

HIDDEN GEMS

Jay Cooke's Memoir and Wartime Finance

Better known to American history as the gambling robber baron whose failed Northern Pacific Railroad triggered the Panic of 1873, Jay C. Cooke (1821–1905) was the father of modern war finance and a brilliant salesman of the fiscal obligations of citizenship. The son of an Ohio congressman, Cooke moved to Philadelphia in 1839, whetted his appetite for bond sales during the Mexican War, and “on the 1st day of January 1861 in one of the darkest hours of our country” established Jay Cooke & Co. in the heart of Philadelphia’s Third Street financial district. Cooke reflected on his wartime experiences a generation later in an unpublished memoir. Composed in the 1890s with the aid of his granddaughter and now on deposit at the Baker Library Historical Collections of the Harvard Business School, Cooke’s memoir offers invaluable insights into the history of Civil War Pennsylvania.¹

About half of Cooke’s memoir reflects on his role in Civil War finance. It is difficult to know when to trust any autobiographer, particularly one who claims to have “been—I firmly believe—God’s chosen instrument, especially in the financial work of saving the Union during the greatest War that has ever been fought in the history of Man.” God’s will aside, Cooke’s role in wartime finance is difficult to exaggerate. When Confederates attacked Fort Sumter in April 1861, federal coffers stood dangerously empty, and Treasury Secretary Salmon P. Chase—who believed the war would last only a few months—initially did little to raise revenue. Jay Cooke’s brother was an old friend of Secretary Chase from early days in Ohio politics, and Cooke quickly leveraged his personal relationship—and an initial success at raising three million dollars from

¹ The memoir appears in two forms: a handwritten manuscript from 1894, composed in part by Cooke and dictated in part to his granddaughter Elizabeth C. Butler, which is catalogued as “The Autobiography of Jay Cooke,” box 49a, Jay Cooke & Co. Records, Baker Library Historical Collections, Harvard Business School, Boston, MA. A typescript copy appears as “Jay Cooke’s Memoir,” undated typescript, Baker Library. The typescript is decidedly easier to read and appears to be a meticulously faithful transcription.

Philadelphia bankers for the first Pennsylvania war loan—to win Jay Cooke & Co. a nearly exclusive contract for the sale of US war bonds.²

Cooke launched the most ambitious sales campaign of the nineteenth century. He hired a “large army” of 2,500 agents who fanned out across the country selling bonds, among them the so-called “five-twenties,” which could be redeemed in not less than five years or more than twenty and earned 6 percent interest upon maturity. Cooke relied on—and innovated—the most advanced media techniques of the day. He hired Samuel Wilkeson, a leading writer for the *New-York Tribune*, at a six thousand dollar salary and charged him with “keeping the press of the country supplied with interesting items anecdotes & illustrations, growing out of the loan subscriptions & all other matters calculated to enlighten, cheer & instruct the people as to the gov. loans.” Jay Cooke & Co. fed stories to newspapers and wooed editors with full-page advertisements, sweetheart deals, and invitations to Cooke’s lavish estate in Elkins Park, Pennsylvania; he even urged ministers to preach of the financial responsibilities of citizenship. It worked: Cooke sold more than one billion dollars in bonds. By offering bonds in denominations as low as fifty dollars, Cooke expanded the ranks of American securities owners: across the North, about 5 percent of the population bought a bond and at least two-thirds of the Union’s revenues derived from bonds.³

Cooke’s memoir has drawn the attention of scholars of Civil War statebuilding and finance; state and local historians investigating the history of wartime Pennsylvania will also find much of interest. Cooke offers rich commentary on banking in Philadelphia—named in his memoirs as the “City of Capital”—although the memoir is largely silent about Cooke’s relationship with Anthony Drexel, his sometime partner and constant rival. Cooke touches briefly on state politics, including his efforts to engage the commonwealth’s Quaker citizens in war-bond drives while accommodating their pacifist commitments. Aside from a few reflections on his conversion to the Episcopal Church, Cooke offers disappointingly little evidence about his private life. He dispenses with his wife (a Southerner by birth) in a single paragraph; scholars seeking his deepest passions will find them in “A Chapter on Fishing.”⁴

More broadly, the memoir demonstrates the continuities between the economic upheavals of the Civil War and the tumult of postwar capitalism

² “Jay Cooke’s Memoir,” 2.

³ *Ibid.*, 95, 158.

⁴ *Ibid.*, 112.

in Philadelphia and across the country. Cooke's success at marketing war bonds encouraged his disastrously speculative gamble on the Northern Pacific Railroad. Memories of Civil War finance lasted even longer in Washington: Woodrow Wilson's treasury secretary William McAdoo modeled the Liberty Loans of World War I in part on Cooke's fifties. Cooke's vision of citizenship has endured as well. In his memoir, Cooke explained his belief that he "could sell the loan on patriotic principles far easier than on the basis of profit & loss," and yet he filled his newspaper ads with promises of stable investments and tax exemption.⁵ Principal and interest were patriotic principles, and his flag-waving flourishes were merely that: flourishes. For better and for worse, Cooke's coupling of individual self-interest and American patriotism forever shaped how Americans have thought about their fiscal obligations in wartime.

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⁵ Ibid., 37.