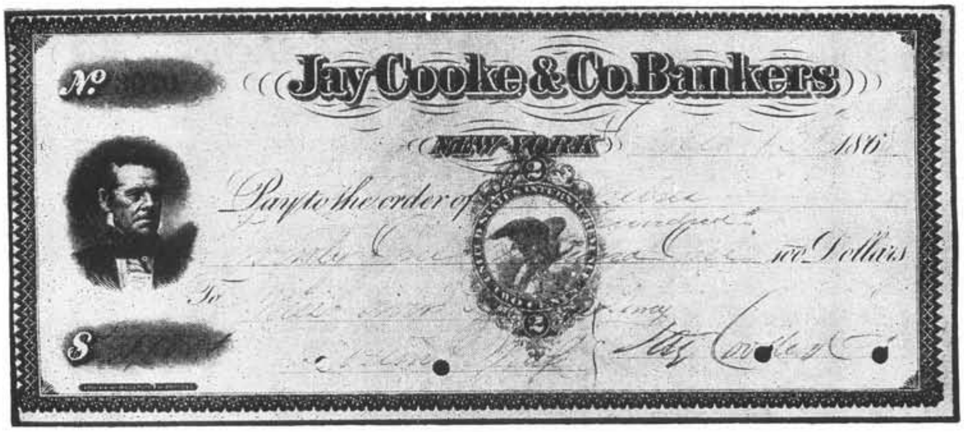


"Jay Cooke, Patriot Banker"

By BRENT H. HUGHES

SPMC No. 7

THE little village of Sandusky, Ohio was just four years old when a child named Jay Cooke was born there on August 10, 1821. The third child and second son of Eleutheros and Martha Cooke, he was born under typical frontier conditions, in the home of another family while the Cooke home was under construction. But it would not be the spirit of the frontier that would influence their son; rather it would be the spirit of America that would lead Jay Cooke to national service. The Cooke family was representative of the American middle class Self-respecting, hard-working and filled with pride, the family founder was a Puritan who was well known in Salem, Massachusetts. His son was a tanner and shoemaker, and his grandson was a farmer. There was no colonial aristocracy on either side; instead, a deep-seated love of country and an understanding of the people. Jay loved to listen to his grandfather spin tales of the war and his prison life in Montreal. The seeds of patriotism were planted early.

Eleutheros Cooke was a skilled lawyer, the first of his family to enter the professional ranks. He was an accomplished orator, real estate operator, and eventually a politician who served several terms in the Ohio legislature and one term, 1831-1833, in the national House of Representatives. Later he became involved in canals, then in the Mad River and Ohio Railroad, the first railroad west of the Alleghanies. The strong personality of his father was to influence Jay throughout his childhood, and he was to inherit most of his traits. Thus young Jay became as effective writer in promoting early transportation and eventually made his fortune in railroading.

Jay showed his aptitude for business when at age nine he began working after school in a store owned by his father and uncle. At 14 he left school to become a clerk in a store owned by two young men from New York, Hubbard and Leiter. At a salary of $250 per year, Jay felt he was a professional merchant and ready to enter the world of big business. In 1836, fifteen-year-old Jay Cooke left his home town for the "big city," St. Louis, population 7,500. The Panic of 1837 sank the merchant who employed him there, so he left for Philadelphia where he worked for the Washington Packet and Transportation Company, whose president was William G. Moorhead, husband of Jay's sister. He kept books, acted as general assistant, but more importantly he had an opportunity to use his literary talents in writing the newspaper advertisements of the firm. It was in this work that Jay learned of the effectiveness of good advertising, a lesson that he would capitalize on for the rest of his life.

In 1838, Jay was again the victim of bankruptcy of an employer, and moved on to a job with Enoch W. Clark, a stock broker. At age 18, Jay had finally found his niche. Ambitious, experienced, intelligent and in robust health, Jay Cooke was ready to enter the world of banking. The chaotic condition of banking in this country during this period was also a time of opportunity for many men of vision. The merchant class which had set up their banking facilities in order to carry on their business gradually gave way to highly specialized banking houses. Clark's firm specialized in investments in municipal, state and railroad securities. Jay found the whole field fascinating and decided that he had found his life work. Shortly after going to work for Clark, Jay wrote his brother, "I have got on the right side of fortune in Philadelphia and if prudence, punctuality, and good behavior, as far as in my power, can keep me there, I shall remain statu quo (sic), as you say, forevermore. This business is always good and those who follow it always in time become rich. I am not afraid but that I shall be able to help myself."

