

## Andrew W. Mellon, *The Reluctant Candidate*

WHEN Andrew W. Mellon relinquished his Treasury duties in February, 1932, to become Ambassador to the Court of St. James, he had served one month short of eleven years, a ministry exceeded only by his fellow Pennsylvanian, Albert Gallatin, and later by Henry Morgenthau, Jr. A lengthy stewardship, it had not always been satisfying. Even at the pinnacle of his career in the Coolidge era, when many hailed him as "the greatest Secretary of the Treasury since Alexander Hamilton," he had felt the barbs of critics on Capitol Hill and elsewhere who challenged his tax program and his eligibility to hold office.<sup>1</sup> The volume of criticism ebbed and flowed through the decade, but after the crash of 1929 it grew unabated until he was confronted in the winter of 1931-1932 with congressional hearings to determine whether or not he should be impeached.<sup>2</sup> With a vacancy in London, President Herbert Hoover permitted him to resign gracefully and to leave the country with a minimum of embarrassment to himself and the administration.

Having departed Washington under duress, the Pittsburgh financier would forever remember arriving there under similar circumstances. When approached by President-elect Warren G. Harding he recalled saying:

<sup>1</sup> For the details of the ongoing debate about his eligibility, see folder "Secretary—Eligibility to Hold Office," Official Correspondence of the Secretary of the Treasury, 1920-1932, Box 258, Record Group 56, National Archives (hereinafter cited as Official Correspondence). For the impact this controversy made on Mellon's psyche, see his memo for R. B. Harris, June 6, 1934, Roy Baker Harris Collection, Harding Papers, microfilm, reel 258, frame 151, Ohio State Historical Society (hereinafter cited as Harding Papers).

<sup>2</sup> U.S. Congress, House, Committee on the Judiciary, *Charges of the Hon. Wright Patman Against the Secretary of the Treasury*, Hearings, on House Resolution 92, 72nd Congress, 1st Session, 1932.

"I have just one personal favor to ask of you, and that is that you find someone else for the Treasury and relieve me from going to Washington."<sup>3</sup> And he also told reporters in 1932 that "I really didn't want to come to Washington. I did not want absolutely to refuse. There really was no substantial reason why I should refuse."<sup>4</sup>

He had always been the reluctant candidate, assuming direction of the Treasury because his friends, particularly Senator Philander Chase Knox (R-Pa.) and Henry Clay Frick, and Harding had insisted.<sup>5</sup> In his scheme of things, business and politics did not mix well, and he mused while Secretary that it was "always a mistake for a business man to take public office."<sup>6</sup> But if he recalled his role as that of pursued rather than pursuer, then the memory of a man approaching eighty was playing tricks. The protracted negotiations which resulted in his taking the reins of the nation's finances occurred in a fashion somewhat different than his memory and those of several others would have it.

Harding's victory over Governor James A. Cox and the Democrats initiated speculation on the composition of the first GOP official family in eight years and the role that outside elements would play in the President-elect's decision making. His unprecedented 60 per cent to 40 per cent margin of victory suggested to some that he could ignore party leaders in choosing his Cabinet. Harding had reiterated during the campaign that he had not promised any positions but he also stated that he would make no decisions until he had consulted the "best minds" of the nation.<sup>7</sup> Conversely, others believed that he would be dominated by a senatorial cabal of Old Guard Republicans who had frustrated

<sup>3</sup> Purported conversation between Mellon and Harding in early 1921, as recounted in a memorandum by Mellon for R. B. Harris, June 6, 1934, Harding Papers, reel 258, frame 150.

<sup>4</sup> *New York Times*, Feb. 5, 1932.

<sup>5</sup> *New York Times*, Feb. 5, 1932; Official Report of the Proceedings before the U.S. Board of Tax Appeals, *A. W. Mellon v Commissioner of Internal Revenue*, 36BTA977 (1935), 4645-4646; memo by Mellon for R. B. Harris, Harding Papers, reel 258, frames, 149-151. In his memo to Harris, Mellon recalled discussing with and receiving encouragement from H. C. Frick in the fall or winter of 1920 in spite of the fact that Frick had died on Dec. 2, 1919. See also *Pittsburgh Leader*, Feb. 28, 1921, and *Pittsburgh Post*, May 8, 1921.

<sup>6</sup> George Harvey, *Henry Clay Frick, The Man* (New York, 1928), 289-290.

<sup>7</sup> Clipping of a Mark Sullivan article in the *New York Post*, Nov. 19, 1920, Harding Papers, reel 118, frame 1175; *New York Times*, Nov. 6, 1920.

Woodrow Wilson's League of Nations and who supposedly had secured the nomination for their amiable colleague from Ohio. In his valedictory address to the Senate, Harding sought to dispel that belief and assert his independence by referring to talk of a "Senatorial oligarchy" as a "bit of harmless and highly imaginative thinking," and yet acknowledging "how essential is the helpfulness of the Congress, particularly of the Senate, in the making of a successful administration."<sup>8</sup> Only time would determine his independence of action.

Predictions as to who would receive the Treasury portfolio focused initially on former Senator John W. Weeks of Massachusetts, a good friend of Harding's, and former Governor Frank Lowden of Illinois, an opponent for the nomination.<sup>9</sup> Weeks, a man with considerable banking experience, had the endorsement of Senator Henry Cabot Lodge (R-Mass.) and the *Boston Herald*.<sup>10</sup> However, Harding assigned Weeks, who was an Annapolis graduate and a veteran of the Spanish-American War, to the War Department. Frank Lowden, a gentleman farmer married to a Pullman heiress, had built a reputation in Illinois for having installed an efficient, businesslike government. His appointment was thought to be a desirable move toward party harmony and his name would continue to be associated with the Treasury for some time. There is reason to believe that he was interested in the position and would have accepted it, but Harding offered him the Navy Department or his choice of a "first class" ambassadorship, both of which he declined.<sup>11</sup>

Following the opening burst, speculation waned until mid-December and the President-elect's return from a month-long vacation. With Harding back in his Marion home December 10 and the "best minds" of the nation arriving for consultation, prognostication was resumed. One of the early guests at "the Great Listening Post" was Charles Gates Dawes, President of the Central

<sup>8</sup> U.S. Congress, Senate, 66th Cong., 3rd Sess., Dec. 6, 1920, *Congressional Record*, LX, 4.

