

JERSEY CITY'S LABOR BANK

by MICHAEL G. KOTORA

The years after World War I saw the rise of a labor banking movement in the United States. Labor leaders realized that the financial resources of both unions and their members could be used to directly benefit workers through the instrument of labor banks. The first labor-owned and-operated national bank was the Brotherhood of Locomotive Engineers Co-operative National Bank of Cleveland, Ohio. It received charter 11862 on October 25, 1920. State- and federally-chartered labor banks were soon established throughout the country. This article will present a detailed history of one of these banks.

The Labor Czar

THE man behind the organization of The Labor National Bank of New Jersey was Theodore M. "Teddy" Brandle. He was born on March 12, 1884 to a poor immigrant family in Jersey City. Brandle had little formal schooling and admitted that he was educated in "the college of hard knocks." His first position in the labor movement was as an unofficial business agent of Local 45 of the International Association of Bridge, Structural and Ornamental Iron Workers of the American Federation of Labor (A.F. of L.). Brandle was a man with an aggressive temperament who was prone to violence. Perhaps that is why he rose to become the local's president during an era when labor disputes were often settled by fists and clubs. Brandle held such complete power over his local that he was nicknamed the "labor czar" by journalists. Any union member who opposed him risked losing his union card and therefore any chance of employment in his trade.

Teddy Brandle's chief ally was Jersey City Mayor Frank Hague. The power of Hague's political machine extended from the city to throughout Hudson County and the entire state. Occasionally a contractor would attempt to defy Brandle by setting up an open shop with nonunion workers. Those workers would soon be attacked by union pickets. When this occurred, Hague's police could rarely be found in the neighborhood to defend the "scabs." In return for Hague's support Brandle made sure that Hague and his candidates received labor's endorsement. Their backing could turn a close statewide race from a potential defeat to a victory. Brandle's men extorted political "contributions" from contractors. This money joined a river of cash that was fast making Hague a millionaire.

In 1925 Teddy Brandle was elected president of the New Jersey Building Trades Council. This post gave him control over the state's construction unions. The building boom of the 1920s increased the construction unions' membership and their strength within the American Federation of Labor. Now that he was one of the most powerful union leaders in New Jersey the labor czar was ready to establish his own financial empire.



Teddy Brandle

The New Labor Bank

In January 1926 over three hundred delegates, representing eighty-two union locals, met to hear Teddy Brandle explain his plan for a labor bank. He emphasized the central reason why such an institution should exist by stating: "With our own bank we will be in a position to help the laboring man at all times. Not only that, we will be able to advance money for construction and manufacturing purposes to employers and in that way the laboring man will be employed all year round and not seasonally" (*Jersey Journal*, Jan. 7, 1926, 1). Other commercial banks would cater to the interests of capitalists and the wealthy. A labor bank was expected to use a laborer's savings to improve his quality of life.

The cornerstone of Brandle's financial operations was to be the Union Labor Investment Corporation. This investment company would be useful because it could make a wider range of investments and loans than a national bank. Among its activities would be to make construction building loans and assist in the financing of all building operations. The Union Labor Investment Corporation would hold a controlling interest in the stock of The Labor National Bank. State law allowed Brandle to restrict control of the investment company, and hence the bank, to labor alone. Three classes of stock, with a total value of \$2 million, would be issued: one million dollars of common stock representing fifty-one percent of voting shares was reserved for ownership by labor unions; the other two classes of stock consisted of common and preferred shares which carried no limitations on who could own them.

Teddy Brandle had already been elected president of the Union Labor Investment Corporation. Other labor leaders were slated to become officers and directors. These same men would also fill important positions in the new labor bank.

Brandle admitted that he and his associates knew little about the field of finance. Leaders of the Brotherhood of Locomotive Engineers in Cleveland had provided advice on how to set up a labor bank. Now Brandle promised that capable men would be chosen to guide the bank's course. Five of the fifteen directorships of the investment company would be reserved for people experienced in finance. With this assurance that the project would have competent leadership the labor delegates voted to endorse Teddy Brandle's plans.

The man who was entrusted with the future success of the enterprise was Archibald M. Henry. In his youth Henry had made a fortune in the coal business. He had entered the banking field when he bought control of The National Bank of North Hudson at West Hoboken, NJ (charter 9867) in 1910. Henry had just completed the organization of The Union City National Bank (charter 12749) in May 1925. As the president and majority owner of two national banks Henry was the obvious choice to oversee labor's loans and investments. To that end he was given the title of treasurer of the Union Labor Investment Corporation and was made a director of that company.

well as many hoped-for new tenants. Land for use as a building site was purchased in the Journal Square commercial section. This was the beginning of an investment in the bank's building that would be far greater than in the bank itself. The bank's board of directors decided not to wait until their new building was ready. They chose temporary quarters a short distance from the building site and opened The Labor National Bank on June 28, 1926.

