies—nor all of them together—could make a respectable showing, and the only danger to the Hoover candidacy were the growing demands to "Draft Coolidge for President." But Borah, as usual, lead the few progressives up a blind alley,<sup>1</sup> and when the wringing wet "Boss" Bill Vare came out for

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<sup>1</sup> Just before the Kansas City convention Hoover was fearful over the so-

Hoover, it literally was all over but the shouting. Andrew Mellon fell into line—he could do nothing else—and Senator Curtis, the only one of the Allies who had shown any strength, finally was coaxed into good humor with the promise of the Vice Presidency. An equivocating, promise-all, mean-nothing platform was drafted by Smoot and Borah, and, with these few details arranged, Hoover was nominated on the first ballot.

In the 1928 Presidential campaign American politics probably reached its low water mark. The candidates were diametrically different in almost every respect. One came from the tenements of the largest city of the Eastern seaboard; the other was born on a farm and claimed a Pacific Coast state as his adopted home. One was openly wet; the other professed to be dry. One favored governmental development of power projects; the other sneered at this as "state socialism." And, curiously enough, the city-born Smith advocated farm relief, while the country-born Hoover until the very eve of election dodged and equivocated on this subject. The difference in the nominees' personality was as wide as the variance between their principles.

Here, surely, was a campaign where a comparatively dispassionate discussion of certain vital issues might have been reasonably hoped for. Two sharply contrasting men stood before the electorate; they represented theories as far apart as the poles. A calm consideration of their principles; a fair appraisal of their political philosophies, might have gone far toward clearing the fetid air of national politics.

Smith, in his acceptance speech, started with an unusually candid avowal of his principles, and he tried hard to keep the campaign on the same high level. Frank to a fault, often speaking extemporaneously, he toured the country, handling issues local and national in a straight-from-the-shoulder manner, and let his countrymen see him as he really was. On prohibition particularly, he not only stated exactly where he stood, but came forward with a constructive, detailed remedy for the present appalling situation.

Hoover declined to meet Smith's challenge. Studiously avoiding

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called revolt of the farmers. Borah approached Senator George Norris of Nebraska, acknowledged leader of the Progressives, and asked him if he would accept the vice presidential nomination. Norris merely laughed at this fantastic proposal. Borah said the suggestion came from Hoover, who more than once privately had violently denounced Norris as a Socialist.

any mention of his rival's name; ignoring the questions which Smith put to him day after day; making only a few addresses at carefully selected spots, and then never failing to read from a prepared manuscript, Hoover contented himself with calling prohibition "a noble experiment," and—except on the tariff—he usually dealt only in the vaguest generalities. Several of his campaign speeches were models of circumlocution, where the closest analysis of his studied ambiguities fails to disclose any definite stand.

Hoover knew precisely what he was doing when he adopted this dishonest policy. It was planned long in advance, when his advisors knew that Smith was sure to win the Democratic nomination. Their whole plan of campaign was to preserve the Hoover myth and to have him commit himself on as few controversial questions as possible. Smith was to be attacked openly for his Tammany affiliations—which was perfectly legitimate—and knifed secretly by whispered slanders against his character or the rankest kind of appeals to religious prejudice.

Smith's campaign was atrociously mismanaged. John J. Raskob doubtless is an astute and capable businessman, but his knowledge of practical politics was elemental, to say the least. He poured money into such Republican strongholds as Pennsylvania, for instance, while states which Smith really had a chance to carry were handicapped by lack of funds. His entire policy played right into the hands of the Republicans, and, for reasons best known to himself, he refused to make public records placed in his possession which uncovered portions of Mr. Hoover's promotional career.

"There must be no mud-slinging" was Mr. Raskob's oft repeated declaration and he kept on parroting this phrase long after it was evident that whispered mud-slinging against Smith was being authorized by Republican headquarters in many different states. Probably it would have made but little difference in the result—for the Hoover myth was too firmly established to be punctured in a few months—but if Mr. Raskob had permitted a vigorous offensive and intelligently brought out certain details in Mr. Hoover's past, details which were quite pertinent as to his supposed capability as a President, it is at least likely the Republican campaign managers might have been kept so busy defending

their own candidate, that they would not have had so much energy left with which to attack Mr. Smith.

But this was not done. The Democratic research bureau—if indeed the party had such an organization—seemed densely ignorant of almost everything pertaining to Mr. Hoover's official record—since he came to this country as well as before—and the few individuals who possessed sufficient information to make an effectual fight against the Republican nominee were squelched by Mr. Raskob, or else lacked funds to make public their facts. Consequently the campaign really never became an actual contest. Mr. Hoover coasted in to victory, largely because Mr. Smith claimed to be nothing but a shrewd, practical politician with a record of honest accomplishment behind him; while Hoover, as the result of years of well directed propaganda, was looked upon almost as a superman.

Not since 1896, when Mark Hanna virtually purchased the Presidency for McKinley, has any political campaign in these United States been put upon such a sordid bread and butter basis. Behind all the Republican publicity was the implied threat of hard times in case of a Democratic victory; and Hoover himself only became really voluble when discussing prosperity. He rode into office by talking about "the abolition of poverty." Today, his campaign promises and recommendations make curious reading:

"Unemployment in the sense of distress is widely disappearing," Hoover declared in his acceptance speech at Palo Alto. "We in America today are nearer to the final triumph over poverty than ever before in the history of the land. The poorhouse is vanishing from among us. We have not yet reached the goal.

"But, given a chance to go forward with the policies of the last eight years, we shall soon, with the help of God, be in sight of the day when poverty will be banished from this nation. There is no guarantee against poverty equal to a job for every man. This is the primary purposes of the policies which we advocate."

Again, in his Newark speech on September 18, which was addressed primarily to labor, Hoover told the workers that they owed their welfare to the policies of the Republican party. The

real paucity of his economic equipment never was better revealed than on that occasion. In one sentence he warned his audience that they must protect themselves by high tariff duties from the competition of foreign goods, made by low paid labor, and in another sentence, shortly following, he declared that it would be his policy to develop foreign trade to aid American workers. Obviously, the Smoot-Grundy tariff was the attempted fulfillment of this promise—a measure which was opposed by practically every economist in the United States—and the swift decline of our exports, when other nations erected trade barriers in reprisal for our own tariff wall, is still so fresh in the public memory as to require no comment.

Still further on in the Newark speech, after calling attention to what he had done towards remedying the 1921 depression, Mr. Hoover stated, that with accurate statistics, periods of depression could be foretold (at that time he was predicting the continuation of prosperity) and he said he intended to ask Congress for a fund of one billion dollars to be used within the next four years to inaugurate a comprehensive plan of public works, which would be used to offset seasonal and sporadic unemployment.

Once more, every patriotic American can only deplore the very wide divergence between Herbert Hoover's campaign promises and his performances as President. Since depression has become a stern reality—and is no longer a bogey with which to frighten voters—Mr. Hoover seems to have forgotten about his billion dollar fund to provide jobs in slack times. As a matter of fact, he propounded a very sound idea in 1928, and the pity is he has not carried out his promise. But, in December, 1929, when the shadow of hard times already had fallen across the country, in his message to Congress, Mr. Hoover dismissed the proposal for public works in a single sentence: "To increase taxation for purposes of construction defeats its own purpose, as such taxes directly diminish employment in private industry."

But even such crass things as tariff schedules were not too greatly stressed by the Hoover managers. Backwoods bigotry and fundamentalist intolerance were their chief reliance. Cunningly they played these factors for all they were worth, until the contest came to more resemble a crusade than a political campaign.

Herbert Hoover, the candidate, was presented as the possessor

of certain very positive qualities. The people were told that he was a masterly business executive with the disciplined mind of a technician. They were assured not only was he a profound economist, but that his practical knowledge of trade and industry could be trusted to guide this nation along the paths of permanent prosperity. In statesmanship, too, he was said to have the worldwide vision that would usher in a better era of international good will. As a high-minded patriot, with a passion for efficiency, we were promised that he would set his face like flint against the schemes of crooked politicians and the encroachment of special privilege.

So eulogistic were the pæans of his press agents that many honest citizens—distrustful of Smith's New York affiliations—enlisted under Mr. Hoover's banner with almost evangelistic zeal, convinced that he was divinely destined to cleanse the Augean stables of politics, and place our government on a plane of stainless purity. In the more backward regions, where people still accept the Bible literally, and swallow whole weird tales concerning the machinations of the Pope of Rome, Mr. Hoover was looked upon as a Gideon going forth to fight the forces of evil.

These hopes which many honest persons had in Mr. Hoover seem pitiful—almost grotesque—when one considers the character of some of his campaign advisors: Claudius Huston, for instance, who was paid lobbyist of Tennessee power interests and later was found to be speculating with funds which they placed in his possession. And there was the late James W. Good, manager of the Hoover forces in the pre-convention fight and later director of the Western campaign. Good resigned from Congress to become vice president of the Shirley Laboratories in Chicago and later it was revealed that this firm was "bootlegging" industrial alcohol on a wholesale scale. Or James Francis Burke, with his sordid background of Pittsburgh politics, a Catholic himself, yet the one who approved Mabel Willebrandt's vicious incitements to religious intolerance. Senator Moses, wringing wet personally, directing dry propaganda; and George Akerson, wholly cynical, in his approach to public affairs, issuing attacks against Tammany. Or Bascom Slemph, an admitted peddler of postmasterships, and go-between financier of the activities of James Cannon, the "bucketshop bishop," who fanned the flames of religious hatred through-

out the south. Water can rise no higher than its source—and neither could Mr. Hoover's campaign. It was the most nauseous and utterly dishonest canvass ever conducted in the history of America.

The pity of it is that Mr. Hoover would have won easily without resort to these despicable tactics. That is evident now. More than once certain Republican leaders, reproached by Catholic friends, urged Hoover to come out squarely and denounce the appeals to religious intolerance made in his behalf. He remained as silent as the tomb.

Mabel Willebrandt, Bishop Cannon, the Anti-Saloon League fanatics, aided by the venal leaders of the almost moribund Ku Klux Klan, took the field, with official sanction, in a deliberate appeal to ignorance, hatred and passion. They were joined by thousands of circuit riding preachers and small town parsons. Every itinerant revivalist was sure of an assignment if only he would agree to denounce the Democrats in the name of Christ. Money was spent freely in this direction—openly in some cases, secretly in others. In the Southern and Northwestern states, practically every church held special "services" on the Monday night before election and tens of thousands of so-called "men of God"—possibly unaware that they were fighting shoulder to shoulder with such notorious bosses as Vare, Maschke, Walter Brown and others, backed by practically every bootlegger in the country—prostituted their profession by using their pulpits in fervent partisan appeals. The rest is history. The forces of righteousness were triumphant. Herbert Hoover was elected President of these United States.

## CHAPTER XXIII

### *AN ESTIMATE OF THE MAN*

**I**T CAN HARDLY be said of Herbert Hoover that he would rather be right than be President. Politically, his course has been marked by an amazing lack of conviction—or at least by an amazing inconsistency in public declarations of the principles he professes.

In 1920, he was willing to become the nominee of either party (or of both); and, except for his advocacy of the League of Nations, his platform seemed deliberately designed to be all things to all people, while actually committing Mr. Hoover to precisely nothing. Indeed, his so-called platform might more aptly have been termed an escalator, so rapidly did his successive public statements alter in tone to conform to the political exigencies of the moment. Even on his League of Nations stand, Hoover swiftly shifted as the need arose. When it became apparent that the Democratic nomination was not worth having, he announced he was a reservationist and whooped it up for Harding, who was privately pledged to have nothing at all to do with the League, and who had been a leader of the forces opposing its ratification.

Hoover executed the same kind of a right-about-face on farm relief during the closing days of the 1928 campaign. He had denounced any form of farm relief on many occasions, and he repeated this denunciation in his New York speech which was built around his fear of "state socialism." Senator Borah, who had been campaigning throughout the Middle West, hurried to Washington and convinced Hoover that the grain growers interpreted this as an attack on farm relief and were up in arms against his declaration. In a panic over the possibility of defeat, Hoover promptly reversed himself, and allowed Borah in his name to promise the calling of a special session of Congress to deal with farm problems. The Farm Bureau bill was the result—and it went much



further along the lines of state socialism than the McNary-Haugen bills which Hoover formerly had opposed.

Power is another question on which Hoover equivocated for the sake of political advantage. His real position on power is well known. He does not believe in Federal regulation and always, prior to the 1928 campaign, he had been fairly outspoken in his opposition to the principle of government-ownership. But on October 6, 1928, in his speech at Elizabethton, Tenn., he said:

“I do not favor any general extension of the Federal government into the operation of business in competition with its citizens. . . There are local instances where the government must enter the business field as a by-product of some great major purpose such as improvement in navigation, flood control, scientific research or national defense, but they do not vitiate the general policy to which we should adhere.”

A Scripps-Howard editor asked Mr. Hoover after the meeting if his exception referred to Muscle Shoals. Mr. Hoover replied: “Yes, you may say that means Muscle Shoals.”

Two days later the Scripps-Howard papers carried a story under the headline “Hoover Wants Government to Operate Muscle Shoals.”

This promptly elicited an ambiguous statement from Hoover, which declared the power generated at Muscle Shoals “should be disposed of on such terms as will safeguard and protect all public interests.”

Later, as President, Hoover vetoed the Norris bill which provided for government operation of Muscle Shoals. Furthermore, he not only by his appointments packed the Federal Power Commission with friends of the private power interests, but he permitted the ousting of W. V. King, chief accountant, and Charles A. Russell, solicitor—about the only persons connected with the Commission who were really trying to protect the public.

Prohibition, next to religious bigotry, certainly was primarily instrumental in placing Herbert Hoover in the Presidency, but even on this question—where he has come closest to taking a forthright stand—his utterances prior to the campaign and his subsequent actions create a strong suspicion that his dry views

were deliberately chosen with an eye to the political advantages.