<sup>9</sup> *New York Times* and *Washington Post*, Nov. 4, 1920.

<sup>10</sup> H. C. Lodge to Harding, Dec. 11, 1920, Harding Papers, reel 235, frames 477-478; clipping, Harding Papers, reel 129, frame 946; Charles G. Washburn, *The Life of John W. Weeks* (Boston, 1928), 12-14.

<sup>11</sup> William T. Hutchinson, *Lowden of Illinois, The Life of Frank O. Lowden* (Chicago, 1957), II, 485-487.

Trust Company of Illinois and a recently retired brigadier general who had administered the supply arm of the American Expeditionary Force. Attention quickly focused on the colorful and outspoken Chicago banker as the probable Secretary of the Treasury, and he was to remain the newsmen's favorite until he withdrew his candidacy in early February.<sup>12</sup>

Dawes met Harding's three criteria for Cabinet membership—competence, favorable public image, and political consideration.<sup>13</sup> He also fulfilled the special criterion for the Treasury, that the secretary be from somewhere besides New York or New England and thus not subject the administration to attacks that big business dominated it.<sup>14</sup> The Chicago banker had entered politics as McKinley's Illinois manager in 1896 and his reward had been appointment as Comptroller of the Currency in 1898, a post he resigned in 1901 to run unsuccessfully for the Republican senatorial nomination. In the ensuing years he remained active in GOP circles, but devoted most of his energies to building the Central Trust Company into one of the midwest's largest banks and amassing a significant personal fortune in oil and natural gas. He returned to public service in 1917 when his longtime personal friend, General John J. Pershing, selected him to be Chief of Supply for the AEF. Though he would later be chastised by a congressional investigating committee for some of his practices, during the war he gained a deserved reputation for resourceful management. The Democratic Secretary of the Treasury, Carter Glass, was sufficiently impressed to offer him a position, probably as assistant secretary, but Dawes turned him down to return to private life.<sup>15</sup> In the 1920 campaign, he engineered General Pershing's abortive bid for the presidency and, when the boom fizzled, he joined ranks with Frank Lowden for the convention battle.<sup>16</sup> Limited opposition to his candidacy for the Treasury came from Mayor William Hale Thompson of Chicago, a power with whom the Lowden-Dawes faction struggled for control of the Illinois GOP, and from certain eastern elements who considered

<sup>12</sup> *New York Times* and *Washington Post*, Dec. 21, 1920.

<sup>13</sup> *New York Times*, Feb. 22, 1921.

<sup>14</sup> Nicholas Murray Butler, *Across the Busy Years, Recollections and Reflections* (New York, 1939), I, 399.

<sup>15</sup> C. G. Dawes to Carter Glass, Feb. 3, 1919, Folder "D," Name File, Official Correspondence, Box 2.

<sup>16</sup> Hutchinson, *Lowden*, II, 408.

him "too erratic," a young man who did not always possess the best judgment.<sup>17</sup>

Dawes and Harding met for the first time at the Chicago 1920 Republican convention. Something about him impressed the Republican candidate and he was summoned in late August to Marion for consultation. Before departing, the Chicago banker forwarded some of his ideas as a basis for discussion. Believing the average citizen not as concerned about international affairs or the League of Nations as he was about the high cost of living, he ventured that "the success or failure of your administration will depend on whether or not it contributes to the lowered cost of living." Economy in government, which would lead to lower taxes and thus a lower cost of living, was critical, and that could best be accomplished by establishing a budget program that would be vigorously supported by the President. He enclosed a copy of an article, "The Next President and the High Cost of Living," which was to appear in an October, 1920, issue of the *Saturday Evening Post*.<sup>18</sup>

With his background and his inclusion among the "best minds" for a second visit in December, Dawes appeared a logical candidate. In informal daily meetings with the press, Harding had led reporters to believe that he intended to nominate the Secretaries of State and Treasury as soon as possible so as to smooth the transition from wartime to peacetime diplomacy and finance.<sup>19</sup> By Christmas, the newspapers thought Charles Evans Hughes and Dawes certain.<sup>20</sup> Hughes received his charge before the holidays, and though Harding originally left the time of the public notification to the discretion of the 1916 Republican standard bearer, he changed his mind and delayed the announcement until late February.<sup>21</sup> Dawes

<sup>17</sup> *New York World*, Jan. 12, 1921; *Pittsburgh Post*, Jan. 16, 1921; Robert K. Murray "President Harding and his Cabinet," *Ohio History*, LXXV (1966), 115.

<sup>18</sup> Dawes to Harding, Aug. 30, 1920, Folder "W. C. [sic] Harding," Name File, Charles G. Dawes Papers, Northwestern University, Box 43 (hereinafter cited as Dawes Papers). Dawes' biographer has Harding impressed with the article, which he mistitled "How the President Can Save a Billion Dollars," at the convention rather than after as the correspondence indicates. Bascom Timmons, *Portrait of An American, Charles Gates Dawes* (New York, 1953), 200.

<sup>19</sup> *New York Times*, Dec. 23, 1920, Jan. 20, 1921.

<sup>20</sup> *Ibid.*, Dec. 24, 1920; *Washington Post*, Dec. 26, 1920.

<sup>21</sup> C. E. Hughes to R. B. Harris, Apr. 3, 1934, Harding Papers, reel 258, frame 131. Hughes' memory, as checked against the correspondence contained in his papers in the National Archives, appears accurate.

and Harding discussed the Treasury in December, and, while the banker believed he would receive a tender, Harding did not make him one at that time. Should one be forthcoming, the Chicago banker was not at all sure that he was willing to suffer the sacrifices for joining the Cabinet.<sup>22</sup>

Dawes' name appears on a list of bankers thought Treasury material and he did discuss the post with Harding, but the evidence indicates that contrary to the claims of his biographer, no offer was ever made.<sup>23</sup> Instead, Dawes was kept dangling until late January when he privately withdrew his name and volunteered to serve in a noncabinet capacity in the cause of economy in government.<sup>24</sup> Dawes followed up his private correspondence with two very strong public declarations, statements so adamant that reporters ruled him out as a Cabinet possibility.<sup>25</sup> The *New York Times* suspected that he was piqued that he had not received an offer, and was tired of the procrastination.<sup>26</sup> Dawes himself recalled two years after the fact that "the position of Secretary of the Treasury . . . had no attraction for me after I had decided that official would not be charged with the work I am doing (Director of the Bureau of the Budget) under the Budget law with any chance of success, and I withdrew my name from consideration."<sup>27</sup>

<sup>22</sup> Dawes to Frank E. Estes, Jan. 3, 1920, and to S. H. Burnham, Jan. 5, 1920, Folder "W. C. [sic] Harding," Dawes Papers, Box 43.