The Prosperous Years

Employees and customers of the labor bank waited while an elegant building of white marble and brick rose steadily on its foundations. But Teddy Brandle didn't have to wait when it came to his own home. Now described in the press as a millionaire, he had purchased a mansion located in one of the city's best neighborhoods. Brandle had acquired his fortune from many sources. By far the most profitable of his business ventures was a surety bond company, which wrote insurance guaranteeing the satisfactory completion of construction contracts. Mayor Hague made sure his ally's company had a monopoly in writing bonds for local public construction projects.



The #1 1902 Plain Back \$20 note with the signatures of Theo M. Brandle as president and C.G. Leeds as cashier. (Illustration courtesy of Bob Kotcher.)

On March 30, 1926 the officers and directors of the Union Labor Investment Corporation voted to make an application for a national bank charter. Charter 12939 was granted to The Labor National Bank of Jersey City on April 23rd. The new bank was capitalized at \$200,000 and would maintain a circulation of \$75,000. Teddy Brandle was elected the bank's president and Charles G. Leeds was chosen as its cashier. Leeds had been serving as the cashier of The First National Bank of West New York (charter 12064). He would provide the experience necessary to manage the labor bank's day-to-day operations.

Since early in this century Jersey City's developers and politicians have attempted to steal away business from Manhattan with the lure of cheaper rent and easy access to New York City. As the labor bank was being planned, the Holland Tunnel was nearing completion. This vehicular tunnel under the Hudson River would link Jersey City with lower Manhattan. Teddy Brandle sought to profit from the tunnel's opening by constructing a fifteen-story office building which would now be minutes away by car from Wall Street and Broadway. The new building would house the bank and investment company as

Brandle also owned his own construction firm. He so dominated the industry that the state's builders decided to use his power and influence for their own benefit by appointing him director of their Iron League. This placed Brandle in the curious position of representing both management and labor during negotiations.

On July 31, 1928 Teddy Brandle officially opened the Labor Bank Building. With the labor bank installed in its new offices the success of the venture seemed certain. Deposits exceeded two million dollars as workers poured their savings into the bank. Bank note circulation had been increased to \$100,000 the previous year. Soon the bank's capital would be doubled to \$400,000. But as the end of the decade approached, economic forces were building like a dark storm cloud that would destroy all that Brandle had built.

Brandle's Empire Crumbles

The first shock waves of the approaching Depression began to ripple through New Jersey's economy in 1929. Construction workers were among the most vulnerable of groups to



This postcard view shows the tall, white Labor Bank Building in the late 1920s.

the economic downturn. Even in the best of times they led a precarious existence, dependent upon when the next construction job appeared. Now, as new construction projects vanished, these workers and their families quickly became desperate.

Well over a thousand workers had trusted their union leaders and bought stock in the Union Labor Investment Corporation. The salesmen who peddled the shares had promised a safe seven percent return at a time when local banks were offering four percent on their savings accounts. The investors were told that in time of need they could easily obtain loans from the investment company by using their stock as collateral. But this practice was in fact illegal in New Jersey. As conditions worsened, stockholders besieged the investment company's offices to plead for loans which couldn't legally be made. Many intense scenes, from suicide threats to bomb threats, were played out in those offices.

Hudson County's business firms had long been subject to very high taxes and labor costs. Many companies, which had survived the first months of the Depression, planned to escape to areas with a lower cost of doing business. Mayor Hague had to prevent this. A strong tax base was necessary to support the bloated public payroll. Government jobs bought the loyalty not only of the officeholders but their extended families as well. This was the key to his political machine's continued strength. So, if it was impossible for the mayor to promise lower taxes, he had to instead promise low wages and docile unions. Mayor Hague and Teddy Brandle were now set on a collision course.

Along with a decline in deposits and an increase in delinquent loans The Labor National Bank had still another problem that endangered its future. Treasurer Archibald M. Henry had heavily invested in high-yielding German Reich bonds as well as the securities of other nations. Market concerns about the safety of these investments led to a steady erosion of their value. (This concern was justified. Shortly after the Nazis took power in 1933, German Finance Minister Hjalmar Schacht re-

pudiated the Reich bonds.) By late July 1931 The Labor National Bank and the Henry-owned Union City National Bank and National Bank of North Hudson were in financial difficulty. To prevent their failure and the banking panic that might ensue, Hudson County's bankers began a series of emergency meetings.



A 1929 Type 1 note bearing the signatures of Theo. M. Brandle as president and John J. Hurley as cashier.

On August 1, 1931 the New Jersey Title Guarantee and Trust Company of Jersey City agreed to absorb The Labor National Bank. Its banking office would become a branch of the Trust Company. The office's excellent location made it the real prize of the acquisition. John J. Hurley, who had been The Labor National Bank's cashier since 1929, and all the office personnel were retained to staff the new branch. Teddy Brandle and the other labor leaders-turned-bankers were forced to resign.