Hoover, although always extremely temperate, never was a personal dry and continued to drink occasionally—though sparingly—even after he became a member of Harding's cabinet, and had taken an oath to enforce the Constitution. Furthermore, he had a very clear idea of the evils which might be expected to come in the train of prohibition. These opinions he freely expressed back in 1918 when as Food Administrator he defeated the Randall amendment which would have prohibited the manufacture of beer or wine for the duration of the World War. The amendment passed the House of Representatives but was killed in the Senate largely upon the strength of Hoover's opposition.

"It is mighty difficult to get drunk on 2¾ per cent beer," he declared on June 5, 1918, to the Senate Agricultural Committee, "but it will be easy enough if we force a substitution of distilled drinks for it.

"As to the discussion of the suppression of brewing," Hoover continued, "I wish to say emphatically that from a strictly food conservation point of view I should like to see the use of foodstuffs suppressed in all drinks hard and soft. This is not, however, the whole story. We stopped distilling a year ago. There is a large supply of whiskey, gin and other 20 to 40 per cent distilled drinks in the country.

"If we stop brewing the saloons of the country will still be open, but confined practically to a whiskey and gin basis. Any true advocate of temperance and national efficiency in these times will shrink from this situation, for the national danger in it is greater than the use of some 4,000,000 bushels of grain monthly in the breweries.

"If the American people want prohibition they should prohibit by legislation to that end and not force the Food Administration to the responsibility for an orgy of drunkenness."

Today, as the result of thirteen years of prohibition, the nation is on the "whiskey and gin basis" that Hoover predicted—and most unprejudiced observers also see many evidences of the "orgy of drunkenness" which Hoover also feared. Nevertheless, in his acceptance speech of August 18, 1928, Hoover referred to the

Eighteenth Amendment as "a great social and economic experiment, noble in motive and far-reaching in purpose;" and despite the accumulating evidence that prohibition is causing corruption, breeding criminals and increasing intemperance—to say nothing of adding to the nation's economic distress—Mr. Hoover still stubbornly refuses to consider any proposal looking toward the modification of this ill-advised measure. His advocacy of the Volstead act was tremendously effective politically against wet Al Smith, and apparently the President cherishes the hope that prohibition may serve again in 1932 as a red herring to divert public attention from more fundamental issues.

This seems to be indicated by the amazing gyrations of the Wickersham commission—whose sudden flip-flops and reversals are believed in well informed Washington circles to have been the direct result of Presidential pressure. In his inaugural address, the President declared that "disregard and disobedience of law" was the "most malign" of all the perils facing the nation, and announced his intention of appointing a commission to study and report on "the whole structure of our Federal system of jurisprudence."

When the report finally was made public, it was found that seven of the eleven commissioners had signed individual opinions which favored immediate repeal or revision of the Eighteenth Amendment, while the commission as a whole had signed an "official report"—showing every sign of hasty preparation—which recommended there should be further trial of prohibition "and, if after such trial effective enforcement is not secured, there should be a revision of the amendment."

Although he had used the Wickersham commission for two years as a means of side-stepping any definite action on prohibition, the President, in presenting the report to Congress, promptly repudiated the findings of his so-called experts. "The commission by a large majority does not favor the repeal of the Eighteenth Amendment," the President said (in the face of the majority's individual reports to the contrary) "and I am in accord with this view." Later, he added, "I must not be understood as recommending the commission's proposed revision of the Eighteenth Amendment which is suggested by them for possible consideration at some future time if continued effort at enforcement should not

prove successful. My own duty and that of all executive officials is clear—to enforce the law with means at our disposal without equivocation or reservation.”

Politically, Mr. Hoover seems to have burned his bridges behind him by this open espousal of the Anti-Saloon League side of the wet and dry controversy, but whether the above-quoted remarks express his real opinions seems at least doubtful in the light of certain statements he made on May 11, 1925, when he addressed the Associated Advertising Clubs of the World. On that occasion he stated:

“We are confronted with the daily demand to extend government in order to cure some abuse or other. The arm of government is a poor cure for abuse, for it becomes at once a restraint of liberty. For the arm of government cannot operate even to restrain evil without bringing about some instance of oppression. The safeguard against the invasion of government into the lives and liberties of our people is that we shall cure abuse outside the government.”

Further on in the same speech Mr. Hoover said:

“The test of our whole economic and social system is its capacity to cure its own abuses. If we are to be wholly dependent upon government to cure abuses we shall by this very method have created an enlarged and deadening abuse through the extension of bureaucracy and the clumsy and incapable handling of delicate moral and economic forces.”

One is almost tempted to remark that when Mr. Hoover made the above speech, he must have been contemplating an attack upon the theory of prohibition; but in 1928, when his chances for the nomination seemed almost certain, and he knew wet Al Smith was to be his opponent, the Volstead act became the “noble experiment.”

Prior utterances which seem contrary to his campaign declarations are not, however, the only reason for believing that Mr. Hoover may be somewhat insincere in his prohibition professions. Even more disturbing is the utterly amazing inconsistency which

he displayed when he permitted intimate friends, former business associates and political supporters to profit enormously when the Federal government virtually granted immunity to the Grape Growers, Incorporated, of California, and proceeded to finance its operations with more than \$18,000,000 in loans advanced by the Farm Board.

This sour-smelling deal was "arranged" by Capt. Thomas C. Gregory—who was associated with Hoover in the American Relief Association and also as a trustee of Stanford University—while the holy Mabel Willebrandt who stirred up the Bible Belt with denunciations of wet Al Smith, is now attorney—at \$50,000 per year—for this association of grape growers, which is selling concentrates and wine bricks that "legally" can be converted into spiritous liquor of high alcoholic content.

The whole story of how associates of Hoover boldly capitalized their friendship with him in putting over this flagrant evasion of the intent of the prohibition laws, and how certain Californian bankers and big campaign contributors received the first eleven millions lent by the Farm Board, has never been told—it *will* be publicly related in detail in the not distant future—but to say the least it reveals an astonishing hypocrisy on Hoover's part, and once more convicts him of using his official position to show a strong partiality towards big business backers.

The same lamentable favoritism was shown by President Hoover's suppression of that portion of the Wickersham commission's report which dealt with the disgraceful frame-up against Thomas Mooney and Warren Billings, who are now serving their fifteenth year in California prisons for a crime which it is generally conceded they did not commit. A sub-committee of the Wickersham commission, headed by Federal Judge Kenyon of Iowa, officially investigated the Mooney-Billings case and prepared a 600-page report which conclusively proved that the prisoners were victims of a frame-up. As a matter of fact, I have positive information that President Hoover has privately expressed the opinion that both men were innocent. Nevertheless, certain of his political supporters and former business associates—influential in California affairs—were personally involved in engineering the original frame-up against the two labor leaders, and

that probably explains why the report was suppressed and now reposes in the archives of the White House.<sup>1</sup>

Mr. Hoover has repeatedly stressed the principle of law enforcement since he became President, but, face to face with a concrete issue which threatens to embarrass certain California friends, he calmly suppresses the findings of his own commission. This is a typical example of the hypocrisy which is almost a fine art with Mr. Hoover. It is not unfair to assert that few men in public life have such a long and consistent record of saying one thing and doing almost diametrically the opposite.

In an address on law enforcement shortly after he became President, he announced that he intended to make "the city of Washington a model in the nation." Inasmuch as Mr. Hoover personally appoints the three commissioners who govern the District of Columbia—and they in turn appoint the chief of police—it was generally predicted that a drastic clean-up in the capital would ensue. As a matter of fact, Washington is wetter today under Hoover than it was under Harding—and that is saying a great deal. Speakeasies and bawdy houses abound; bootleggers ply their trade in government buildings; and organized gambling has become one of Washington's major industries. The police force is notoriously corrupt, and there is ample reason for believing that protection money reaches even higher up. These matters have been called to President Hoover's attention repeatedly—both by individuals, Congressmen, Washington newspapers and outside publications, yet to date he has done practically nothing to remedy the disgraceful conditions in the city which is under his control.

On the question of organized labor Hoover also has voiced apparently conflicting opinions. In testifying before the Senate Committee of Education and Labor in 1924 he gave the following summary of his views:

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<sup>1</sup> In this connection it is pertinent to bring up the attitude of Hoover when Eugene Debs' friends were seeking a pardon in his behalf. Lincoln Steffins, who had interested himself in the campaign, found Attorney General Daugherty opposed to the pardon. Steffins was advised to see Hoover, whom, he was told, might "soften up" the President. After listening to Steffins explain the case, Hoover is alleged to have said: "I personally think they ought to take out the --- -- - ----- and string him up to the first lamp post." Steffins, himself, is authority for this statement. Later Harding had a personal interview with Debs, from which he emerged weeping, and the pardon of the Socialist leader soon followed.

“No one doubts that the modern consolidation of the employers over large units of employes gives every justification and right for the organization of the employes similarly into units for the exertion of equality in bargaining power. Such organization has a right to present its own representatives in bargaining. On the other hand, there should be no compulsion to join such an organization. The principle of individual freedom requires the open shop.”

If the above weasel-worded statement means anything at all, it is that Hoover accepts the demand of the American Federation of Labor for the right of the workers “to organize and bargain collectively through their chosen representatives,” and yet in the same paragraph he comes out for the foes of union labor by advocating the open shop.<sup>1</sup>

In those years when he was seeking the Presidency, the policy of Mr. Hoover seems to have been to pay lip service to progressive principles, but to refrain carefully from taking any action which might alienate his reactionary big-business supporters. An example of this is his attitude on the question of child labor. In speaking before a National Conference on Social Work he stated:

“The moral and economic results of debilitated, illiterate and untrained manhood and womanhood that must spring from the cesspools where child labor is encouraged and is legitimate, infect the entire nation.”

Mr. Hoover went on to advocate a concerted drive to have the backward states enact legislation prohibiting child labor. He stated that if this effort did not succeed, “I stand for amendment to the Federal constitution that will give the necessary power and authority to compel action in those states that are negligent of their responsibilities.”

When the child labor amendment finally was passed by Congress, and its ratification was pending in the various states, in face of the strong and bitter opposition of Southern cotton mill proprietors, New England textile mill owners and the National Asso-

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<sup>1</sup> Hoover's personal record as an employer shows him to have been a ruthless exploiter of labor in Australia, China, Burma, South Africa and Russia. In Australia and China mines under his management were not even safely timbered.

ciation of Manufacturers, those carrying on the fight for the adoption of the bill approached Mr. Hoover in the hope of getting a favorable statement. He declined to give the measure his public support.

He has displayed the same attitude in regard to the labor peonage in Southern states and the brutal feudalism employed by the coal operators in Pennsylvania and West Virginia. In his public speeches he upholds the theoretical right of collective bargaining, but he cannot be brought to denounce specific instances of industrial oppression.

Illuminating in this connection was his recent back-down when the bituminous coal operators contemptuously refused to attend the conference called by Secretary of Labor Doak for the purpose of settling the strike. The miners accepted the invitation, but when an overwhelming majority of the mine owners declined or ignored the invitation, the conference was called off. In 1904 in a similar situation, Roosevelt compelled a settlement of the differences between miners and operators. One can imagine Theodore Roosevelt's reaction had his invitations to this conference been curtly rejected.

Another example of Hoover's political hypocrisy is shown by his conduct in the oil scandals which disgraced the Harding regime. Hoover's department was not directly concerned, but several of his political and business associates were involved in the nauseous mess, and, unless he is densely ignorant, he must have known all about the details long before they were made public. Hoover sat in the Cabinet without one word of criticism of this conspiracy to loot the public domain and when he became President he appointed Theodore Roosevelt, Jr.,—one of the go-betweens in the Tea Pot Dome and Elk Hills Basin deals—governor of Porto Rico.<sup>1</sup>

Mr. Hoover's silence on the oil scandals, however, is not the only evidence available to show the startling disparity between his preachments on the purity of public affairs, and his private political alliances. His pre-convention campaign was managed by such a notorious political racketeer as "Jim" Good, and, in the last analysis, "Boss" Vare of Philadelphia brought about his nomination. He did not hesitate to accept the support of the cor-

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<sup>1</sup> See Exhibit G in Appendix.



rupt Maschke machine in Cleveland; during the campaign he never repudiated the despicable tactics of Mabel Willebrandt or Bishop Cannon; Claudius Huston and Lucas were chosen by him to head the Republican National Committee; and in matters of patronage he has relied upon the hard-boiled, intensely "practical" Walter Brown. As a consequence most of the Federal commissions have been packed with reactionary "lame ducks," and it is doubtful if the level of public service was ever on a lower ebb.

Mr. Hoover's whole political philosophy may be summed up with his favorite phrase—"rugged individualism." It is the old, outworn theory of the *laissez faire* school of economists, who have learned nothing since the days of Adam Smith. He holds that the government should not in any way compete with private enterprise, not even when—as is conspicuously the case in the development of water power—the government can do it cheaper and more effectively than any combination of capital. He concedes that it may be necessary to regulate "the forces in business which would destroy equality of opportunity," but he is insistent that the regulation must not be too rigorous, because "we are confronted with a population in such numbers as can only exist by production attuned to a pitch in which the slightest reduction of the impulse to produce will at once create misery and want. If we throttle the fundamental impulse of man our production will decay." Today, with six or seven million unemployed men and women walking the streets of our cities, and with at least a million more farmers facing absolute bankruptcy, there is bitter irony in Hoover's bland assumption that "rugged individualism" is the one perfect state of society.

But Hoover himself has made money—much of it by methods very dubious indeed—and therefore he does not question the economic *status quo*. This is proved clearly enough by the following statement from his book on "American Individualism:"

"That our system has avoided the establishment and domination of class has a significant proof in the present administration in Washington. Of the twelve men comprising the President, Vice-President and Cabinet, nine have earned their own way in life without economic inheritance and eight of them started with manual labor."