<sup>23</sup> Memorandum entitled "National Bankers," Harding Papers, reel 104, frames 584-585; Timmons, *Portrait of An American*, 200-203.

<sup>24</sup> Dawes to Harding, Jan. 25, 26, 1921, Folder "W. C. [sic] Harding," Dawes Papers, Box 43.

<sup>25</sup> *New York Times* and *Washington Post*, Feb. 3, 4, 1921.

<sup>26</sup> *New York Times*, Feb. 6, 1921.

<sup>27</sup> C. G. Dawes, *The First Year of the Budget of the United States* (New York, 1923), 1, 63. In this instance, Dawes appears to be operating under the fallacy of *post hoc, propter hoc*. The Budget and Accounting act signed into law by President Harding on June 10, 1921, called for a Bureau of the Budget with offices in the Treasury Department but with a Director responsible to the President. The previous budget bill, which was vetoed by President Wilson on June 4, 1920, called for a Bureau of the Budget in the Treasury Department and responsible to the Secretary. It was expected that the technicality concerning the removal of the Controller General would be altered and that the new Congress would speedily pass the bill. Contrary to the wishes of the Treasury Department and its spokesman, Senator Medill McCormick (R-Ill.), a good friend of Dawes, Congress, at the request of Representative James Good (R-Iowa), amended the McCormick-Good Budget Bill in April, 1921, to make the Director responsible to the President. But when Dawes was being considered for the Treasury position, there was every reason to believe that the Secretary would be responsible

Although there is some evidence that Pennsylvania's "boss," Senator Boies Penrose, as well as Pittsburgh publisher Alexander P. Moore, had previously suggested Andrew W. Mellon to Harding, his name was first linked publicly with the Cabinet after a December 30 meeting between Harding and Senator Philander Chase Knox.<sup>28</sup> Pennsylvania's junior senator had been invited to Marion ostensibly to discuss international affairs and plans for the inaugural, but during the conversation, which was attended by Harry Daugherty and Will Hays, he urged his former colleague to consider the Steel City investment banker. Word of the discussion leaked to the press and the Senator telegraphed Mellon New Year's Eve to notify him that he was under consideration.<sup>29</sup>

Within the week Harding invited Mellon to visit him in Marion on January 7. He lunched with the Hardings, but, according to his recollection, there was no mention of the Cabinet until Mrs. Harding spoke of it while her husband was called to the telephone. The two men conferred for about three hours, with the banker telling Harding that he had no desire to join the Cabinet and that his business and industrial connections, particularly his ownership of stock in a distillery, would make him a liability. He recalled that Harding waved these objections aside, but that the conference closed with his repeated disclaimer. On leaving, Mellon told reporters they had

---

for directing the cause of economy in government by virtue of the control of the Bureau of the Budget. His excuse for withdrawing his candidacy for the Treasury in favor of a more "powerful" position as Director of the Bureau of the Budget is after the fact hyperbole. *New York Times*, Feb. 25, 28, 1921.

<sup>28</sup> Robert D. Bowden, *Boies Penrose, Symbol of an Era* (New York, 1937), 259. Penrose's support for Mellon may have been passed along by either Gov. William Sproul and W. W. Atterbury, who visited Marion the same day as Dawes (*Washington Post*, Dec. 21, 1920), or by Joseph Grundy, President of the Pennsylvania Manufacturers Association, who visited Marion the same day as Mellon (*Washington Post*, Jan. 8, 1921) at the Senator's request. J. Roffe Wike, *The Pennsylvania Manufacturer's Association* (Philadelphia, 1960), 331; A. H. Hutton, *The Pennsylvanian*, Joseph R. Grundy (Philadelphia, 1962), 179. See also W. L. Mellon and Boyden Sparkes (collaborator), *Judge Mellon's Sons* (privately printed, 1948), 398-399. A. P. Moore to Harding, Jan. 3, 1921, and Harding to A. P. Moore, Jan. 6, 1921, Harding Papers, reel 235, frames 864-866.

<sup>29</sup> Harding to Knox, Dec. 27, 1920, Harding Papers, reel 118, frame 1229; *Washington Post*, Dec. 31, 1920; *Pittsburgh Post*, Dec. 31, 1920, Feb. 4, 1921; Mellon, *Judge Mellon's Sons*, 396-397; Archibald John Dodds, "The Public Service of Philander Chase Knox" (unpublished Ph.D. dissertation, University of Pittsburgh, 1950), 489.

discussed "a wide range of economic and financial affairs," but he said nothing of the Cabinet.<sup>30</sup>

Understandably, Mellon's sojourn in Marion to discuss financial affairs did not substantially alter speculation that Dawes was the favorite. Dawes was an outspoken figure of international repute while Mellon was completely unknown to the public at large. Standard references of businessmen and bankers were void of his name. Only *Who's Who in America* provided any information and that was cursory. Even in his home community, awareness of one of Pittsburgh's most powerful citizens was limited.<sup>31</sup> Certainly, there was recognition, more by reputation than personal contact, within the national banking fraternity and within Pennsylvania Republican circles, but even that was muted.<sup>32</sup> A shy, retiring individual, Mellon jealously guarded his privacy. That he and his family had never participated in the ostentatious expenditures so common to the late nineteenth-century *nouveau riche* also inhibited general knowledge of the man and his activities. When his appointment was announced, newsmen found it difficult to piece together a biography of real substance.<sup>33</sup>

While Mellon's qualifications may have been clouded before the public, they were not to the politicians who were pressing his candidacy. Feuding Republicans in the Pittsburgh-Allegheny County area temporarily united behind the Keystone State's senators. Mayor Edward V. Babcock, a wealthy lumber dealer, coal investor, and banker, wrote that he knew Mellon well and that he "must

<sup>30</sup> A. W. Mellon memorandum for R. B. Harris, Jan. 6, 1934, Harding Papers, reel 258, frames 149-150; *Washington Post* and *Pittsburgh Post*, Jan. 8, 1921. Harry Daugherty related an amusing and probably apocryphal story of Mellon's appearance in Marion in his and Thomas Dixon's (collaborator) *The Inside Story of the Harding Tragedy* (New York, 1932), 75-76.