"A Grand Time for Brokerage"

IT was a peculiar financial situation during this time that merchants, when in need of money, did their borrowing through brokers. Acting as go-betweens for borrowers and lenders, the brokers were able to make lucrative profits through intricate discounting of paper. This was aided by the general instability of business. In the late 1830's and early 1840's bank currency was in a highly disorganized state, specie payments were often suspended, and as Jay Cooke stated, "It was a grand time for brokerage and private banking."

The Clark firm was fast on its feet getting involved in a wide range of activities during this time. It handled specie and bank notes; redeemed notes under contract with various banks; handled commercial bills; and in general made itself available for a variety of tasks. So adept was Jay Cooke at the detail work involved in the Clark firm's activities that his employers quickly recognized his ability and gave him power of attorney to sign for the firm after only two years' service.

In his memoirs Jay Cooke acquaints us with a typical transaction that he engaged in while with Clark. A cattle trader needed cash but could not get it from the Bank of the United States of Pennsylvania. He then gave the bank his notes for four months and took in payment the bank's twelve-month post notes in denominations of one, five and ten thousand. He then brought these notes to Clark, "stowed away in his tall beaver hat," as Jay Cooke put it. "We would cash them at 10% to 12% below face and market them in Boston, realizing a profit of 3% to 4% on the deal." But Clark made another profit by paying the cattle trader in bank notes of banks in Ohio, Virginia and western Pennsylvania which the trader could use to pay for cattle purchased in those states. The trader was paid off with such notes at face value, while Clark had acquired the bank notes at a substantial discount.

The profit potential of private banking was not lost on Jay Cooke and we can well imagine that he was already thinking of setting up his own company. He widened his social activities as well as business contacts. "I have a number of valuable ones who may be of service to me hereafter," he wrote to his brother. As the Clark firm prospered, Jay moved up in the organization, and in January 1843, at the ripe old age of 21, Jay Cooke became a partner in the Philadelphia branch of E. W. Clark & Co. In 1844, he took unto himself a wife, Dorothea Elizabeth Allen, engaged a suite at the Congress Hall Hotel, and proceeded to raise a family.

Jay Cooke now widened his horizons, moving about among the Clark branch offices and making new acquaintances in the banking fraternity. Typical was the friendship between the Philadelphia and New York branches of Clark and the prestigious firm of Corcoran and Riggs of Washington, D. C. The two firms carried accounts for each other, made collections of personal drafts, and handled bank notes, charging according to a gentlemen's agreement. This cooperation gradually widened and was the basis of the firms' entry into assisting the U. S. Treasury Department in some intricate financial transactions involving the transfer of federal funds from St. Louis to the East.

It was the War with Mexico that gave the two firms their great opportunity to handle government securities. Jointly they sold two war loans, $18 million in 1847 and $16 million in 1848. Patriotism was of little significance in these loans, both of which earned good profits for the banking firms. Rather, they were regarded as simply good business for all concerned. If the government suffered somewhat in the deal, that was considered to be little more than the price of doing business.

With the 1850's came the great migration to the California gold fields of miners, merchants and capital. Clark and Jay Cooke were in the thick of the activity, handling the outpouring of gold dust and nuggets through various devices, and participating in land deals as the American frontier was pushed westward. But the speculative mania was to bring about a reaction. The public became suspicious of some of the dealing that was going on and this collapse of faith in business morals was to bring on a panic which would spell bankruptcy for many firms. Clark's was no exception, and once again Jay Cooke found himself out of a job.

From 1858 to 1860, Cooke conserved his resources while waiting for the national economy to smooth out. Through a combination of rare talents and personality Jay Cooke managed to preserve not only most of his private fortune but most of his friendships with the banking groups. As the panic subsided Cooke looked about for an opportunity and found it in the reorganizing and rebuilding of transportation concerns. This gave him valuable experience in the promotion, finance and construction of railroads, a field in which he was to again make his mark.

Civil War Financier

THUS we find the stage set for the emergence of Jay Cooke as a principal banker in financing the Civil War. Banking had gradually become more specialized and stable. The war demanded the rapid development of such facilities. Although many men were active in the field, the outstanding individual was Jay Cooke, working through his bank, Jay Cooke & Co. The firm was established in Philadelphia on January 1, 1861. There is evidence that many years of thought and planning were behind the bank; the war simply provided the catalyst. Jay Cooke & Co. was a partnership, Jay being manager with two-thirds interest, and William Moorhead furnishing money and experience with a one-third interest. The bank was located at 114 South Third Street, near the Girard Bank, the Farmers' and Mechanics' Bank, the Philadelphia Bank, and the Bank of North America.