The above lines were written in 1921, and Hoover had reference to President Harding's Cabinet which contained Fall, Daugherty, Denby, Weeks, Will Hayes, Mellon, Wallace, Hughes, James Davis and Hoover himself. Four of the men mentioned were directly or indirectly involved with the Tea Pot Dome oil scandal; three of them were forced to resign. Daugherty afterwards was indicted for his fraudulent conduct of the Attorney General's office and Fall is now serving in the penitentiary. It would seem that Mr. Hoover might have inquired "how did they get it?" instead of pointing with pride at "how much they have."

He sweeps aside the manifest inequalities of our social system with equal carelessness in the statement that "if we take the whole thirty-five millions of children in the United States it would be a gross exaggeration to say that a million of them suffer from any of these injustices [want, over-work or undernourishment]." And in a sentence closely following he adds: "Yet any analysis of the 105,000,000 of us would show that we harbor less than a million of either rich or impecunious loafers."

The above statements simply reveal an abysmal ignorance of the make-up of modern America. Apparently Mr. Hoover knows next to nothing about the slums of some of our big Eastern cities; of the chronic unemployment and degrading poverty in the mining industry; of the diseased and permanently underfed condition of the tenant farmers and "poor whites" of the Southern and Appalachian mountains states; and of the acute distress among the Western farmers.

This was almost as true in 1921 as it is today. At that time—as now—there were at least 6,000,000 unemployed; the Red Cross was distributing aid to farmers in North Dakota and the South; child conferences were reporting appalling conditions among the children of miners. Only recently, government social workers have made similar reports which have gone unheeded. When a so-called "economist" disregards these easily ascertained facts he convicts himself of dense ignorance, calculating callousness, or of extreme carelessness in handling facts.

Mr. Hoover admits that there are a few minor maladjustments in our social system, but the remedies he suggests are woefully inadequate. He declares "the domination by arbitrary individual ownership is disappearing"—this in the face of a constantly in-

creasing concentration of both money and credit—and asserts “steady taxation will reduce relatively excessive individual accumulations.” Incidentally, Mr. Hoover denounced the provisions of the 1924 revenue act which provided for publicity of income tax returns, and he also joined with Secretary Mellon on several occasions in urging that profits earned by American corporations engaged in foreign trade be exempted from taxation. Both before and after he became President he has supported the multi-millionaire Andrew Mellon in his persistent efforts to reduce the higher brackets of the income tax, thereby throwing a disproportionate burden upon comparatively small salaried men.

Space is not available for an extended analysis of Mr. Hoover’s political philosophy—but it is hardly necessary. To him, government primarily means police power and the protection of private profits. “Paternalism” is an evil he is constantly inveighing against; yet he sees nothing at all wrong in extortionate tariffs which inevitably breed monopolies (like Mr. Mellon’s Aluminum Trust); nor in turning over to corporations for private exploitation the publicly-owned water-power developed by government projects at Boulder Dam or Muscle Shoals. Also, it is revealing to know that while he opposes a soldiers’ bonus, he helped put through a ship subsidy—which chiefly benefited personal friends. Neither does he consider it “paternalism” when his personal creation—the Farm Board—lends \$18,000,000 of government funds to a private organization of grape growers (headed by personal friends) to be used by them in building up a monopoly in grape concentrates and wine bricks. Probably he would describe this as merely “the encouragement of individual initiative,” and this phrase, in his opinion, also would doubtless apply to the gross favoritism which he displayed to the Packing Trust at the expense of individual Alaskan fishermen.

So much for Mr. Hoover’s political philosophy and public record. Now let us consider the man himself:

We must go back to Hoover’s lonely, embittered boyhood for clues to explain his character. The poverty of those early years unquestionably inspired his determination to make himself independent as soon as possible. It was a natural development under the circumstances. If his childhood bred this ambition, it also admirably equipped him to achieve his aims. In earlier chapters,

we have told of how his association with Uncle John Minthorn had taught him the tricks of promotion while he was still in his teens; and his affiliations in West Australia, China, and later on the London mining mart, were hardly calculated to develop an excessive altruism.

Always intent on making money, Hoover, nevertheless, was not satisfied with being a mere money grubber. There was in him the desire for fame, as well as fortune, and while his interests never have been really intellectual in the truest sense of the word, he always longed for the scholastic honors which he could not win at college. This doubtless explains his purported translation of Agricola's *De Re Metallica*; his scheming to make himself trustee at Stanford; and the taking of time in the midst of his multifarious promotions to prepare two text books on mining. These achievements all cost him considerable money, but probably he considered it well spent in view of the satisfaction he derived.

The same is true of the Belgian Relief Commission. I do not doubt that the world-wide reputation which he won as a result of this work meant as much, if not more to him, than the amassing of great wealth. Often, in his early London days, when he had made his first million, he told friends that after he had made five million dollars he intended to retire and devote himself to "public work." He was always vague about the exact nature of this "public work," but the ambition was there none the less, and when the threatened catastrophe in Belgium gave him his opportunity he jumped at the chance. After Belgium, he followed the course of his lucky star—and why not? He already possessed the five millions which he had set as his financial goal and his former vagueness about some form of "public work" had crystallized—under his wife's promptings—into the very definite desire to be President.

Once having fixed his ambition upon the White House, Mr. Hoover set about to achieve his purpose in very much the same business-like manner that he had floated mining stock. To sell shares, of course, one naturally puts the best possible face on the "prospects," and Mr. Hoover—as an experienced promoter—methodically proceeded to "sell himself" to the American people.

But he didn't sell his real self. Apparently fearing that his career as an international promoter did not conform to the tradi-

tional Presidential pattern, Mr. Hoover took pains to have a much more pleasing picture of himself presented to the American public. His promotional activities were entirely overlooked in the acclaim that resulted from his relief administration in Belgium; and when he was referred to professionally it always was as "The Great Engineer." From the moment he first appeared on the world stage with a speaking part, he has been the beneficiary of an unprecedented ballyhoo.

There never was a time from 1914 to 1922 when he did not have at least a dozen press agents on his payroll, and as Secretary of Commerce he carefully cultivated the Washington correspondents who were willing to further his ambitions. He sometimes is gruff with United States Senators, but until recently he never failed to be exceedingly gracious to interviewers. No man here or abroad ever had such a "good press"—until after his first year as President—and no man ever employed it to better personal advantage.

Paid publicists, more skillful than scrupulous, took the bare outlines of his life and wove around the favorable and acknowledged facts a synthetic conception of a heroic composite figure—supreme as an engineer, economist, humanitarian and statesman—which had a very slim resemblance to the real Hoover. Nor was this false but appealing picture palmed off on the American people during a Presidential race—when the usual partisan passions were fanned to an even fiercer heat by studiously fomented religious prejudice. It was a carefully planned, sustained campaign by the most adroit political publicist since the late Theodore Roosevelt, and long before his nomination a great majority of the electorate—more especially those of the feminine gender—were thoroughly psychologized into the conviction that Herbert Hoover was almost a superman.

This is not the place for a detailed discussion of his record as President, but it will be conceded that Mr. Hoover has fallen far short of the promises of his press agents. Probably the fault is theirs as much as his. He not only was "sold" to the American people, but so emphatically "oversold," that even had he been the superman he was supposed to be, he hardly could have lived up to public expectations.

His lack of a constructive plan in dealing with the industrial

crisis was not what we had expected of Hoover the economist and "The Great Engineer." His flat failure at the London naval conference was not what we had hoped of Hoover the statesman. His cruel ignoring of the tragic unemployment situation was a shocking revelation to those who whooped it up for Hoover the humanitarian. And certainly his devious and decidedly shady dealings with Bishop Cannon, Claudius Huston, Lucas, and a score of other dubious politicians, were hardly what had been dreamed possible of the Hoover who was extolled as the perfect patriot.

The sharp divergence between his actual performances as President and the potential promise held out by the prevailing pre-election estimate of the man, has puzzled many of his warmest admirers. Not a few—hard put to explain his dismal failure—are now endeavoring to interpret him in terms of "dual personality."

This is arrant nonsense. Like most men, Herbert Hoover is compounded of conflicting elements, but, as the preceding pages should have made clear, few persons have steered such a straight course through life. From early youth—regardless of what his emotions might suggest—we find him guided by a hard, almost ruthless practicability. Herbert Hoover as President is acting precisely as he might have been expected to act by any one who had taken the pains to examine his previous career.

Men at 55 do not suddenly shed the characteristics acquired since infancy any more than leopards change their spots. Mr. Hoover today is just what he always has been. The trouble is the American people have been systematically misinformed about his personality and accomplishments. From the day that he returned to these United States, the real Herbert Hoover was concealed by a false front of publicity. Now, for the first time, the inner man is being revealed bit by bit under the searching glare of the Presidential spot-light.

The same hypocrisy which runs through Hoover's political preachments seems to have extended to his private life ever since he became obsessed with the ambition to be President. Instead of sailing under his own colors, as a sophisticated mining promoter, he chose to be metamorphosed into a sanctimonious "statesman"—and as the years went by he acquired a thicker

and thicker coat of that unctious smugness which seems to be the chief characteristic of practically every professional politician.

It is impossible to look into Mr. Hoover's heart and determine whether he had a sincere, though somewhat sudden conversion to the Quaker religion about the time he decided to renew his drive for the Presidency, but the fact remains that he certainly was not noted for his piety when he was a mine manager in West Australia and China, and a mining promoter in China. More than one of his old mining associates roared with laughter when I questioned them on this point, and it can be established beyond any question that during his long residence in London neither Mr. nor Mrs. Hoover were in any way affiliated with the Friends Church.<sup>1</sup> Furthermore, in 1921, when he was incensed at some of the American Friends because their policy did not coincide with his on the matter of Russian relief, Mr. Hoover wrote a letter to an official of the Friends' relief organization in which he virtually washed his hands of any connection with the Quakers.

Shortly after the astute Mr. Akerson became Hoover's political advisor, and when it was fairly evident that barring accidents Al Smith would be the Democratic nominee, Mr. Hoover began attending the Washington Quakers' meeting house. Naturally, there was no overnight flare of publicity about this, but little by little Mr. Hoover's Quakerism began to be mentioned in the newspapers and magazine articles. Later, his campaign literature subtly but effectively created the impression that he was a constant church-goer and a devout follower of the faith of his parents.<sup>2</sup>

Other surprising traits have been revealed by the pitiless publicity Mr. Hoover has been subjected to since he entered the White House. Personal tendencies, which heretofore have been kept under control—or were concealed by friendly biographers—are now cropping out. Some have appeared in print, and Washington

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<sup>1</sup> I have letters from prominent London Quakers stating definitely the Hoovers were not in any way affiliated with the London Friends and never had been known to enter their meeting place.

<sup>2</sup> It may be possible, of course, that the advancing years caused Mr. Hoover to think seriously upon matters spiritual; and it also is quite possible it is purely chance that the outward expression of this inner conviction so closely coincided with his political ambitions.

correspondents close to the White House can tell a dozen stories of bursts of ill-temper, fits of surliness, or small meannesses. These may sound inconsequential taken as isolated or widely separated instances, but when considered as a whole they seem to show a thin-skinned irritability, astonishing in a person of his public experience—and with it goes a petty vengefulness that at times almost borders on the pathological.<sup>1</sup>

The first manifestation of this unforgiving spirit was the slight to Hiram Johnson, when soon after his inauguration the President invited to dinner every member of the Senate Foreign Affairs except his fellow Californian. After this apparently studied insult had aroused a storm of criticism even among friendly newspapers—the White House dispatched an apology to the Senator with the highly improbable explanation that his name had been left off the list of guests by an “oversight.” Senator Johnson accepted the apology—but not the belated invitation.

Even more revealing is the story current in Washington concerning Mr. Hoover’s dog. One day, so the tale goes, the President saw one of the Secret Service operatives petting his dog. Mr. Hoover whistled to the animal. It looked at him, but did not offer to leave the Secret Service man. The President turned on his heel and walked away, but the next day an order was issued that none of the White House staff was to speak to or pat Mr. Hoover’s dog.

Neither is gratitude one of his predominant virtues. Unquestioning loyalty he will reward and reward generously so long as he is looked upon as “The Chief,” but he seems singularly unappreciative of benefits received from friends of his own station. Borah and “Wild Bill” Donovan did as much as anyone to make him President, but he has been noticeably cool toward the Idaho Senator ever since, and he denied the New Yorker the one appointment he really wanted. Senator Brookhart helped him immeasurably in the Middle West, but he also has been

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<sup>1</sup> In my investigation I ran across many evidences of Hoover’s almost Oriental vindictiveness. Several of his old associates frankly confessed they were afraid to give any information detrimental to him. Consequently I almost never could get information except after giving pledges of absolute secrecy.

“He would ruin me if he knew I had told you anything,” one man told me. Another old associate declined to talk at all. “I know plenty about him,” he confessed, “but I am an old man and if he found out I had given you any information he would hound me into my grave.”



signally ignored in the White House breakfast invitations. "Doc" Work, Hoover's titular campaign manager, walked the plank into political obscurity almost as soon as the returns were in, and so did Mabel Willebrandt, James Francis Burke and Horace Mann. The President stuck by Claudius Huston as long as he dared, but in the end Huston, too, was thrown overboard.

Mr. Hoover's frequently expressed complaints about "news leaks" have aroused the outspoken contempt of many of the newspapermen attached to the White House. One case in point occurred when several correspondents sent out a story telling how the President's automobile had been driven from his Rapidan camp to Washington at an average speed of approximately 60 miles an hour. The truth of the story was unquestioned, but Mr. Hoover resented the fact that he had been placed in the light of a speed law violator, and Secretary Lawrence Ritchey went about quizzing White House employees in an effort to find out who had tipped off the newspapermen. As a matter of fact no one had "tipped them off." They had vainly tried to keep up to the Presidential car and figured its rate of speed by timing its departure and arrival.