<sup>31</sup> George Seldes, who had been a reporter for the *Pittsburgh Leader*, contended that reporting about the Mellon family was all but prohibited and that Mellon was on the "sacred cow and golden calf list in every newspaper office in our city. . . ." Gilbert Seldes, *Tell the Truth and Run* (New York, 1953), 6-7. See also Will Irwin, "The American Newspaper," *Colliers*, XLVI (July 22, 1911), 26.

<sup>32</sup> Vincent P. Carosso, *Investment Banking in America: A History* (Cambridge, 1970), 207. Mellon's most direct connection to the New York banking community was his seat on the board of directors of the National Bank of Commerce of New York, one of the country's leading banks in foreign and domestic operations. *Pittsburgh Press*, Mar. 2, 1921.

<sup>33</sup> See, for example, the *Washington Post*, Mar. 1, 4, 1921, and *New York Times*, Feb. 27, 1921.



speak of him in the highest terms"; his only reservation was that the banker, who never had been active in politics, might not accept. Former Senator George S. Oliver, publisher of the *Pittsburgh Post*, and former Congressman James F. Burke journeyed to Marion where Oliver told the press that "the appointment of Mr. Mellon, his Pennsylvania friends believe, would be particularly gratifying to the business men of the country." A prominent local Democrat and law partner of former Mayor William Magee, Charles A. Fagan, added a bipartisan endorsement, citing the banker "as a financier without peer" who deserved inclusion in the Cabinet. In mid-February, Governor William C. Sproul quietly joined the bandwagon.<sup>34</sup> This active promotion was enhanced indirectly by the fact that the state GOP organization had helped Harding garner the largest majority in the state's history, 66 per cent, and Mellon's county had given 69 per cent.<sup>35</sup> The financier obviously met the criterion of positive political support.

Members of the banking community in Pittsburgh and elsewhere also seconded his candidacy. John A. Bell, president of the Colonial Trust Company and a friend of forty-five years, wrote Harding that his competitor was the leading banker and businessman in the state. Benjamin Page of the Southside Trust Company nominated Mellon as "the right man for the right place at the right time." And though the president of the Mellon National Bank and Trust Company was not identified with the Wall Street banking community, he was endorsed by Charles H. Sabin of the Guaranty Trust Company, who believed "no wiser choice could be made."<sup>36</sup> There is also reason to believe that the prospect of Mellon as Secretary of the Treasury was warmly endorsed by the small country banks of the Tri-State area (Pennsylvania, Ohio, and West Virginia). Mellon National Bank, with assets in excess of

<sup>34</sup> E. V. Babcock to Harding, Jan. 11, 1921; C. A. Fagan to Harding, Jan. 8, 1921; W. C. Sproul to Harding, Feb. 8, 1921, Harding Papers, reel 129, frames 942, 976, and reel 231, frame 33; *New York Times*, Jan. 15, 1921; *Pittsburgh Post*, Mar. 2, 1921.

<sup>35</sup> H. F. Alderfer and R. M. Sigmond, *Presidential Election by Pennsylvania Counties, 1920-1940* (State College, Pa., 1941), 2, 16.

<sup>36</sup> J. A. Bell to Harding, Jan. 6, 1921; B. Page to Harding, Feb. 7, 1921; C. H. Sabin to Harding, Jan. 7, 1921, Harding Papers, reel 129, frames 951, 952, 1035, 1019. See also the *Pittsburgh Post*, Jan. 16, 1921, for a general endorsement by the New York banking community.

\$110,000,000, was the dominant bank in the region, and more than 200 smaller banks maintained a correspondent relationship with it.

The banking community's support spoke to another criterion, competence. They were speaking on behalf of a man who sat on the board of directors of sixty-three corporations, including twenty-six banks.<sup>37</sup> Mellon had successfully played the role of investment banker. While rarely becoming actively involved in the operation of a business, he and his brother Richard were among the moving forces in Gulf Oil Corporation, the Aluminum Company of America, Carborundum Corporation, and Koppers Company to name but a few. He had multiplied a large inheritance into an enormous fortune estimated in the hundreds of millions, and he was reputedly the third richest man in America behind John D. Rockefeller and Henry Ford.

Mellon's ability to make money underscored his competence and impressed many, yet it threatened to undermine the third criterion, favorable public opinion. As it was, public response was neutral, but Harding feared, as did Mellon himself, that appointment of a multimillionaire might generate controversy.<sup>38</sup> Senator Knox, who viewed his friend as "one of the few cases where wealth is an accurate measure of ability," indicated that these fears were not groundless. At a time when Mellon's selection appeared stymied, Knox told the press that he hoped that "Senator Harding will appoint him in spite of the fact that he is a demonstrated success on a very large scale and, curiously enough, this strongest argument for his selection seems to be the only one creating any sentiment against him."<sup>39</sup>

Not only did the spectre of enormous wealth itself afford an opportunity for attack, but Mellon's political use of it could prove damaging. Although he never participated overtly in politics, there was reason to believe that he was a silent contributor to worthy political causes. According to Henry Clay Frick's biographer, the banker and the steel baron donated a substantial sum of money in

<sup>37</sup> Mellon, *Judge Mellon's Sons*, 403. Included among his directorships as listed in the *Official Directory of Directors in the Pittsburgh District in 1920* (Pittsburgh, 1920), 248-249, were seats on fifty-six industrial corporations, four banks, and six charitable or nonprofit organizations.

<sup>38</sup> Timmons, *Portrait of An American*, 203; Walter Edge, *A Jerseyman's Journal* (Princeton, 1948), 121; Daugherty and Dixon, *The Inside Story*, 74-76.