With the outbreak of hostilities in April, 1861, the U. S. Treasury found itself in a miserable condition. It had no choice except to resort to loans, an area in which it was completely ineffective. Offering the bonds on a competitive basis, Secretary of the Treasury Salmon P. Chase soon found himself in conflict with the bankers who quickly lost all taste for government securities. Jay Cooke held back and watched developments. Working through his brother, Henry D. Cooke, a political friend of Chase, Jay approached the Treasury Department with a series of suggestions. The worried but thoroughly honest Chase proceeded cautiously. Jay Cooke was allowed to participate in the sale of Treasury notes in April, 1861. These notes, convertible into 6% bonds, were sold at par or above, largely through the efforts of Jay Cooke and his contacts with banker friends who bought the notes as an investment and expected a profit.

As additional loans became necessary and the market weakened, it became obvious to Jay Cooke that the old methods of selling government securities would not work.

Check of Corcoran & Riggs Bank, Washington, D. C., March 17, 1848. The cooperation between this bank and Jay Cooke & Co. led to the eventual involvement of the latter firm with the U. S. Treasury Department.

Purely investment capital was limited and another type of appeal would have to be found. Remembering the emotional appeal of some of his early newspaper advertising, he conceived the idea of selling government bonds directly to the public by appealing to their patriotism. Only by wide participation of the American public putting its money in bonds of small denomination could the government hope to finance the war effort, Cooke told the Treasury. As things turned out, he was right. Jay Cooke, the master salesman, organized his sales campaign with vigor and enthusiasm. Advertisements were placed in local newspapers, circulars were distributed widely, all appealing to both the patriotism and the profit motive of the buyer. Such was his fervor that the loan was oversubscribed, and the banking house of Jay Cooke & Company was instantly famous.

As his Washington activities occupied more and more of his time, Cooke found that an office in that city would be necessary. In February, 1862, Jay Cooke & Company opened an office at 452 Fifteenth Street, directly across the street from the Treasury Building. Cooke took great pride in the location, making the statement "opposite Treasury Building" an integral part of his check designs. The Washington office provided Jay Cooke with an excellent base of operations not only for his bond business but a means whereby closer relations could be maintained with both Treasury officials and members of Congress. Handling the latter activities was Jay's brother Henry.

Chase rewarded performance with an ever-increasing number of assignments. Cooke purchased gold for the Treasury, dealt with the English bankers and merchants, and in general acted as advisor to the harassed Chase. In October, 1862, Secretary Chase commissioned Jay Cooke as this special agent to sell the famous "five-twenty" loan for the Treasury Department, an event which would one day be called one of the most significant achievements in American finance. These were six percent bonds, callable in five years and maturing in twenty years, which were quickly referred to nationally as "five-twenties."

This great sale brought out all the latent talents of Jay Cooke in salesmanship. Utilizing every available means of publicity to educate the public, he created such a desire on the part of the small investor to support his country that it became a major task just to deliver the bonds to the buyers. Cooke loved the Union and he was able to convey this love to a skeptical public. He exuded confidence in the nation's future; he gained supporters by the thousands; he swept opposition aside by the very force of his personality. Jay Cooke and the loan became as one. Utilizing the railroad and the telegraph as no one had done before, he set up a far-flung organization of agents and sub-agents who sought out potential buyers in every part of the country. Supported by a massive campaign in the press, this team found a receptive public wherever it went. Typical of the press release was the following appeal which was spread nationally by newspaper and broadside:

TO FARMERS, MECHANICS AND CAPITALISTS!

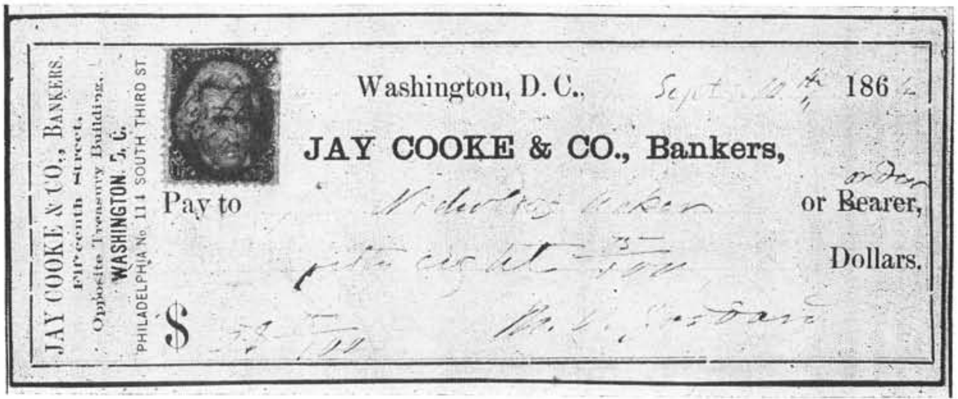
You have a solemn duty to perform to your government and to posterity! Our gallant army and navy must be supported by every man and woman who has any means, large or small, at their control. The United States Government, to which we owe our prosperity as a nation, security of person and property of every sort, calls on each individual to rally to its support—*not* with donations and gifts—though who could withhold them—but with subscriptions to her loans, based on the best security in the world, the untold and scarcely yet tried resources of this mighty Continent, which were developing rapidly when the rebellion broke out, and to maintain which, as a priceless heritage to posterity, the defence against rebellion is made.