Incidentally, Mr. Hoover's intimate relations with Ritchey have caused no little wonder in Washington. Ritchey is an Italian-American who was born "Ricci." He was formerly a private detective and once a Burns operative. He was introduced to Hoover during the war by Mark Requa, and, according to William Hard—one of the official biographers—they talked for fifteen minutes and "knew they were made for each other." Mr. Hard added that "There has not been a minute since then now for twelve years that has not seen each in the total and unreserved trust of the other."

Secretive himself, Mr. Hoover likes to know the secrets of his subordinates. Ritchey has served him admirably in this capacity. There was little that went on in the Department of Commerce that the former sleuth did not know about, and his prying propensities have not diminished since Mr. Hoover became President. It is generally suspected that not a few Senators and newspaper men, as well as White House employees, are quite frequently under his surveillance. As a result, the atmosphere of the White House under Hoover has come to resemble the

throne room of some Oriental despot. Suspicion is rife and unnecessary jealousy is created. Indeed, it is no secret that George Akerson resigned some months ago because he resented Ritchey's tale bearing to "The Chief."

Ritchey, however, is more than a mere confidential snooper. He confers with Congressmen when Mr. Hoover wants some special legislation enacted; often carries intimate requests from "The Chief" to Cabinet officers; and has been known to chide editors when criticism of Mr. Hoover appeared in their columns. He also acts as a liaison man between the White House and the big national politicians. Five years ago Ritchey made a trip to London and other foreign parts for the purpose of "mopping up" certain information concerning Mr. Hoover's earlier career, and those who followed his trail declare he did a very thorough job of mopping.

Ritchey is an exceptionally shrewd man. He is close-mouthed and absolutely loyal to Hoover. In many ways they are much alike. There is little going on in Washington—or in New York political circles for that matter, that Ritchey does not know about. Smart, inscrutable, moving mysteriously about on confidential missions, he has proved invaluable to Hoover in carrying on his far flung business affairs as well as in political negotiations. Ritchey probably is the one man who knows all about Hoover's private affairs, and if he ever cares to write his memoirs they should be a fascinating best-seller.

As might be inferred from his employment of Ritchey, Mr. Hoover likes to be surrounded by "yes men." Even when he was a mine manager and promoter he never could brook opposition, and he has become even more intolerant since becoming President. Will Hard, one of his biographers and later a member of the "medicine ball cabinet," abruptly fell from favor because he had the temerity to tell Mr. Hoover that public opinion in the Middle West was turning against the President's ideas on prohibition. Franklin D. Roosevelt and Hoover were very warm friends when Roosevelt was assistant Secretary of the Navy, and Hoover was Food Controller. Now that Roosevelt is a prospective Democratic nominee, Mr. Hoover has ignored a courteous official letter addressed to him by the New York governor, and is likely to relapse into sullenness at the mere mention

of his name.

The slightest criticism of Hoover on the floor of the Senate or in some widely-read publication is apt to provoke an outburst of profane rage. He no longer gets sound advice from prominent Republican politicians, or experienced leaders in Congress, because they have learned by bitter experience that he resents anything but blind acceptance of his views. Julius Barnes opposed the Farm Board. That was enough to cool Hoover's friendship.

With the exception of Mellon, his Cabinet is a collection of mediocrities and even from them he seldom asks advice. Autocratic ever since the early days in China and West Australia fixed the habit of authority, only sycophants are attracted to him, and men of real independence never long remain in his good graces. His real intimacies are with employees like Ritchey or Rickard, instead of with equals.

It is not without significance that the Commission for Belgian Relief and the American Relief Administration had as their directors Hoover's paid subordinates and satellites, instead of outsiders chosen because of ability and prominence. Edgar Rickard, the English editor; Ritchey, the ex-sleuth; and George Barr Baker, an obscure handyman and press agent, actually were directors of the American Relief Association, which represented this nation abroad at a critical period of history. Julius Barnes also was a director; so was Edward Flesh, another of Hoover's business associates; and so was Edwin P. Shattuck, his personal counsel.

Rickard, John F. Lucey, Vernon Kellogg, one of his official biographers, Prentiss N. Gray, W. L. Brown, W. B. Poland, Perrin P. Galpin and the Gregory brothers, Warren and Thomas, all Hoover satellites, practically had control of the Commission for Belgian Relief, although it had an impressive list of honorary chairmen and advisory councillors. No doubt these men possessed ample ability to capably carry on the work entrusted to them, but both of these semi-official relief organizations—financed with funds from the United States Treasury—were conducted by Hoover almost as if they had been private corporations under his personal control. And most of the same men appear later in connection with his business enterprises or political campaigns. I am not insinuating that there is anything improper

in this, but merely citing the facts to show that Hoover not only likes to be surrounded by "yes men," but by "yes men" who are on his payroll, or bound to him by business obligations.

This inability to treat with his peers—unless they are brought together by a mutual desire for personal profit—probably to a great degree explains his inactivity since he entered the White House. As relief administrator, or Secretary of Commerce, he could issue directions to subordinates and the thing was done. As President—despite the enormous power of his office—he has to deal with individuals who have their own political future to consider and are not disposed to take orders blindly—especially since they often doubt the wisdom of his decrees. That is why he not only has lost control of Congress, but privately is derided by such thick-and-thin partisans as Jim Watson of Indiana, McNary of Oregon and George Moses of Vermont.

But there is more to it than this: Hoover is fatally handicapped by psychological fetters—and fetters which he forged himself. For ten years he dreamed of the White House. His indomitable will desired the Presidency as he had desired nothing else in life. That ambition became the core of his whole being. His every word and action was dictated by the single-minded pursuit of that goal. Eventually it shaped his thoughts. The Herbert Hoover of 1928 was an entirely different individual from the Herbert Hoover of 1912.

When he was a promoter in London, from all accounts, he lived a full and fairly happy life. At least he lived naturally:—was himself, in short. But as a potential candidate ever since 1917, and as President since 1928, instead of frankly coming before the public as a shrewd go-getting, rather worldly mining promoter, he has been posing as a self-sacrificing humanitarian, and a pious patriot, actuated only by the loftiest ideals.

Nobody can long act a part essentially foreign to his nature without creating inner conflicts which partly paralyze inherent ability. There is a certain inescapable compensation about life. When a man pretends to be another, he is certain to lose part of himself. Hoover has played a rôle so long that he has dulled the keenness of his instincts and destroyed his own self-confidence. Timidity, vacillation and inertia are the price he has paid for success—a price compounded of many, many compromises.

## APPENDIX — EXHIBIT A

The supplementary memorandum which Chang Yen-mao insisted on before he signed the second deed transferring property of the Chinese Engineering & Mining Company to Hoover and his associates, follows in full:

### MEMORANDUM RELATING TO THE REORGANIZATION OF THE CHINESE ENGINEERING AND MINING COMPANY

In consequence of the disturbances of last summer and the state of hostilities thereby created, serious danger arose for the status of the Chinese Engineering and Mining Company.

One of the dangers being the confiscation of the property on account of the Company's Semi-Official character in connection with the Chinese Government and another in the eventual cession by compulsion of the Company's property.

In consideration of these eventualities it was thought in the interest of the Imperial Government and the Company's Shareholders to convert the undertaking into an Anglo-Chinese Company registered under English Laws and protection.

Another motive was that in order to overcome the financial difficulties caused by the hostilities, additional capital had to be raised by gaining foreign shareholders for the undertaking, a large sum of English money having been already advanced on the security of the Company's property.

H. Ex. Chang Yi, Director General of the Company, accordingly appointed Mr. Gustav Detring to make the necessary arrangements which Mr. Detring did by signing on behalf of the Chinese Engineering and Mining Company with Mr. H. C. Hoover, acting on behalf of Mr. C. A. Moreing of London, a deed of sale placing Mr. Moreing in position to take the necessary steps with regard to the raising of capital in Europe and registering the Company under British Laws. It being understood that after conversion the Company should keep its name and be managed according to the articles of association covering as well the interest of the Chinese as of the foreign shareholders making all alike participants in profits and losses and that a working Capital of £100,000 should be raised before the end of February. These main provisions of agreement having been acted upon by Mr. Hoover and notified to the Director General Chang Yi, it has to-day been settled and decided that the Company shall in the future be constituted and managed as follows:

- (1) The Share capital of the Company to be one million pounds sterling.
- (2) The Chinese shareholders to receive twenty-five shares of one pound each for each original share of one hundred taels each.
- (3) The bona-fide liabilities of the Chinese Engineering and Mining Company up to the 19th day of February (the 1st day of the 1st Moon of the 27th year) including bonuses due to the employees or shareholders from dividends or reserve funds shall be taken over by the new Company, and all what is due according to the formal agreement entered into will be duly considered and honored.
- (4) It is especially agreed to honor and duly repay the loans obtained from the Imperial Government. Two hundred thousand taels is to be paid out of the first funds and the balance as quickly as possible.

(5) The Shareholders whether Chinese or Foreign shall have equal votes at all meetings of the Shareholders when the Company's affairs are discussed and questions decided.

(6) The management to the Company shall be conducted by two boards of Directors one in China and one in London.

(7) H. E. Chang Yi will be Director General resident in China as before in general charge of affairs, and as such will have equal powers with foreign directors in China.

(8) The management of the property of the Company in China will be in the China Board.

(9) The London Board will be elected by all the Shareholders, Chinese and foreign.

(10) It will be understood that the word limited means that the Shareholders are in no case responsible for more than the nominal amount of their shares.

(11) It is also understood that all the legal taxes and duties payable to the Chinese Government will be paid by the Company as heretofore.

(12) It is also understood that the Director General will be the channel of all communications between the Imperial Authorities and the Company.

(13) It is understood that the Company will be managed in such a spirit as to make Chinese and foreign interests harmonize on a fair basis of equality and to open an era of co-operation and protection that will enrich the Government and the people.

(14) All the unsettled accounts of the Company and questions relating to land tenure will be adjusted equitably by mutual consultation.

Dated this 19th day of February, 1901.

Signed sealed and delivered by Herbert C. Hoover and Chev. de Wouters in the presence of Alfred S. P. White-Cooper C. D. Tenney	}	H. C. Hoover C. de Wouters.
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Signed sealed and delivered by Chang Yen-mao in the presence of Alfred S. P. White-Cooper C. D. Tenney	}	Chang Yen-mao.
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Signed sealed and delivered by Gustav Detring in the presence of Alfred S. P. White-Cooper C. D. Tenney	}	G. Detring.
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#### APPENDIX—EXHIBIT B

The following account of an "indignation meeting" held by the Chinese shareholders in the Chinese Engineering & Mining Company appeared in the *Pall Mall Gazette* of London on February 2, 1903. The article, heading and all, is reproduced in full:

### CHINESE ENGINEERING & MINING CO.

#### An Interesting Story from Tientsin.

#### Some Facts That Await Explanation.

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The report of the meeting of Chinese shareholders in the great Chinese Engineering and Mining Company (Tientsin, China), which was held some time back at Tientsin, is given a prominent place in recent Anglo-Chinese papers, and is very

interesting reading indeed. To all appearance, the European directors owe the Chinese shareholders, to say the least of it, a tardy explanation of their apparent failure to comply with the terms of the memorandum under which the old Chinese company was reorganized and registered in England at the end of 1900.

At the opening of the proceedings at the shareholders' meeting referred to, his Excellency Chang Yen-mao sketched the events of 1900, and explained that in view of political and military possibilities and an uncertain future, it was in that year thought advisable to register the company under British laws for the dual purpose of protecting the property and opening the doors for the influx of European capital for the development of the natural resources of the Empire.

Unfortunately, the agreements drawn up in connection with this transaction of far-reaching consequence had in only too many instances been disregarded and violated by one of the contracting parties, so much so as to jeopardise the validity of those agreements. He wished it to be understood that the meeting adhered unconditionally to the agreement of February 19, 1901; their desire was to see that deed upheld and respected; and they were prepared to meet those animated by a similar goodwill with the firm intention and resolve that they should not suffer by the support they might give in securing justice.

Thus far his Excellency. The next speaker opened the book, if we may be pardoned the metaphor, of which these remarks formed the promising index. This was Mr. Detring, to whom had originally been entrusted the task of conversion of the old company. He first of all referred to the scanty information supplied by the London board, and complained that the conditions of the transfer had not been carried out.

A brief sketch of the circumstances followed, from which it appeared that in the summer of 1900 Mr. Detring was consulted by his Excellency, the previous speaker, who was director-general of the Kaiping Mines, as to the best means of securing the property from aggression. It was ultimately decided to admit foreign capital and register the concern as an English company. The registration might have been effected in a short time in Hong Kong, but extra capital was required.

Paraphrasing, but in no material sense departing from Mr. Detring's interesting narrative, we may state that Mr. Hoover, as representative and adviser of Messrs. Bewick, Moreing, and Co., was at this time in Tientsin. He was consulted, and undertook a mission to London, where he formed a company of £1,000,000, out of which the Chinese script should rank as £375,000; of the balance, £100,000 was to be called up at once, and the remainder as required. Mr. Eames, "the only lawyer in those parts at the time," drew up the necessary legal document, and Mr. Hoover left for London. He returned in January to report that the company had been duly formed, and that M. de Wouters, highly recommended as the representative of Belgian financiers, had been associated with him. A telegram from the *Bank d'Outre-mer* of Brussels, notified the payment of the first instalment of capital, £100,000; so that the main conditions having been complied with, the transfer of the old company to the new was duly signed on February 19, 1901. With it was signed a deed setting forth the conditions of the transfer.

Up to this time the management had nominally been conducted under the superintendence of the China board, but now a crowd of employees arrived from Europe without the slightest knowledge on the part of the China board that they were coming. Messrs. Hoover and de Wouters left for Europe in September, 1901, and Mr. Detring summoned a meeting of the heads of departments and read over the conditions of the deed of transfer.