<sup>39</sup> *Pittsburgh Post*, Feb. 4, 1921.

equal parts to finance Senator Knox and the anti-League forces in 1919. The same source also suggested that this was not the first time that they had contributed to a political campaign and that they "were accustomed to act together on such matters," presumably with Mellon following the lead of the more extroverted Frick.<sup>40</sup> The electorate had become increasingly hostile in recent years to the use of large sums in campaigns, and Frank Lowden and General Leonard Wood's preconvention financial irregularities and excesses had led to an embarrassing Senate investigation.

When Mellon's name was under consideration, the *New York Times* reported a Republican deficit in excess of \$1,000,000 and that his bank had underwritten \$1,500,000. Republican National Chairman Will Hays admitted that Mellon's bank was carrying part of the debt, but he denied that the financier had contributed anything personally.<sup>41</sup> Seven years later, in testimony before a Senate investigation growing out of the Teapot Dome scandal, Mellon categorically denied that his bank had carried any part of the 1920 GOP debt, and he acknowledged a contribution of only \$2,000. Later, in December, 1923, he testified, "I felt a little bit ashamed of my position of riding along without having done anything for the party and that I should make a contribution," so he drafted a check for \$50,000 to help pay off the debt in anticipation of the 1924 campaign.<sup>42</sup> The *Times* exposure did not lead to an immediate scandal, but Mellon and Harding's fears of criticism would materialize numerous times over the next eleven years, with the Secretary castigated as a "fat cat" who used his money indiscriminately in political affairs.<sup>43</sup>

Newsmen began taking Mellon's candidacy seriously in mid-January when they learned that he had resigned as a director of

<sup>40</sup> Harvey, *Frick*, 324-329. Mellon also followed Frick's lead in philanthropy and the collection of art. *Pittsburgh Sun-Telegraph*, Aug. 27, 1937; *Paintings and Sculpture from the Mellon Collection* (Washington, D. C., 1949), v.

<sup>41</sup> *New York Times*, Feb. 7, 16, 1921. The latter report placed the Republican Party debt to Mellon banking interests at \$150,000, indicating the first report was probably a typographical error. John W. Weeks' Boston banking connections also were reported as underwriting \$100,000.

<sup>42</sup> *Ibid.*, Mar. 14, 1928.

<sup>43</sup> See, for example, Frank Kent, "Fat Cats and Free Rides," *American Mercury*, XIV (June, 1928), 130-131.

the Pennsylvania Railroad to comply with federal regulations pertaining to interlocking directorates. One report suggested that he was "making plans to become a member of the Cabinet." Dawes' position as the favorite began to erode and reports circulated that Dawes would become Governor of the Federal Reserve Board, perhaps as a consolation prize.<sup>44</sup>

As yet, Mellon was not making plans, but he was examining the possibilities. He had been evasive with Harding, declining to give him a flat "No," and he reported to Senators Penrose and Knox that the conference had been "satisfactory." Though there is no evidence that he sought the position or initiated any action on his behalf, the banker appears to have been intrigued by the possibility. Penrose, whose Finance Committee would handle all Treasury legislation, promised that the job would not be difficult and that the loathsome task of prohibition enforcement would be transferred to the Justice Department. Indirectly, the senior senator also enhanced the prestige and perhaps the power of the Treasury post, traditionally second to the State Department. "I do not think it matters much who is secretary of state," he informed reporters. "Congress—especially the Senate—will blaze the way in connection with our foreign policies. I don't think the Senate will take a program from any secretary of state."<sup>45</sup>

Wealth appeared to be the only barrier between Mellon and the Treasury. On January 14, a week after the banker's visit to Marion, he learned from Judge James H. Reed, Knox's law partner and an old friend and counsel, that a 1789 statute barred the Secretary of the Treasury from "directly or indirectly being concerned or interested in carrying on the business of trade or commerce." Judge Reed wrote Knox about the law to determine if the Senator, who had been Attorney General under Theodore Roosevelt, was familiar with any interpretations, particularly as to whether Mellon would have to sell his stock to be eligible. He cautioned Knox that "Mr. Mellon does not want to make any inquiries which might look as if he expected the appointment, so I am doing this unofficially so to speak, and would not make these inquiries of anyone else than your-

<sup>44</sup> *Washington Post*, Jan. 13, 1921; *New York Times*, Jan. 22, 1921.

<sup>45</sup> Mellon, *Judge Mellon's Sons*, 399, 401; *New York Times*, Feb. 14, 26, 1921, and Feb. 5, 1932; *Pittsburgh Post*, Feb. 25, 1921.

self." Reed feared that Mellon's enormous stock holdings might subject him to criticism and possibly a congressional inquiry, but he later wrote Knox that the possibility of criticism did "not seem to worry him [*Mellon*] as much as the legal question." Mellon also told Knox personally that he was not disposed to take seriously any criticism about his stock holdings so long as he was not disqualified by law.<sup>46</sup>

Mellon remembered traveling to Washington at this juncture, probably about January 20, to see Knox about the impediment. The Senator informed him that he need not be concerned, that he was eligible and would not have to dispose of his stock. To reassure the banker, Knox solicited an extensive legal opinion from the Washington firm of Faust and Wilson which corroborated the Senator's belief.<sup>47</sup> All the banker need do was to withdraw from active participation in business, and he did so by resigning his myriad of directorships. Knox was becoming irritated by the thought that his friend's wealth might cause some embarrassment, voicing his belief that it is a "blessed thing" that "no standard of poverty is to be met." He also drafted a press release which sought to portray Mellon's great wealth as an asset for service in the Treasury.<sup>48</sup> The press was aware in a general way that significant behind the scenes activities on behalf of Mellon were taking place in the last two weeks of January, but as yet there were no details.<sup>49</sup>

As January drew to a close, the evidence indicates, both Dawes and Mellon were under consideration, neither had firmly denied Harding's overtures, and neither had received an offer. On January 19, Dawes reminded Harding, with whom he had had no contact for a month, that he was still alive, and he forwarded the digest of a speech, "Economy in Governmental Business and Reduced Taxation" which he had delivered two months earlier. Receiving no response, he wrote again on January 25, offering his conviction that

<sup>46</sup> J. H. Reed to Knox, Jan. 14, Feb. 1, 1921, and a handwritten memo by Knox on Senate stationery dated January 7, 1921, Philander Chase Knox Papers, Box 30, Library of Congress (hereinafter cited as Knox Papers).