There is no miscalculation, and can be no failure—the cost has been counted, and the burthen will be light to us, and gladly borne by posterity. What our Revolutionary Fathers are to us, we will be to coming generations, if we fail not in our plain and simple duty!

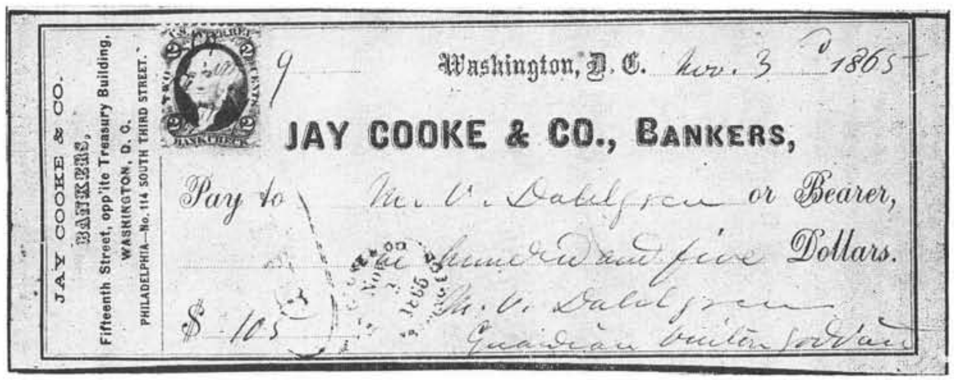
The owner of every foot of ground, of every house and workshop, owes a debt of service in the field, or of his means in this noble work! Talk not of Taxes! they secure the Loans. Take the Loans! and the Taxes will fall more lightly—and they supply the ready, present required means to strike the death blow at rebellion and the foul disturbers of the Nation's peace!

Talk not of Rulers! They are the ministers of God! who rules the world and the destiny of this mighty Nation! Our first duty is to God—our next to our country—fail not of either!

Your nearest patriotic Bank or Banker will supply this loan, on which so much depends!



Check of Jay Cooke & Co. Bankers, Washington, D. C., Sept. 10, 1864, with 2c postage, not revenue, stamp paying the tax.



Check of Jay Cooke & Co. Bankers, Washington, D. C., Nov. 3, 1865, with adhesive revenue stamp.

The great selling campaign started slowly, picked up speed and eventually was so successful that the Treasury Department fell behind in delivering the bonds to the buyers. Through it all, Jay Cooke pressed on. At the close of the sale on January 21, 1864, the total had reached $510,776,450. Of this amount, Cooke was credited with selling $361,952,950. After expenses, Jay Cooke & Co. netted $220,054.49. The enormous sale had cost the government only one-sixteenth of one percent. Chase was satisfied but many bankers were critical. It is obvious that the gain to Jay Cooke was in prestige, not in money.

As the war progressed, additional loans were needed and Jay Cooke again was called upon to carry the load. This he did with the same enthusiasm that had been shown at the beginning. When the war ended the name of Jay Cooke was probably as well known as that of the military leaders of the Union. Undoubtedly he had achieved as much success in his work for the country as a small army in the field.

After the war, Jay Cooke & Company engaged in a wide variety of financial ventures, which are a story in themselves. Briefly, all went well until the financial Panic of 1873 forced the closing of the firm. Bankruptcy proceedings went on until finally ending in 1890.

Jay Cooke lived out his years in relative comfort. He grew fond of fishing and spent many happy hours at his lodge in the mountains of Pennsylvania and at his old home on the island of Gibraltar in Lake Erie. In February 1905, he passed away after a party for a group of students.

For those who wish a detailed account of the life of this extraordinary man, the author recommends *Jay Cooke, Private Banker* by Henrietta M. Larson, Harvard University Press, 1936. This volume of over 500 pages offers many valuable sources of information for the numismatist, and was the source of the highlights of Jay Cooke's career contained in this article.