Two months previously news had casually come to Mr. Detring's notice of a debenture issue of £500,000 at 6 per cent. The debentures carried a bonus of £250,000 in shares standing at 70 to 100 per cent premium at the date of issue. "So the reason of the issue," as Mr. Detring truly goes on to say, "was not apparent."

Nothing satisfactory by way of explanation of these strange happenings could

be gained from either Mr. Francqui or from Mr. Trouet, managing director from Brussels who came out just afterwards to try and arrange the points of difference. In July, therefore, Mr. Detring wrote to the company's solicitors, warning them that he would wait no longer, but would take action to remedy the grievances.

As regarded the financial position, said Mr. Detring, the Chinese board contend that the £625,000 allotted to the promoters is excessive, whereas the other side say they can justify it. That was a question the meeting could not decide; but they would say that such justification appeared to them impossible, and they intended to devote all their energies to following up the matter. The above is, of course, an *ex parte* statement; and the other side may have an answer to many of the suggestions of irregularity. But, on the face of it, a very strong indictment indeed is made out against the European heads of this remarkable company.

That matter of the 6 per cent debenture issue, for instance, needs a lot of explanation, assuming Mr. Detring's statement to be correct as to the manner in which it was raised—that is, without consultation with the Chinese board. Why it should be raised at all if the shares were at the enormous premium stated, and there still remained a large number of ordinary shares unissued may well puzzle the unprejudiced reader.

At the end of the meeting a committee was appointed to inquire into the whole situation consisting of five Chinese and six Europeans. A resolution was also passed recording the opinion that the success of the enterprise demanded strict observance of the terms of the deed of transfer, with memorandum attached, particularly as regarded the management of the company by a China board; that the attempt to administer the company from Europe, as at present, was at variance with the company's solemn obligations, and did not warrant the confidence of the shareholders in the directors. The resolution further empowered the old committee nominated by his Excellency Chang Yen-mao on behalf of the shareholders in the old company to negotiate, with a view to securing a satisfactory settlement with the directors in London of all unsettled questions regarding finance and management.

The memorandum of reorganization sets out that Mr. Detring, on behalf of the old company, signed a deed of sale with Mr. Hoover, acting on behalf of Mr. C. A. Moreing, of London, placing Mr. Moreing in a position to take the necessary steps with regard to the raising of capital in Europe and registering the company under British laws. The following are the main provisions in the memorandum:

Chinese shareholders to receive twenty-five shares of £1 each for each original 100 tael shares.

All loans from the Imperial Government to be repaid as quickly as possible; 200,000 taels to be paid out of the first funds.

Shareholders, whether Chinese or foreign, to have equal votes at all meetings when the company's affairs are discussed and questions decided.

Management of company to be conducted by two boards: one in China and one in London.

H. E. Chang Yi to be Director-General resident in China as before, and have equal powers with the foreign directors in China.

London board will be elected by all the shareholders, Chinese and foreign.

Company to be managed so as to make Chinese and foreign interests harmonize on a fair basis of equality, so as to open an era of cooperation and protection that will enrich the Government and the people.

The signatures appended are those of Mr. H. C. Hoover, C. de Wouters, Chang Yen-mao, and G. Detring; the witnesses to all being Alfred S. P. White-Cooper and C. D. Tenney.

It would be interesting to know how far the recent visit of Mr. C. Algernon Moreing (a London director of the company) to China has resulted in satisfying the demands of his clamorous Chinese colleagues. As he is posting back to London



as quickly as possible, in order to see into the Great Fingall affairs, we may not have long to wait for an answer.

Meanwhile, it is worthy of note that the voluminous report of Messrs. Bewick, Moreing and Co. ("per H. C. Hoover"), which gives June, 1900, as the date of the completion of the inspection of the property, contains a list of directors that takes no account of the existence of a Chinese Board. It is not difficult to understand the chagrin of the Chinese. In view of the provisions of the memorandum of reorganization, and considering the importance of this enterprise, and the high standing of those associated with it, the explanation of the parties whose action is so directly challenged will be awaited with considerable interest.

## APPENDIX — EXHIBIT C

Although we have given a fairly comprehensive account of Herbert Hoover's various promotional and mining activities in the body of the book, for historical purposes it may be well to include all of his business activities as listed as a company director in Skinner's *British Mining Manual*. The following list gives every reference in *The Mining Manual* to both Herbert and Theodore Hoover between the years 1900 and 1930:

	Herbert Hoover		Not listed.
1900	The Mining Manual		
1901	" " "	" "	" "
1902	" " "	" "	" "
1903	" " "		Bewick, Moreing & Co. Chinese Engineering & Mining Company, Ltd. Oroya Brownhill Co., Ltd.
1904	" " "		Bewick, Moreing & Co. Bellevue Proprietary, Ltd. Chinese Engineering & Mining Co., Ltd. Dutch Indies Exploration Company, Ltd. Oroya Brownhill Co., Ltd. Talisman Consolidated, Ltd.
1905	" " "		Bewick, Moreing & Co. Bellevue Proprietary, Ltd. Chinese Engineering & Mining Co., Ltd. Dutch Indies Exploration Company, Ltd. Oroya Brownhill Co., Ltd. Talisman Consolidated, Ltd.
1906	" " "		Bewick, Moreing & Co. Australian Smelting Corp., Ltd. Bellevue Proprietary, Ltd. Burma Mines, Railway and Smelting Co., Ltd. Chinese Engineering & Mining Co., Ltd. Dutch Indies Exploration Co., Ltd. Lancefield Gold Mining Co., Ltd. Oroya Brownhill Co., Ltd. Talisman Consolidated, Ltd. Zinc Corporation, Ltd. (London Board)

1907	Herbert Hoover The Mining Manual	Bewick, Moreing & Co. Australian Smelting Corp., Ltd. Bellevue Proprietary, Ltd. Burma Mines, Railway and Smelting Co., Ltd. Chinese Engineering and Mining Co., Ltd. Dutch Indies Exploration, Ltd. Lancefield Gold Mining Co., Ltd. Oroya Black Range, Ltd. Oroya Brownhill Co., Ltd. Talisman Consolidated, Ltd. Zinc Corporation, Ltd. (London Board).
1908	" " "	Bewick, Moreing & Co. Australian Smelting Corp., Ltd. Bellevue, Limited Burma Mines, Railway and Smelting Co., Ltd. Chinese Engineering and Mining Co., Ltd. Great Fitzroy Gold and Copper Mines, Ltd. Lancefield Gold Mining Co., Ltd. Oroya Black Range, Ltd. Oroya Brownhill Co., Ltd. Zinc Corporation, Ltd.
1909	" " "	Anglo-Continental Gold Syndicate (1899) Ltd. Australian Smelting Corp., Ltd. Burma Mines, Ltd. (and trustee for second de- benture stock holders) Chinese Engineering and Mining Co., Ltd. Great Fitzroy Mines, Ltd. Lake View Consols, Ltd. Mohochang Mining Syndicate, Ltd. Oroya Black Range, Ltd. Oroya Brownhill Co., Ltd. Zinc Corp., Ltd. (Joint managing London Board)
1910	" " "	Anglo-Continental Mines Co., Ltd. Burma Mines, Ltd. (and trustee for second de- benture stockholders) Chinese Engineering and Mining Co., Ltd. Great Fitzroy Mines, Ltd. Lake View Consols, Ltd. Oroya Black Range, Ltd. Oroya Brownhill Co., Ltd. (Managing) Zinc Corporation, Ltd. (Joint managing London Board)
1911	" " "	Burma Mines, Ltd. (and trustee for second de- benture stockholders) Chinese Engineering and Mining Co., Ltd. Great Fitzroy Mines, Ltd. Lake View and Star, Ltd. Lake View Consols, Ltd. Oroya Black Range, Ltd. Oroya Exploration Co., Ltd. Oroya Leonesa, Ltd. Zinc Corp., Ltd. (Joint managing London Board)

- Theodore Jesse Hoover. Geri Tin Syndicate, (Northern Nigeria) 1 Ltd.  
Mountain Queen, Ltd.  
Oroya Links, Ltd.
- 1912 Herbert C. Hoover Burma Mines, Ltd.  
Chinese Engineering and Mining Co., Ltd.  
Granville Mining Co., Ltd.  
Great Fitzroy Mines, Ltd.  
Kyshtim Corp., Ltd.  
Lake View and Star, Ltd.  
Lake View and Oroya Exploration Limited  
(Managing)  
Oroya Leonesa, Ltd. (Chairman)  
Yuanmi Gold Mines, Ltd.  
Zinc Corp., Ltd.
- Theodore Jesse Hoover. Mountain Queen, Ltd.  
Oroville Dredging Co., Ltd.  
Oroya Links, Ltd.  
Star Explorations, Ltd.  
Zinc Corp., Ltd.
- 1913 The Mining Manual. Babilonia Gold Mines, Ltd.  
Herbert C. Hoover Burma Mines, Ltd.  
Burma Trust, Ltd.  
Granville Mining Co., Ltd.  
Great Fitzroy Mines, Ltd.  
Inter-Argentine Syndicate, Ltd.  
Inter-Californian Trust, Ltd.  
Inter-Russian Syndicate, Ltd.  
Inter-Yukon Syndicate, Ltd.  
Kyshtim Corp., Ltd.  
Lake View and Oroya Exploration, Ltd. (Man-  
aging)  
Oroya Leonesa, Ltd., (Chairman)  
Russo-Asiatic Corp., Ltd.  
Yuanmi Gold Mines, Ltd. (Chairman)  
Zinc Corp., Ltd.
- Theodore Jesse Hoover. Babilonia Gold Mines, Ltd.  
Base Metal Syndicate, Ltd.  
Inter-Argentine Syndicate, Ltd.  
Inter-Californian Trust, Ltd.  
Inter-Yukon Syndicate, Ltd.  
Lake View and Oroya Exploration, Ltd.  
Lake View and Star, Ltd.  
Mawchi Tin and Wolfram Mines, Ltd.  
Mountain Queen, Limited  
Oroville Dredging Co., Ltd.  
Oroya Leonesa, Ltd.  
Oroya Links, Ltd.  
Star Explorations, Ltd.  
Yuanmi Gold Mines, Ltd.  
Zinc Corp., Ltd.

*Appendix*

- Burma Corp., Ltd.  
 Burma Mines, Ltd.  
 Burma Trust, Ltd.  
 Granville Mining Co., Ltd.  
 Inter-Californian Trust, Ltd.  
 Inter-Mexican Syndicate, Ltd.  
 Kyshtim Corp., Ltd.  
 Lake View and Oroya Exploration, Ltd. (Managing)  
 Russo-Asiatic Corp., Ltd.  
 Tanalyk Corp., Ltd.  
 Yuanmi Gold Mines, Ltd. (Chairman)  
 Zinc Corp., Ltd.  
 Zinc No. 1, Ltd.
- 1914 Theodore Jesse Hoover Babilonia Gold Mines, Ltd.  
 Burma Mines, Ltd.  
 Burma Trust, Ltd.  
 Carnon Valley (Cornwall) Ltd. (Chairman)  
 Central American Mines, Ltd.  
 Dunderland Iron Ore Co., Ltd.  
 General Gold Dredging Syndicate, Ltd.  
 Inter-Californian Trust, Ltd.  
 Lake View and Oroya Exploration, Ltd.  
 Lake View and Star, Ltd.  
 Mawchi Tin and Wolfram Mines, Ltd.  
 Mohochang Exploration Co., Ltd.  
 Mountain Queen, Ltd.  
 New Dunderland Co., Ltd. (Chairman)  
 Oroville Dredging Co., Ltd.  
 Oroya Links, Ltd.  
 Pato Mines (Colombia) Ltd.  
 Star Explorations, Ltd.  
 Yuanmi Gold Mines, Ltd. (Managing)  
 Zinc Corp., Ltd.  
 Zinc No. 1, Ltd.
- 1915 Herbert C. Hoover Burma Corp., Ltd. (Chairman)  
 Burma Trust, Ltd. (Chairman)  
 Camp Bird, Ltd. (Chairman)  
 Granville Mining Co., Ltd.  
 Inter-Californian Trust, Ltd.  
 Inter-Guaranty Syndicate, Ltd.  
 Inter-Siberian Syndicate, Ltd.  
 Irtysk Corp., Ltd.  
 Kyshtim Corp., Ltd.  
 Lake View and Oroya Exploration, Ltd. (Managing)  
 Messina (Transvaal) Development Co., Ltd.  
 Natomas Land and Dredging Trust, Ltd.  
 Russo-Asiatic Corp., Ltd.  
 Santa Gertrudis Co., Ltd. (Chairman)  
 Tanalyk Corp., Ltd.  
 Zinc Corp., Ltd. (Managing)