<sup>47</sup> Memorandum of Mellon for R. B. Harris, June 6, 1934, Harding Papers, reel 258, frame 151; *Hearings, Charges of Wright Patman Against the Secretary of the Treasury*, 171-176.

<sup>48</sup> Two memoranda dated January 7, 1921, Knox Papers, Box 30. See also *Pittsburgh Post*, Feb. 4, 1921.

<sup>49</sup> *Washington Post*, Feb. 2, 1921.

"I never had any idea but that you expected to tender me the position of Secretary of the Treasury in your cabinet." To accept, however, called for more of a sacrifice than Dawes was willing to make, and "I have decided as a finality that it would not be possible for me to accept the place *if* tendered" [emphasis added]. Apparently, having second thoughts about what he said, the Chicago banker wrote again the following day, volunteering to serve the cause of economy in government in a non-Cabinet position.<sup>50</sup>

Harding replied that he was a "bit mystified" and was "wondering just what impelled you to write as you did." Perhaps sensing that Dawes was irritated at having been tempted then ignored, Harding tried to revive his interest by explaining that the "final decision in tendering appointment has been held up, not because of opposition or commendation of any particular candidates, but because I wanted to fit the machinery of administration together to suit my own wishes and ideas concerning an organization for service." He closed with a promise to write more fully later.<sup>51</sup>

Harding's explanation to Dawes was substantially the same as what he had been telling the press for almost two weeks in response to censures on his procrastination.<sup>52</sup> We now know, and Dawes may have suspected at the time, that by February 1 the majority of Cabinet positions had been filled.<sup>53</sup> Dawes spurned Harding's attempt at reconciliation by publicly withdrawing. Three days after Harding wrote him, he strode into the Capitol to defend his practices with the AEF before a congressional investigating committee, brusquely pushing photographers aside with the terse comment that "You don't need my picture. I'm not a candidate for public office; I do not intend to become a public officer and I am not going into politics." As he arrived for a second round of hearings the following

<sup>50</sup> Dawes to Harding, Jan. 19, 1921, Harding Papers, reel 93, frame 1032; Dawes to Harding, Jan. 25, 26, 1921, Folder "W. C. [sic] Harding," Dawes Papers, Box 43. See also Dawes to Harding, Feb. 26, 1921, *ibid.*, wherein Dawes wrote the President-elect that "of course you did not give me a chance to decline the position. . . ."

<sup>51</sup> Harding to Dawes, Jan. 30, 1921, *ibid.* See also Henry L. Stoddard, *As I Knew Them, Presidents and Politics from Grant to Coolidge* (New York, 1927), 522, for a similar yet somewhat different perspective.

<sup>52</sup> Editorials, "Quick and Slow Cabinet Making," Jan. 19, 1920, and "Mr. Harding and the Senate," Jan. 21, 1920, *New York Times*.

<sup>53</sup> Murray, "President Harding and his Cabinet," 108-125 *passim*.

day, he repeated his declaration that he was out of politics. So emphatic were his remarks that the press crossed him out as the favorite and began reporting Mellon as a virtual certainty.<sup>54</sup>

The Pittsburgh papers heralded Dawes' withdrawal and the focus on Mellon as tantamount to selection of their hometown favorite. The editorials called the choice of Mellon "a notable appointment," "a commendable selection," and "an extraordinary piece of luck" for the administration.<sup>55</sup> The burst of newspaper confirmations impelled Senators Penrose and Knox to phone Mellon and offer their congratulations. It was at this point, nephew William Larimer Mellon recalled, that A. W. "had given in" and decided to accept.<sup>56</sup> But a formal offer, indeed any communication from the vacationing Harding, would not be forthcoming for another three weeks.

Mellon's desire to yield to the pressure and go to Washington was prompted in part by a desire to retire from active participation in business. At age sixty-six, he realized that he would soon have to recede from involvement in business, and the Treasury "afforded me a place to light." After four years of public service, he could return and "meddle with business" as he liked "without being tied down to it." He believed that when there is no longer an incentive "to pile up money," then public service is attractive.<sup>57</sup> In his absence, he would be comforted by the knowledge that his brother Richard, with whom he had an extremely intimate personal and business relationship, would ably direct their joint ventures.<sup>58</sup> Although joining the Cabinet meant no real financial loss for him, it could call for a sacrifice of some of his privacy. At this stage of his career, however, Mellon may well have wished to exchange some of his privacy for the public recognition accompanying Cabinet office. While he could and did protect his family from the harsh glare of

<sup>54</sup> *New York Times* and *Washington Post*, Feb. 3-4, 1921.

<sup>55</sup> *Pittsburgh Sun*, Feb. 4, 1921; *Pittsburgh Leader*, Feb. 5, 1921; *Pittsburgh Post*, Feb. 6, 1921.

<sup>56</sup> Mellon, *Judge Mellon's Sons*, 402.

<sup>57</sup> *New York Times*, Feb. 5, 1932; *Pittsburgh Dispatch*, May 22, 1921.

<sup>58</sup> It is said by people who knew Mellon, that any time he commented on a business transaction, he prefaced his remarks with the phrase, "My brother and I. . . ." The two were accustomed to enter all transactions in equal shares. See William F. Beazell, "My Brother and I," *Worlds Work*, LXI (March-April, 1932), 20-25, 57-62.

publicity, he could bask in the sunshine of notoriety. Having deliberately avoided attention as he built his colossal empire, he could in his twilight years receive due recognition for past performance as well as for his stewardship of the Treasury. He looked upon the secretaryship as a "new game" and he believed he "might be able to accomplish something to the good in public service."<sup>59</sup>

On February 7, while studying the problem of divesting himself of his holdings, Mellon was informed by Judge Reed that the Federal Reserve Act forbade the Secretary of the Treasury, as chairman ex-officio of the Federal Reserve Board, from owning bank stock or engaging in the banking business within two years of his retirement. The banker directed Knox to solicit a second opinion from Faust and Wilson and he volunteered to come to Washington if necessary. There is no record as to whether the law firm performed this investigation, though Mellon sold his bank stock to his brother for an estimated \$10,500,000 and he resigned his numerous directorships and executive positions to comply with the law. He sold none of his nonbanking stock. "As far as these companies are concerned, my active connection with them was severed in 1921 as if I had died at that time."<sup>60</sup> On February 11 he came to Washington in the company of Arthur Vining Davis, President of ALCOA enroute home from a New York business conference. The two met with Penrose and Knox, and a report contended that he was looking for housing.<sup>61</sup>

On the heels of the Washington meeting came a publicized telegram from William H. Anderson, Superintendent of the New York Anti-Saloon League, requesting verification of a rumor that the

<sup>59</sup> *Pittsburgh Dispatch*, May 22, 1921. W. L. Mellon has argued that going to Washington was "almost unthinkable" for a man who had a "fetish" for privacy, innumerable business responsibilities, and a fear of the work entailed by the job. *Judge Mellon's Sons*, 397. It seems incongruous to this writer that a man of Mellon's talent would fear the work and responsibility of the Treasury position.