Archibald M. Henry tried to save his banks by turning over most of his personal assets to them. His integrity would make him a poor man. When the last of the emergency meetings ended, in the early morning hours of August 6th, it was clear that there would be no rescue for Henry's banks. Later that day federal and state banking authorities cooperated in closing the national banks and two small trust companies that Henry also owned.

At the same time that Teddy Brandle's labor banking dream was dying he faced a showdown with Mayor Hague over the future of the labor movement in Hudson County. Hague had given a contract to build part of the Pulaski Skyway to a non-union construction company. When completed, this elevated skyway would link Newark with the Holland Tunnel in Jersey City. Brandle couldn't allow the challenge to his authority to succeed. He called a strike and set his men loose on the non-union workers. As the strike wore on groups of men, desperate for jobs, fought each other with clubs, stones and iron bars. In February 1932 the struggle reached its climax when a laborer was beaten to death by a mob of Brandle's picketers. Twenty-one union men were arrested for the murder. Mayor Hague used this incident as an excuse to have his police clear the streets of picketers and break the strike.

Mayor Hague wasn't the type of man who would tolerate a powerful rival for long. He used every sort of political and financial pressure to undermine Teddy Brandle's position. The final blow was delivered in January 1933, when a judge, controlled by Hague's organization, placed the ironworkers' local into receivership. Brandle and his cronies were ousted from power. One by one the county's union locals were seized by Hague's judges and turned over to new leaders who were willing to take orders from the political machine. In a short time the independent labor movement was crushed. "Everything For Industry" became Jersey City's new slogan; everything for industry—but nothing for the working man.

In August 1934 the Union Labor Investment Corporation fell into bankruptcy. A few months later a hearing on the investment company's condition elicited scathing criticism from a federal judge. Assets had been wasted in risky loans and on the extravagant decoration of the Labor Bank Building. The union men, who had invested their savings in the venture, were expected to lose at least three-quarters of their money.

Teddy Brandle didn't easily accept his expulsion from the labor movement. He made several failed attempts to get back into power. In his last years he even lacked the consolation that wealth could have provided. Brandle had spent a huge amount of money financing his last strike and had lost the rest in fines and penalties resulting from a conviction for income tax evasion. In 1947 his mansion was auctioned off to satisfy a property tax bill that had gone unpaid for ten years. Teddy Brandle died on November 29, 1949.

In Conclusion

During the 1920s union leaders hoped to establish labor banks in cities throughout the country. Their hopes ended during the Depression. Unions, weakened by loss of their members to unemployment, could no longer support financially-troubled banks. Many labor banks failed or merged with stronger institutions. One lasting benefit was achieved by the competition offered by labor banks. Other commercial banks could no longer safely ignore the financial power of the trade unions as they had in the past.

Anyone who would like to learn more about labor banking should read Bob Cochran's informative article: "Organized Labor and Their Banks." In his article Bob provides an overview of this turbulent chapter of banking history. He also lists twelve labor-owned national banks that issued currency under twenty different titles. The scarcity of many of the issues of these banks would make building a collection of labor national bank notes a challenging but rewarding project.

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The Green Goods Game

Conducted by
Forrest Daniel

WHO IS HE?

Chicago, Feb. 28.—A well dressed stranger left the Harrison street station last evening to take a train for Duluth. Before leaving he gave the name of J.S. Brown. That he said was not his right name, and all efforts of Capt. Hartnett failed to get information further than that he was a Duluth business man who would "commit suicide rather than reveal his identity." The reason for the man's visit to the station was due to the fact, he reported, that he is the latest victim of the green goods swindle. This is the story he told the police:

"Recently I received a circular from a man in Chicago which alleged that the writer was in possession of a stolen government plate with which he could make money equal for all purposes to the genuine. The circular offered \$3,000 for \$600. I answered it and was sent two \$1 bills. These I passed, and then came to Chicago with \$600 to get \$3,000. At 367 State street, where I had been directed, I met a swarthy man with a wart on his eye, who said the money was across the street. We went over and met another man. Then we stepped into a cab and rode to the world's fair grounds, where I counted \$3,000 genuine money, which was in a valise in thirty packages. I paid my \$600. We re-entered the cab, the valise being placed under our feet. In a little while one man complained that it was in his way, and suggested that I carry it on my knees. We drove to the Illinois Central station on Twelfth street. The men stepped out, taking another valise and saying they wished to check it in the baggage room. I waited, then went to look for them. I opened my valise. It was filled with paper. When I returned, the cab man had driven away. It was a white horse, and the driver wore a gray overcoat." *St. Paul (Minn.) Pioneer Press*, March 1, 1895.