- The Mining Manual  
1915 Theodore Jesse Hoover
- Babilonia Gold Mines, Ltd.  
Burma Corp., Ltd. (and on the Technical Committee)  
Burma Trust, Ltd.  
Carnon Valley (Cornwall) Ltd. (Chairman)  
Central American Mines, Ltd. (Chairman)  
Lake View and Oroya Exploration, Ltd. (and on the Technical Committee)  
Lake View and Star, Ltd.  
Mawchi Mines, Ltd.  
Mountain Queen, Ltd.  
Nechi Mines (Colombia) Ltd.  
Oroville Dredging Co., Ltd.  
Oroya Links, Ltd.  
Pato Mines (Colombia) Ltd.  
Star Explorations, Ltd.  
Yuanmi Gold Mines, Ltd. (Chairman)  
Zinc Corp., Ltd. (Managing)
- 1916 Herbert C. Hoover
- Burma Corp., Ltd. (Chairman)  
Camp Bird, Ltd. (Chairman)  
Granville Mining Co., Ltd.  
Inter-Siberian Syndicate, Ltd.  
Irtysk Corp., Ltd.  
Kyshtim Corp., Ltd.  
Lake View and Oroya Exploration, Ltd. (Managing)  
Messina (Transvaal) Development Co., Ltd.  
Natomas Land and Dredging Trust, Ltd.  
Russo-Asiatic Corp., Ltd.  
Santa Gertrudis Co., Ltd. (Chairman)  
Tanalyk Corp., Ltd.  
Zinc Corp., Ltd. (Managing)
- Theodore Jesse Hoover.
- Babilonia Gold Mines, Ltd. (Chairman)  
Burma Corp., Ltd. (Technical Committee)  
Carnon Valley (Cornwall) Ltd. (Chairman)  
Central American Mines, Ltd. (Chairman)  
Lake View and Oroya Exploration, Ltd. (and on the Technical Committee)  
Lake View and Star, Ltd.  
Nechi Mines (Colombia) Ltd.  
Oroville Dredging Co., Ltd.  
Oroya Links, Ltd.  
Pato Mines (Colombia) Ltd.  
Star Explorations, Ltd.  
Yuanmi Gold Mines, Ltd. (Chairman)  
Zinc Corp., Ltd. (Managing)
- 1917 The Mining Manual  
Herbert C. Hoover.
- Burma Corp. Ltd.
- Theodore Jesse Hoover
- Babilonia Gold Mines, Ltd.  
Burma Corp., Ltd. (and on Technical Committee)  
Carnon Valley (Cornwall) Ltd. (Chairman)

## Appendix

1917	The Mining Manual Theodore Jesse Hoover.	Chloride Syndicate, Ltd. Granville Mining Co., Ltd. Lake View and Oroya Exploration, Ltd. (and on the Technical Committee) Messina (Transvaal) Development Co., Ltd. (Technical Committee) Nechi Mines (Colombia) Ltd. Oroville Dredging Co., Ltd. Pato Mines (Colombia) Ltd. Queenhills Gold Mines, Ltd. Star Explorations, Ltd. Yuanmi Gold Mines, Ltd. Zinc Corp., Ltd. (Managing)
1918	Herbert C. Hoover  Theodore Jesse Hoover	Burma Corp., Ltd.  Babilonia Gold Mines, Ltd. Chloride Syndicate, Ltd. Leonasa Mine, Ltd. Natomas Land and Dredging Trust, Ltd.
1919	Herbert C. Hoover	Burma Corp., Ltd.
1920		Not listed.
1921		" "
1922		" "
1923		" "
1924		" "
1925		" "
1926		" "
1927		" "
1928		" "
1929		" "
1930		" "

The following are the references to Herbert and Theodore Hoover as company directors in Skinner's *Oil and Petroleum Manual* between the years 1910 and 1918:

1910	Herbert Hoover	Maikop and General Petroleum Trust, Ltd. Maikop Oil and Petroleum Producers, Ltd.
1911	" "	Maikop and General Petroleum Trust, Ltd. Maikop Oil and Petroleum Producers, Ltd.
1911	Theodore Hoover	Maikop Apsheron Oil Company, Ltd. Maikop Mutual Oil Transport Company, Ltd. Maikop Shirvansky Oil Company, Ltd. Trinidad Cedros Oil Company, Ltd. Trinidad Forest Reserves Oil Company, Ltd.
1912	Herbert Hoover	Maikop and General Petroleum Trust, Ltd. Maikop Oil and Petroleum Producers, Ltd.
1912	Theodore Hoover	Maikop Apsheron Oil Company, Ltd. Maikop Mutual Oil Transport Company, Ltd. Maikop Shirvansky Oil Company, Ltd. Trinidad Cedros Oil Company, Ltd. Trinidad Forest Reserves Oil Company, Ltd.

1913	Herbert Hoover	Maikop and General Petroleum Trust, Ltd. Maikop Oil and Petroleum Producers, Ltd. Bishopsgate Syndicate, Ltd.
	Theodore Hoover	Amalgamated Oil Fields, Ltd. Trinidad Cedros Oil Company, Ltd. Trinidad Forest Reserves Oil Company, Ltd.
1914	Herbert Hoover	Maikop Areas Maikop and General Petroleum Trust, Ltd. Maikop and Petroleum Producers, Ltd. Bishopsgate Syndicate, Ltd.
	Theodore Hoover	Amalgamated Oil Fields, Ltd. Lagunitos Oil Company, Ltd. Trinidad Cedros Oil Company, Ltd.
1915	Neither brother listed.	
1916	Theodore Hoover	L.H.D. Syndicate, Ltd.
1917	Neither brother listed.	
1918	“ “ “	

## APPENDIX—EXHIBIT D

Prior to the last Presidential campaign, the Hoover managers very cleverly contrived to bring into the open the whispered charges against Hoover so that they could meet them with a carefully prepared answer. The late Senator Lee Overman of North Carolina was persuaded to put into *The Congressional Record* on Feb. 28, 1928, an article on the Chinese Engineering & Mining Company conversion. The article in question was based on insufficient evidence, and did not begin to state the case against Hoover, but it paved the way for the prepared reply.

The following day, Representative Arthur M. Free of California arose and said that he felt it his duty as a Representative from Mr. Hoover's district in Congress to make a statement. Then he read into *The Congressional Record* a letter from ex-Senator Irving Lenroot, with enclosures from Attorney Arthur C. Train of New York, E. de Cartier, former Belgian *Charge d'Affairs* in China and later Belgian Ambassador to the United States, and others. Space forbids reproduction of the entire "official defense" made in Hoover's behalf (any interested person may read it on pages 3933-3937 of *The Congressional Record* of Feb. 29, 1928) but ex-Senator Lenroot's letter is republished simply because it affords an example of how the Hoover apologists habitually twist the truth to suit their own purposes.

Ex-Senator Lenroot's letter follows in full:

FEBRUARY 29, 1928.

HON. ARTHUR M. FREE,

*House of Representatives, Washington, D. C.*

MY DEAR MR. FREE: I am glad to respond to your inquiry about Mr. Hoover in connection with a Chinese foreign lawsuit concerning events of 28 years ago which is mentioned in *The Congressional Record* of February 28.

In view of the whispering slanders on this subject, some of Mr. Hoover's friends some time since asked that I make an independent investigation of this subject through the examination of the entire record. I have examined the reports of the evidence and the judgment in this lawsuit. I am able to say categorically that neither the evidence nor the judgment reflect on the character or integrity of Mr. Hoover.

On the contrary, his connection with the matter was honorable in every

way and it was largely upon his testimony that the Chinese were restored to their rights.

Mr. Hoover had signed certain contracts as an agent of others at the request of all parties, but the suit was not directed at him; he was not a defendant, but a witness. There was absolutely no judgment against Mr. Hoover rendered at any time.

An examination of the actual issues in the case shows that even had he been a defendant the actual lawsuit offers no basis for criticism against him.

The suit involved a contract between Chinese, Belgian, English, and German interests growing out of a reorganization of a Chinese industrial concern in financial difficulties, and was brought in the English court. The contracts were negotiated by agents of their respective nationalities, with the assistance of the Belgian and other legations in China. Mr. Hoover was engaged as an engineer, and later, for a short time, the manager. The real question in the case was as to the binding effect of a certain memorandum signed by Mr. Hoover as agent of one of the parties together with other agents, it being provided in said memorandum made at the time of the reorganization, that a Chinese board was to participate in the management of the company and the former Chinese director general was to continue. During Mr. Hoover's administration the contract was complied with, although difficulties arose over custody of title deeds which Mr. Hoover insisted on having placed in care of a bank, in the name of the company for the protection of all parties.

Some eight or nine months after the reorganization was completed a change of stockholders' control took place. Mr. Hoover retired from the concern as manager, and the group which came into control then repudiated a portion of the contract made under the reorganization by ignoring the Chinese local board of directors. Out of the change in control a bitter quarrel grew up amongst the diverse national interests. But when the issues were finally drawn it became simply a question as to whether or not the said supplemental memorandum was to be carried out. The Chinese complainants in bringing their action naturally asked as an alternative that the original contracts be rescinded and certain properties in the reorganization be restored.

The judgment declared the memorandum to be valid and binding, dismissed all other questions except as to damages for breach of the contract, and, upon appeal, even this was dismissed as to the concern for which Mr. Hoover had acted as agent.

The case was of considerable public interest at the time and was carefully reviewed editorially in *The London Times* of March 2, 1905. *The Times* summary of the actual issues is in accord with the above. Incidentally this review does not even mention Mr. Hoover.

Unprincipled persons circulated slanderous stories on this subject a few years ago. They were investigated by an eminent firm of lawyers and exploded at that time, and now they are picked up out of the gutter for use in the present campaign. At the time Baron de Cartier, the Belgian ambassador to the United States, who at the time of the reorganization mentioned represented Belgian interests, wrote a letter vigorously denouncing these slanders upon Mr. Hoover, as did likewise the chairman of the company and various lawyers in the case. I append these statements hereto.

Sincerely yours,

IRVING L. LENROOT.

#### APPENDIX—EXHIBIT E

Sugar supply and price stabilization were two of the major food problems of the World War. Hoover had urged the creation of a sugar commission when he testified on the pending Food Control bill before a Senate committee in June, 1917,



but Congress did not give him authority to fix prices of sugar under the Food Control act. Consequently, at first it was necessary to rely upon the voluntary co-operation of the various branches of the sugar industry. George M. Rolph of San Francisco, an officer of the California & Hawaiian Sugar Refining Company, was appointed chief of the Sugar Division of the United States Food Administration, and also chairman of the International sugar committee. President Jamison of Arbuckle Brothers and Earl D. Bapst of the American Sugar Refining Company were the other American members of the International committee.

As might have been predicted, this "voluntary co-operation" under the direction of the leading sugar refiners of the country worked out exactly as did the "food control" of the millers, the canners and the packers under supervision of their own hired men. The prices paid to the actual producers of sugar cane and beet sugar were held down as low as possible, while the refiners and distributors were allowed to make handsome profits. The first step by the Sugar Division was the suspension of all trading in futures on the New York Coffee and Sugar Exchange. The second step was the extension of the powers of the War Trading Board to include sugar and this resulted in a decree prohibiting export with all except the Allied nations. Later Cuba was persuaded to place an embargo on sugar except to the United States and the Allied countries.

By this time Congress was willing to extend the powers of the Food Administration as Hoover had recommended and George A. Zabriskie was made chairman of the United States Sugar Equalization Board and armed with arbitrary powers.

President Menocal of Cuba had appointed a commission to control sugar. Manuel Rionda was one of its members. A committee also was named to handle financial adjustments. Manuel E. Rionda was chairman of that board. A third body known as the Cuban Export Committee consisted of Robert B. Hawley, Manuel Rionda and Edwin P. Shattuck, who acted in behalf of the United States Sugar Equalization Board.

During the war, retail prices of sugar in the United States ranged between nine and 14 cents per pound. This compared with prices of four to six cents a pound in the years immediately preceding the war. However, the prices fixed by the biggest refiners of the country allowed a liberal margin of profit. The net returns of the leading refiners under the so-called control averaged more than 300 percent greater than their average returns between 1912-1914. For instance, the American Sugar & Refining Company, of which Earl Bapst was president, in 1916-1918 made \$8,332,348 in net profits as compared to \$3,818,666 in the 1914-1916 period—and this after more than \$8,000,000 more had been "charged off" for "depreciation" and "improvements and reserves." The Cuban-American Sugar Company, with which the Riondas were connected, made \$6,452,105 during the 1916-1918 period under "food control" as compared with a paltry \$1,264,453 in net income in the two years prior to the war.

The producers, on the other hand, had their profits sharply regulated. The Louisiana sugar growers were appealed to on patriotic grounds and threatened with prosecution until they agreed to keep prices down to \$7.25 per hundred pounds. This was by no means an excessive price considering the increased costs of labor. The Western sugar beet growers were even more severely regulated. Most of the profiteering in the sugar industry was done by a comparatively few favored refiners who happened to be very close friends of Mr. Hoover.

Hoover went to Europe shortly after the Armistice. So far as regulating domestic prices, the Food Administration and Sugar Division, especially, practically ceased to function, although its huge personnel continued to draw their salaries and Congress had not abrogated its almost dictatorial powers. After hostilities had ceased, the retail prices of sugar commenced to soar to 20 cents and finally to 30 cents per pound. It has been estimated that the American public in a single year paid nearly \$900,000,000 in excess profits for sugar—and this was at a time when

Mr. Hoover and his friends were still supposed to have the situation under government control.

The whole Cuban sugar crop of 1919 had been purchased by the United States Sugar Equalization Board, and it was generally supposed that the Equalization Board also would purchase the 1920 crop from Cuba. Month after month went by, however, without any action, and finally on July 18, 1919, Zabriskie cabled to Hoover in Paris citing the necessity for deciding on some policy for the coming year.

This reminder evoked a thousand word cablegram from Hoover to President Wilson. After discussing the possibility of a shortage, and clearing his own skirts of responsibility by declaring that he had warned the President months before that there would be a scarcity of sugar in 1920, he sidestepped responsibility in the following words:

"The determination of the sugar policies requires immediate consideration, and my lack of intimate knowledge of American situation after eight months' absence, and my inability to leave here, renders it impossible for me to be of useful service in the matter. I therefore suggest you request Prof. Taussig, Mr. Zabriskie and other members of the Sugar Equalization Board to present you their recommendations in the matter independent of myself. . . ."

Following this cablegram, the representatives of the Cuban government wrote Zabriskie, suggesting that the United States enter into negotiations for the 1920 crop. The directors laid the matter before Woodrow Wilson. He acknowledged the letter but did not answer it. Another letter to the White House failed to evoke a reply. On Sept. 23, Zabriskie wrote to President Wilson stating that one-third of the Cuban crop already had been sold to other countries and "we believe the situation is out of hand." In the meantime prices had been soaring to unprecedented heights, people were hoarding sugar, while neither the Food Administration nor the Department of Justice did anything to remedy the situation.