<sup>60</sup> *Ibid.*, 403, and A. W. Mellon to P. C. Knox, Feb. 7, 1921, Knox Papers, Box 30. According to his letter to Knox on January 14 about the eligibility question in general, Reed was familiar with the Federal Reserve Act. Why he did not inform Mellon when he told him of the 1789 statute is unknown. J. H. Reed to Knox, Jan. 14, 1921, *ibid.* Dawes' decision to withdraw was in part motivated by the restrictions of this statute. Dawes to S. H. Burnham, Jan. 5, 1921, Folder "W. C. [sic] Harding," Dawes Papers, Box 43. Mellon to David A. Reed, Apr. 18, 1929, Folder "Secretary—Eligibility to Hold Office," Official Correspondence, Box 258.

<sup>61</sup> *Pittsburgh Post*, Feb. 12, 1921.



investment banker was involved in the distillery business, a compromising occupation for someone who might be charged with prohibition enforcement. Penrose stepped forward to allay Anderson's fears, acknowledging that Mellon did own distillery stock, but it was of no consequence for prohibition enforcement would be transferred to the Justice Department. When Anderson pressed again for a direct answer, Mellon discussed his relationship to the liquor industry with a neighbor, the Rev. Dr. Daniel L. Marsh of the Smithfield Street Methodist Episcopal Church. Marsh informed his congregation that the banker was not in the alcohol business, that he had owned stock in the Old Overholt Distillery Company, but that it had been held in trust for purposes of liquidation since the death of his partner, Henry Clay Frick. Mellon also assured him that prohibition enforcement would be transferred to the Justice Department under the new Republican administration.<sup>62</sup> The issue of being a liquor dealer faded this time, but like the question of his eligibility and his use of money in politics, it would surface again and again.

While Anderson was airing Mellon's involvement in the alcohol business, Dawes was conferring with Harding. Both had been vacationing in Florida, and the banker drove to St. Augustine to meet briefly with Harding. On leaving, Dawes was uncharacteristically coy with reporters, but he did tell the assembly that if they thought he was going to Washington, then they had "some imagination."<sup>63</sup>

According to Bascom Timmons, who dated the meeting in late January instead of mid-February, Harding requested that Dawes "tell no one" he had been "offered and refused to be the Secretary of the Treasury." Timmons implies that the strategy was to employ Dawes as a viable alternative to force the Pennsylvania senators to cease their opposition to the appointment of Herbert Hoover as Secretary of Commerce in exchange for the nomination of Mellon. If they did not accede to the bargain, then presumably Dawes would be Secretary of the Treasury.<sup>64</sup> Though he does not include Dawes in the equation, Harry Daugherty claimed that it was he, unknown

<sup>62</sup> *Pittsburgh Leader*, Feb. 28, 1921; *New York Times*, Feb. 11, 14, 16, 18, 28, 1921. See also various letters from dry groups in the Harding Papers, reel 86, frames 1130-1135.

<sup>63</sup> *New York Times*, Feb. 13, 1921.

<sup>64</sup> Timmons, *Portrait of An American*, 202-203.

to Harding, who effected the Mellon for Hoover trade.<sup>65</sup> The newspapers, and one would suppose the politicians as well, did not succumb to this supposed ploy. By his own words, first in Washington and later in St. Augustine, Dawes had ruled himself out and Mellon would remain unopposed in the eyes of the speculators.

That there was opposition to Herbert Hoover's membership in the Harding Cabinet, and that that opposition was in part led by the same men who were pressing Mellon's candidacy, was no secret. Harding, however, wanted the World War Food Administrator on his staff and he weathered stiff opposition from both wings of his party. Penrose and the Old Guard did not trust the regularity of someone who discovered his Republicanism in March, 1920, after supporting Wilson's call for a Democratic Congress in 1918 and winning the 1920 Michigan presidential preference primary in the Democratic column. In addition, Hoover had a strain of liberalism that they found distasteful.<sup>66</sup> On the left, Senator Hiram Johnson (R-Cal.) detested him for his challenge in the California primary, and both wings, merging as irreconcilables, were upset at his endorsement of the League.<sup>67</sup> Hoover was aware of this opposition and some of the people behind it, particularly the conservatives, and he was apprehensive about forcing the issue.<sup>68</sup> One of history's more awkward social situations must have occurred the night of January 16, 1921, when the two pawns in the executive-legislative struggle dined in Mellon's home when Hoover was visiting Pittsburgh to raise funds for European relief.<sup>69</sup>

While several hypotheses have been forwarded to explain how Harding extricated himself from his dilemma, the following seems the most tenable. By February 1, if not earlier, Mellon decided that he wanted to be Secretary of the Treasury, a period of glory that

<sup>65</sup> Daugherty, *Harding Tragedy*, 96-100.

<sup>66</sup> *New York Times*, Feb. 23, 1920, Jan. 19, 1921; *Washington Post*, Feb. 21, 1921.

<sup>67</sup> Murray, "Harding and his Cabinet," 113. For Hoover's ability in 1920 to antagonize just about every element within the spectrum of American politics, see Gary D. Best, "The Hoover-For-President Boom of 1920," *Mid-America*, LIII (1971), 227-244.

<sup>68</sup> Hoover to Harding, Dec. 22, 1920, Folder "Harding Correspondence, July 1, 1920 to February 23, 1921," Pre-Commerce File, Hoover Papers, Herbert Hoover Presidential Library (hereinafter cited as Hoover Papers). Herbert Hoover, *The Memoirs of Herbert Hoover* (New York, 1952), II, 36.