Hoover and his friends always have tried to avoid the responsibility for the profiteering in sugar. Testifying before the Lusk committee, Mr. Hoover declared that the failure of the Wilson Administration to purchase the Cuban crop in 1920 had cost the American consumers more than one billion dollars. At the Lusk hearing Hoover also criticized the Department of Justice for not proceeding against the profiteers. At that time Hoover had decided he was a Republican and his testimony obviously was intended to discredit the Democratic administration.

The facts are that the Sugar Equalization Board had full authority to purchase the Cuban crop without so much as consulting the President, and the board also had ample funds to handle the transaction. Furthermore, the records show that the Equalization Board never recommended to the President the purchase of the 1920 Cuban crop, and two of its members said they would not have made the purchase, even had the President approved it, unless specifically directed to do so by Congressional action.

John B. Floyd, assigned to investigate the sugar profiteering by the Department of Justice, wrote to Senator Arthur Capper in 1920 asserting that "Mr. Hoover's statements have been made for political purposes and are at variance with the facts." Mr. Floyd declared that the Sugar Equalization Board was clearly responsible for the profiteering and pointed out that it had sold abroad large shipments of sugar just before it made its announcement of the supposed shortage in the United States.

The profiteering in sugar continued unchecked until the Cuban mills began to grind out sugar. There had been a bumper crop and every pound of it was harvested under the stimulus of high prices. When this sugar began to flood the market, prices in the United States abruptly dropped to ten cents and then to six and five cents a pound. The artificial corner had been broken—and hoarded stocks began to appear. Unfortunately, while the sudden collapse of sugar prices benefitted

the American consumers, it ruined many of the Cuban producers. Convinced by the reports which the Food Administration had circulated that there was a world shortage in sugar, the Cuban planters borrowed money to extend their acreage. Interest rates were high—and so was labor. Many of them mortgaged their plantations. When the speculative bubble in sugar burst it meant bankruptcy for thousands of small, independent planters, and many of the larger estates changed hands. It is estimated that two-thirds of the sugar planters of Cuba owned their own farms prior to 1920-1921, and that after the collapse of the sugar prices more than two-thirds of the sugar acreage of the island was mortgaged—and most of it to New York banks.

The whole story of Cuban sugar probably never will be told. There were rumors of the time of gigantic fortunes being made by men who smuggled sugar to Spain in ship-load lots after the embargo had been imposed. This sugar was supposed to have gone to Switzerland, via Spain, but much of it is said to have reached Germany.

Had there been a Congressional investigation at the time it might have been possible either to verify or refute these stories. Now, after the lapse of years, much of the evidence has vanished. It is probable, however, that the *coup* which transferred a large portion of the sugar growing acreage of Cuba to the control of a few New York bankers was engineered deliberately, and neither is there the slightest doubt that men close to Herbert Hoover, and delegated by him with far reaching authority, profited enormously by the inflated price of sugar.

#### APPENDIX—EXHIBIT F

It is quite possible, of course, that Hoover's inclusion in the Cabinet was arranged at Chicago just prior to the nomination of Harding. It is notorious that Harding was "put over" by the oil interests and that Albert Fall was slated for Secretary of Interior as part of this corrupt bargain.

Mark Requa, who had been head of the Oil Division of the Food Administration, had been associated with Hoover in several oil promotions in California back in 1912. All during the war he had been Hoover's right hand man and probably had more influence with "The Chief" than any other one person. Originally a mining man, Requa had become heavily interested in oil and was on intimate terms with both Edward Doheny and Harry Sinclair, who were the two moving spirits behind Harding's nomination. Indeed, during the war, Requa appointed one of Doheny's junior partners as his assistant in charge of Western oil lands and it was he who first prepared the report—back in 1918—which recommended the leasing of the governmental oil reserves for private exploitation.

The Tea Pot Dome and Elk Hills Basin scandals, which finally put Secretary Fall in a Federal penitentiary and compelled the resignation of Secretary of the Navy Denby, are too well known to require repetition; but while the public was being diverted by this spectacular side show, the Mellon-Doheny-Standard Oil interests pulled off a gigantic grab in the Republic of Colombia—as the direct result of governmental aid—which has had practically no publicity from that day to the present time. Rufus Dawes, brother of General Charles Dawes, was a director of one of the companies which participated in the deal and the Transcontinental Oil Company, of which Claudius Huston later became managing director, obtained 1,787,000 acres of rich oil lands along the Magdalena river as a result of the United States' government appropriating \$25,000,000 to Colombia. The Mellon interests acquired more than 2,000,000 acres of oil lands in Colombia; the concern of which Rufus Dawes was director got 2,300,000 acres; the Doheny-Sinclair crowd obtained title to approximately 1,000,000 acres; and the Standard Oil combine emerged with about 2,600,000 acres. Leases on approximately 6,000,000 acres of oil lands were given to other Canadian, and Latin-American corporations, several of them owned in part by men fairly close to Herbert Hoover.

The huge holdings acquired by the Mellon-Doheny-Standard Oil-Transcontinental

crowd in Colombia came about as the direct consequence of the ratification of the treaty between the United States and Colombia which was signed at Bogota in 1914, but never had been ratified by the United States government prior to 1921. Colombian newspapers during the seven year interum openly charged that the United States was delaying the ratification because the Colombian government refused to amend its oil regulations to suit American investors.

The Harding administration made ratification of the Colombian treaty first on its order of business. On April 6, 1921, only a month after Harding took office, ratification was pushed through the Senate, and with the ratification went an appropriation of \$25,000,000 which was paid to Colombia, ostensibly for damages incurred twenty years previously when Theodore Roosevelt encouraged a revolution for the purpose of acquiring territory for the Panama canal.

As a matter of fact, Colombia *had* a just claim against the United States. Roosevelt freely admitted that he "took the Panama canal," but no action had been taken on the claim for twenty years and opponents of the measure charged on the floor of the Senate that the belated payment was nothing more or less than a thinly disguised bribe to the Colombian government to pave the way for American oil exploiters. There was considerable opposition to the payment of this \$25,000,000 claim, but the whole power of the Harding Administration was thrown behind the measure and it was put to a vote with surprisingly little debate.

Events speedily justified the predictions of those who had charged that the \$25,000,000 was designed to grease the way for American oil seekers. Indeed, this was frankly admitted in Colombia. *The Colombian Review* in its issue of October, 1921, asserted "there can be little doubt that the discovery of oil tracts in Colombia has exerted a tremendous influence in these negotiations." The ink on the treaty was hardly dry before a number of oil companies—which apparently had been incorporated in anticipation of its speedy ratification—rushed into Colombia and obtained leases on huge areas of rich oil lands.

The Transcontinental Company, which had been organized in Delaware in 1919, was one of the first in the field and got one of the very choicest locations. In 1925, Claudius Huston resigned as Assistant Secretary of Commerce under Herbert Hoover to become chairman of the board of directors of the Transcontinental. At that time the Transcontinental still held 751,362 acres in Colombia—the rest had been sold to the Standard Oil interests—and in addition it had leaseholds on 363,000 acres of oil lands in Texas, Oklahoma, Arkansas, Kansas, West Virginia, Louisiana, Wyoming, Colorado, Alabama and New Mexico.

Later, in 1929, the property of the Transcontinental was sold outright to the Ohio Oil Company, a subsidiary of the Standard Oil Company, and about that time Claudius Huston, through the influence of Hoover, was made chairman of the National Republican committee. He reluctantly resigned under fire a year later when it was discovered that he had been speculating with funds placed in his hands by the Power Trust for lobbying purposes.

The Gulf Oil Company, of which W. L. Mellon is president and R. B. Mellon a director, through various subsidiaries, has slowly been getting control of the major portion of the Colombian oil fields. It has leased 800,000 acres from the Colombia Syndicate. The Standard Oil Company still retains large holdings, but the Doheny interests seem to have been absorbed by the Mellons. The Andian Company, a Canadian corporation, has a 50 year concession for the pipe lines in Colombia. It has already has constructed more than 600 miles of pipe lines with a daily carrying capacity of more than 50,000 barrels. The normal output of the Colombian wells now is about 40,000,000 barrels annually. Petroleum is known to exist in an area of 34,000 square miles in Colombia and some geologists declare it is the greatest potential field in all South America.

#### APPENDIX—EXHIBIT G

Herbert Hoover retired from active management of his far flung mining in-

vestments and promotional enterprises in 1917 when he came to the United States to become Food Administrator. In 1916 he was still serving on thirteen different directorates, but by the following year he had resigned from every board except that of the Burma Corporation, Ltd. He remained on that directorate until 1919. Since then he has not been listed in any issue of *Skinner's British Mining Manual* or *Skinner's British Oil and Petroleum Manual*. Theodore Hoover, too, disappears from the pages of these publications after 1919. Doubtless the Hoovers disposed of most of their mining shares prior to 1919, although Herbert probably retained his interests in several concerns. It is generally believed in London that John A. Agnew sat on certain boards of directorates in his stead and held his stock in escrow.

Herbert Hoover did not, as his political supporters have repeatedly alleged, retire from business when he came to the United States. On the contrary, he invested his money in a number of diversified concerns, and invested it so wisely that prior to the depression—which followed his accession to the Presidency—he is estimated to have been worth approximately \$15,000,000. He had about \$4,000,000 in more or less mobile assets when he came to this country in 1917. It would be very difficult to appraise his fortune today. Probably it has suffered in the general depression.

Secrecy shrouds all of Herbert Hoover's present investments and business operations. He is not listed as a director in any concern in the United States, but nevertheless it is well known among his intimates that his business affairs are handled by Edgar Rickard, former manager of *The London Mining Magazine*, who was one of Hoover's right hand men during the Belgian relief. Rickard has an office on the twentieth floor at 42 Broadway. Julius Barnes has an office in the same building. So has Edwin P. Shattuck, former counsel for the Belgian Relief Commission, who got considerable notoriety three years ago during the tariff hearings because of his lobbying activities in behalf of the Cuban sugar interests. It is generally believed by those who have tried to investigate the matter that the President's business interests are handled jointly by Rickard, Shattuck and Prentiss N. Gray, the former Californian shipping man who served in various capacities with the Belgian Relief Commission during the war. It also is very probable that the President has—or had—large investments in several companies headed by Julius H. Barnes.

The first published announcement of Hoover's post-war business activities in the United States appeared in *The New York Times* of January 26, 1921, when it was stated that he, Julius Barnes, Rickard, Shattuck, and Edward Flesh of St. Louis, grain operator and treasurer of the United States Grain Corporation, would be associated in a number of enterprises. The article, heading and all, follows in full:

## HOOVER IN COMBINE OF BIG ENTERPRISES

Julius H. Barnes President of  
Company to Launch Half  
Dozen Industrial Projects

ALL EX-GOVERNMENT MEN  
Drawn Together by the War, They  
Will Raise Cotton, Develop  
Water Power and Timber.

The formation was announced yesterday of a holding corporation, with offices at 42 Broadway, of which Julius H. Barnes, formerly of the United

States Grain Corporation, is president, and which Herbert C. Hoover is interested, to combine several industrial enterprises and establish others dealing principally with so-called waste products.

The Intercontinental Development Company, as the new corporation is named, has a Maryland charter and controls The Washington *Herald*, in which Mr. Hoover is a large stockholder; the Pejepsco Paper Company of Pejepsco, Me., makers of print paper and specialties, and the Klearfax Linen Rug Company of Duluth.

The Pejepsco Paper Company has timber holdings in Maine and Canada and is endeavoring to reforest clearings as they are made, and to carry out cuttings in such a way as to preserve the young growth. This company also is endeavoring to utilize the water power within its holdings.

The Klearfax Linen Rug Company makes its product from flax straw, which has been a waste product in the linen industry. Among the new plans of the company is the development by irrigation of large tracts of land in California for the production of cotton.

Besides Mr. Barnes, other officers of the company are E. M. Flesh, a St. Louis grain operator and treasurer of the United States Grain Corporation, vice president and treasurer; Edgar Rickard, mining engineer and director of the American Relief Administration, vice president and secretary; and Edwin P. Shattuck, vice president and counsel.

The Intercontinental Development Company was never listed on the New York Stock Exchange, and cannot be found today in *Poor's* or *Moody's* manuals, but the various officers recommended the stock to their friends. Julius Barnes inserted advertisements in the Duluth, Minn., newspapers, urging the public to purchase shares. Inasmuch as Julius Barnes was well known in Duluth as a multi-millionaire, and not only was head of the Barnes-Ames Grain Company, but the McDougal-Duluth Shipyards and the Klearfax Linen Rug Company, many Duluthians bought the stock. It did not turn out to be a good investment.

Barnes, who was head of the U. S. Grain Corporation, is reputed to have made somewhere between ten and fifteen million dollars during the war. His Duluth shipyards constructed eagle boats for the government on a "cost plus" basis and the Klearfax factory also obtained some lucrative government contracts. Since the war, however, despite the fact he was twice president of the Chamber of Commerce of the United States, Barnes' affairs have not seemed to prosper. He is said to have been heavily hit in 1925 when the collapse of the wheat market caught him in a bull pool, and recently he dissolved the Barnes-Ames Grain Company and sold the Itasca Elevator at Duluth for a mere fraction of its real value. Barnes also is heavily interested in Duluth water front property—which would be greatly enhanced in value if the Great Lakes-St. Lawrence waterways went through—but today there is little market for this real estate.

In addition to the above mentioned interests, Barnes is head of the General Bronze Company, chairman of the board of directors of the Pitney-Bowes Postage Meter Company; president and director of the Erie & St. Lawrence Corporation; chairman of the Pejepsco Paper Company; and a director of the J. Henry Schroder Banking Corporation and of the Northwest Bancorporation of Minneapolis. He also is a director of the Highway Lighthouse Company of Elizabeth, N. J.

Edgar Rickard is president and director of the Pejepsco Paper Company of Brunswick, Me.; president and director of the Hazeltine Corporation; president and director of the Latour Corporation; chairman of the board of directors of the Wood Fibre Corporation; president and director of the Androscoggin Water Power Company; president and director of the Hazard Wire Rope Company; vice president and director of the American Industries, Incorporated; vice president and director of the Erie & St. Lawrence Corporation; vice president and

director of the Pitney-Bowes Postage Meter Company; and director of Fred T. Ley & Company, Incorporated.

The Hazeltine Corporation was organized as a Delaware corporation in 1924 when Herbert Hoover was Secretary of Commerce—and had direct supervision over the United States Patent Office. This is pertinent because the Hazeltine Corporation is a patent holding company, as its articles declare, "interested in the development of the radio art through the purchase, commercialization and improvement of patents."

At the present time the Hazeltine Corporation is the sole owner of the patents for Neutrodyne and Neutroformer radio tubes and owns all the United States and international patents controlling their manufacturer. It does not manufacture anything itself, but gets a royalty ranging from 2½ to 5 percent on all tubes sold. In 1930 it earned \$1,172,409 in royalties.

In 1925 the Hazeltine Corporation purchased 80 percent of the stock of the Latour Corporation, which had been formed to exploit the inventions of Prof. Latour, the famous French radio expert. In 1926 the Hazeltine Corporation purchased the remaining stock of the Latour Corporation. Edgar Rickard is president of both concerns.

At the present time the Hazeltine Corporation holds 32 United States patents and has 49 more pending, while the Latour Corporation holds 58 patents in this country and has nine pending. The Latour Corporation also holds 146 international patents and has 63 applications pending. It hardly seems necessary to point out the impropriety of Mr. Hoover allowing intimate business associates to form a corporation which dealt exclusively with patents at a time when he not only controlled the United States Patent Office, but as Secretary of Commerce had almost dictatorial powers over the whole radio industry.

The Pitney-Bowes Postage Meter Company is another concern which makes its money as the result of what virtually is a government monopoly. It was incorporated in Delaware on April 23, 1920, shortly after Mr. Hoover was appointed Secretary of Commerce, as the result of a combination between the Universal Stamping Machine Company and American Postage Meter Company. In 1929 the Pitney-Bowes Company bought control of the Universal Postal Frankers, Limited, of London, which has a virtual monopoly of the stamp vending privileges in Great Britain, and its capital stock was increased from 200,000 to 1,000,000 shares of no par value. The net earnings of the Pitney-Bowes Company in 1930 were \$268,725.

Prior to 1908, Rickard and his brother ran a mining journal in San Francisco. In 1908, they went to London and started *The Mining Magazine*, which devoted a wholly disproportionate amount of space to boosting Hoover's multifarious promotions. In 1914, Rickard was made secretary of the Commission for Relief in Belgium. He accompanied Herbert Hoover to the United States and became assistant United States Food Administrator. Later he liquidated the Belgian Relief Commission and afterwards was director of the American Relief Administration. In 1921 he was appointed as a member of the purchasing commission for Russian relief to expend the \$20,000,000 appropriated by Congress. Rickard was born in France, and spent part of his adult life in England, but he was educated in California and probably is an American citizen. It is well known that Rickard was anything but well off when he left San Francisco in 1908 to start *The London Mining Magazine*.

Prentiss N. Gray was manager of the California & Oregon Coast Steamship Company prior to the World War. It was not an important position. He resigned to go to Europe where Hoover made him director of the Commission for the Relief of Belgium. Gray served for a time in Brussels, then went to London, thence to New York, and when the war ended he was in Washington. When Hoover became United States Food Controller, Gray was made chief of the Marine Transportation Division, and after the war he was hand-picked by Hoover as director of the American Relief Administration.

In April, 1919, only a few months after the Armistice, he organized the P. N. Gray Company. E. Bunge, a wealthy Belgian who dealt in grain and hides, and Carolus Falk, former manager of Bunge's business, were members of the firm. Alexander Hemphill, chairman of the board of directors of the Guarantee Trust Company, also was associated with Gray.

Soon after Gray organized his exporting company, the Guarantee Trust Company headed a syndicate, which included the National City Bank, the National Bank of Commerce, and J. P. Morgan & Company, which advanced a credit of \$50,000,000 to the Belgian government. Gray then entered into a contract with the Belgian government whereby he was given exclusive charge of the purchase of post-war supplies in the United States and also had charge of their shipment to Belgium. This was a purely private contract, but nevertheless the United States Shipping Board turned over to him nearly 200,000 tons of shipping at extremely low charters.

P. N. Gray Company not only had a virtual monopoly of all of Belgium's post-war trade, but occupied an advantageous position in dealing with Germany, Austria, Poland and other war-torn countries of Central Europe. The American Relief Administration had its agents in all of these countries and they had been Mr. Gray's subordinates. It was only natural for them to boost him and knock certain German-American competitors. There is documentary proof that these tactics were employed and Mr. Hoover himself used his official position to promote the private exporting business of his California friend.

Considering all the circumstances, it is not particularly surprising that Prentiss N. Gray blossomed out as a full fledged financier after the war. According to *Poor's Manual* he now occupies the following positions:

- J. Henry Schroder Banking Corporation, president and director.
- European Mortgage & Investment Company, president and director.
- American British & Continental Corporation, vice president and director.
- International Railways of Central America, director.
- Swiss-American Electric Company, director.
- J. Henry Schroder Trust Company, president and director.
- International Holding & Investment Company, Ltd., director.
- Electric Shareholders Corporation, director.
- Hydro Electric Securities Corporation, director.
- St. Regis Paper Company, director.
- Manati Sugar Company, director.
- Minor C. Keith, Incorporated, director.
- Prudential Investors, director.
- Bates Valve Bag Company, director.

Some of the above names require a little explanation.

The J. Henry Schroder Banking Corporation, 46 William street, was incorporated in 1923 as a re-organization of the J. Henry Schroder Bank of London and Hamburg. Baron Bruno Schroder is chairman of the board and other directors are Julius Barnes, Prentiss Gray, H. G. P. Deans, John McHugh, John L. Simpson, Gerald F. Beal, Frank C. Tiarks, Manuel E. Rionda and George A. Zabriskie. The Schroder Banking Corporation has several branches in Germany and deals with international securities. One German branch closed its doors (temporarily) just three days before Hoover urged a moratorium on war debts last June.

In February, 1929, just a few days before Hoover was sworn in as President, the J. Henry Schroder Banking Corporation increased its capital stock from \$2,200,000 to \$5,000,000; and in May, 1929, it incorporated the J. Henry Schroder Trust Company which is authorized to do a domestic banking business and is now a member of the Federal Reserve Board. The J. Henry Schroder Banking Corporation, according to its last sworn statement, has assets of approximately \$79,000,000.



The European Mortgage & Investment Corporation, 70 Federal street, was incorporated in 1925 under a Delaware charter by Lee, Higginson Company of Boston and the J. Henry Schroder Banking Corporation, primarily for the purpose of financing farm mortgages in Central Europe.

The European Mortgage & Investment Company has a capital stock consisting of 10,000 shares of no par value. At the present time it holds approximately \$16,500,000 in gold bearing farm loan bonds issued by the Austrian Institution of Commercial and Industrial Credit Banks and the Hungarian Bank Co-operative Mortgage Society. These bonds are redeemable in 1950 and 1967 and bear 7½ percent interest.

The American British and Continental Corporation, 15 Exchange Place, was incorporated in 1926 in Delaware by Blyth, Witter & Company and the J. Henry Schroder Banking Corporation "to acquire and sell securities in association with European banking institutions." It holds bonds of various industrial and public utility corporations in the United States, Germany, Hungary, France, England, Belgium, Japan and Central and South America. The total value of its holdings are \$18,688,198. Of this amount \$9,952,568 are United States securities and the rest are foreign bonds. The corporation holds \$3,352,177 in German bonds, mostly in public utilities.

The capital of the American, British & Continental Corporation consists of 1,000,000 shares of common stock and 100,000 shares of preferred stock of no par value. The preferred stock pays annual dividends of \$1.50 per share. No dividends have been paid on the common stock. In 1930 the net income of the American, British & Continental Corporation was \$675,973; it was \$920,174 in 1929; and in 1928 the corporation had net earnings of \$1,304,768.

The International Holding & Investment Company, Limited, was organized on Aug. 29, 1927, in Quebec, Canada, and entered into an agreement with the International Holding & Investment Company of England to acquire that concern's assets in return for 38,937 shares of preferred stock and 268,052 shares of common stock. In 1928 the International Holding & Investment Company participated in the formation of the Societe de la Soie Artificielle (Fisa) of Paris, which controls rayon factories in Belgium, Holland, Germany, Italy, Poland and the United States. Belgian interests close to Emile Francqui hold large blocks of stock in this concern. In 1928 this company earned \$13,276,522. Its net profits in 1929 were \$5,280,090, but in 1930 they had dropped to \$306,053.

The Hydro Electric Securities Corporation was incorporated in September, 1926, in Quebec, and 80 percent of its investments are in stocks of leading United States and Canadian public utilities. It also has an option to purchase, between March 1, 1931, and March 1, 1939, 600,000 shares of the Electric Shareholders Corporation. The Hydro Electric Securities Corporation also holds stock in English, French, Belgian and Italian public utilities. Its total investments are valued at \$54,148,000 and in 1930 its net profits were \$7,282,992.

The Electric Shareholders Corporation was organized on March 6, 1929, the same day that Hoover became President. It has a perpetual charter to buy, sell and underwrite securities of all kinds. Its chief assets are the common and preferred stocks of some of the largest public utility companies in the United States, including the Commonwealth Edison Company, Consolidated Gas of New York, the Peoples Gas Company of Chicago, Middle Western Utilities, the Northern States Power Company, the Pacific Gas & Electric Company, the North American Company and the Southeastern Power & Light Company. Its assets are listed at \$37,000,000 and in 1930 it had a net income of \$4,178,572.

The American Industries Corporation is listed in both *Moody's* and *Poor's* manuals, but neither of them give any financial information. *Poor's* declares it was "Requested to omit data" and information about the Prudential Investment Company also is omitted because of "No public interest."

The St. Regis Paper Company is one of the largest producers of paper in the Eastern United States and controls the following corporations: Hanna Paper

Corporation; New Hampshire-Vermont Lumber Company; J. Norwood and St. Lawrence Railroad Company; St. Regis Paper Company of Canada; Oswego Board Corporation; Harrisville Paper Corporation; Panelyte Corporation of Trenton, N. J.; and the Bates Valve Bag Corporation.

The International Railways of Central America owns the Guatemala Railway Company, the Occidental Railroad and the Ocos Railroad. Part of the outstanding common shares are held under a voting agreement dated August 1, 1928, and expiring July 31, 1938, but which may be terminated at any time by the voting trustees who are: Prentiss N. Gray, Philip Stockton, Bernard F. Trafford, Frank F. Walker and Herman E. Willer.

The Minor C. Keith Corporation owns several railroads and steamship lines and also holds a large interest in the United Fruit Company.

The Manati Sugar Company owns a sugar estate of 281,446 acres about 400 miles east of Havana and also has a factory, railroad trackage and rolling stock. Besides Prentiss N. Gray, the directors are W. N. Cromwell, B. D. Forster, Frederick Strauss of Seligman and Company, George W. Davison, W. V. King, W. L. Cummings, William S. Gray, Jr., Henry E. Worcester of Boston, Earle Bailie of the Guarantee Trust Company, Manuel Rionda and Manuel E. Rionda.

The office of president of the Manati Sugar Company is vacant. Manuel E. Rionda is chairman of the board of directors. His presence on the board of directors of the J. Henry Schroder Banking Company, with George A. Zabriskie, recalls the fact that Rionda is reputed to have made a huge fortune in sugar right after the World War, when Herbert Hoover was still Food Controller and Zabriskie, appointed by Hoover, was chairman of the United States Sugar Equilization Board and armed with arbitrary powers to dispose of both the Cuban and domestic sugar crops.

Shattuck, who was a member of the United States Sugar Equilization Board during the war, and later appeared at tariff hearings in Washington as lobbyist for Cuban sugar interests, is director of the Pejepsco Paper Company, the Pitney-Bowes Postage Meter Company, the Belgo-American Trading Company, and the Welsbach Street Lighting Company.

Barnes, Gray, Rickard or Shattuck appear jointly as directors of the following corporations:

J. Henry Schroder Banking Corporation	Barnes, Gray
Pejepsco Paper Company	Barnes, Rickard, Shattuck
Pitney-Bowes Postage Meter Company	Barnes, Rickard, Shattuck
Belgo-American Trading Company	Rickard, Shattuck
Erie & St. Lawrence Company	Barnes, Rickard
Intercontinental Development Co.	Barnes, Rickard, Shattuck

Let me state frankly that I have no positive evidence that President Hoover has any financial interest in any of the aforementioned concerns. Such evidence would be almost impossible to obtain unless one were a director or substantial stockholder in one of the companies and had the legal right to demand an inspection of the stock register. Even that might reveal nothing, for if the President does own stock in any of these concerns it might be held in escrow in some one else's name.

Mr. Hoover, however, is primarily to blame, if there is more or less general belief among those who have looked into the situation that he has at least several million dollars invested in international banking concerns which have huge holdings in public utility stocks both in this country and abroad. Ever since his departure from London he has deliberately shrouded his affairs in the greatest possible secrecy—and secrecy invariably breeds suspicion. Most of our big business men and captains of industry are not ashamed to tell the origins or disposition of their fortunes. Ordinarily none save bootleggers endeavor to hide the sources of their income.























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