<sup>69</sup> *Pittsburgh Post*, Jan. 17, 1921.

would cap a successful business career. He may have volunteered for the position, and, at a minimum, he cooperated with Knox and Penrose in furthering his candidacy once it had been suggested. Harding would have preferred Dawes, a domineering personality who impressed him, and he probably could have had the Chicago banker if an offer had been tendered at their December meeting or shortly thereafter. But, soon after discussing matters with Dawes, he experienced pressure from powerful men who were furthering Mellon's candidacy and the amiable Ohioan procrastinated until he lost Dawes, a volatile man not to be treated lightly. Instead of nominating his Treasury head in time to provide a smooth transition in financial affairs as he had promised, Harding vacillated and his designee was not able to arrive in Washington until the outgoing administration of David Houston was packing its belongings.

Though willing to accept Mellon, a well-qualified second choice who was the favorite of the Senate elite, Harding also wished to have Herbert Hoover in his Cabinet, a man who was anathema to many of the same senators. To bargain one for the other would have been the simplest and most convenient solution, and most historians of the Harding era believe that is what happened.<sup>70</sup> But the chronology of events supports a different interpretation.

Harding ignored all opposition to Hoover's candidacy and plunged ahead with an offer to him on February 12. The fundamental problem at this juncture was not the opposition to Hoover, but Hoover's reluctance to accept knowing that there was substantial objection by men of consequence. Harding was forced to send two emissaries to cajole him and then to telephone at least once in an

<sup>70</sup> Harry Daugherty remembered serving Senator Boies Penrose with "my ultimatum—no Hoover, no Mellon" and thus affected a trade which ended the controversy and brought both men into the Cabinet. Daugherty, *Harding Tragedy*, 96–100. Harding's principal biographer Robert K. Murray, has referred to Daugherty's rendition as "the clearest account" and praised the President-elect's handling of the situation as "shrewd cabinet making at its best." Murray, "Harding and his Cabinet," 116, 187. The evidence (*Washington Post* and *New York Times*, Feb. 25, 1921) indicates, however, that Daugherty did not confer with Senators Penrose, Knox, and H. C. Lodge until Feb. 24, 1921, the day after Hoover accepted the President-elect's offer by telegram. Hoover to Harding, Feb. 23, 1921, Folder "Harding Correspondence, July 1, 1920 to February 23, 1921." Pre-Commerce File, Hoover Papers. Hoover's recollection (*Memoirs*, II, 36) that he accepted Feb. 24, 1921, is faulty. Thus, when Daugherty alighted from the St. Augustine to Washington train, there was no possibility of a trade for the Hoover appointment was a *fait accompli*.

effort at persuasion.<sup>71</sup> Hoover, not Mellon, was the reluctant candidate who finally yielded on February 23. In the interim, the banker's nomination was withheld as an implicit rather than explicit warning to Knox, Penrose, and their colleagues. Though he did not have Dawes in reserve, Harding was bluffing in an effort to keep Penrose and Knox at arms length and maintain some semblance of independence of action. Knox wrote Harding on February 14 counselling delay, informing him that "it was the customary thing" to wait until the last minute before naming his Cabinet.<sup>72</sup> Perhaps the Senator believed time was on his side; that the longer Harding held back, the more likely a means would be discovered to block Hoover or that the mining engineer would withdraw himself as Dawes had. With no one in reserve, Harding would have to accept Mellon for the Treasury.

With Hoover safely in the fold on February 23, Harding passed word along to Knox that Mellon was to be the Secretary of the Treasury.<sup>73</sup> Harry Daugherty, Harding's representative, arrived in Knox's office on the 24th, evidently to explain what the papers would shortly herald, that Hoover had been selected, and that Mellon, too, would be among the chosen. A public announcement of Mellon's appointment was postponed until March 1, and came then only because reporters had discovered him visiting the Treasury building.

The machinations that led to Mellon's nomination only eight days before the inaugural frustrated Harding's desire for a smooth transition in financial affairs and forced his designee to rely almost exclusively on holdovers from the Democratic administration for advice during his first crucial weeks in office when his policies were beginning to take shape. The key to Mellon's business success had been in finding capable underlings to provide him with information upon which he would formulate policies which they would administer.<sup>74</sup> Denied an opportunity to recruit his own staff and to familiarize himself with the functioning of the Treasury, Mellon

<sup>71</sup> Murray, "Harding and his Cabinet," 114.

<sup>72</sup> Knox to Harding, Feb. 14, 1921, Harding Papers, reel 235, frame 279.

<sup>73</sup> W. L. Mellon, *Judge Mellon's Sons*, 402.

<sup>74</sup> John K. Barnes, "What Manner of Man is Mellon," *Worlds Work*, XLVII (March, 1924), 542.

had to rely on David Houston's subordinates, particularly S. Parker Gilbert, whom the Secretary nominated in June, 1921, to be the first Under Secretary of the Treasury. The policies which Gilbert and his colleagues transmitted to their new superior and which formed the core of what was to be known a few years later as "The Mellon Plan" came not so much from the mind of Andrew Mellon but from the deliberations of David Houston, his predecessor Carter Glass, and their advisors.<sup>75</sup>

As it was, the new Secretary began his tasks with no particular plans and no proposals for action. Questioned by a reporter, he was even incapable of defining the biggest problem facing him.<sup>76</sup> Had Mellon received his appointment a few weeks instead of a few days before the inaugural, he could have composed his own staff, solicited their ideas, and very possibly formulated a financial program different from that with which he became so intimately identified in the 1920's.

*State University College,  
Fredonia, N. Y.*

LAWRENCE L. MURRAY

<sup>75</sup> Compare, for example, Mellon's first policy statement, a letter to Joseph Fordney, Chairman of the House Ways and Means Committee, on Apr. 27, 1921, *Annual Report of the Secretary of the Treasury, 1921*, 349-355, with an article by David Houston, "Taxes—Which and Why," *Worlds Work*, XLIII (November, 1921), 103ff. The editors of *Worlds Work* prefaced the article by saying that "Mr. Houston's views on taxes have been adopted by his successor, Mr. Mellon."

<sup>76</sup> Clipping, *Chicago Tribune*, Mar. 10, 1921, "Mellon Historical File—Andrew W. Mellon," Library, Mellon National Bank.