

that I have been in this country every year since, for several months . . . That is the history of my banking education."

It will be recalled that Jacob H. Schiff also married a daughter of Mr. Loeb, so that Mr. Warburg married the sister of Mrs. Jacob H. Schiff. Felix Warburg, Paul's brother, who is also in the firm, married Mr. Schiff's daughter.

Mr. Warburg immediately cast a critical eye upon the state of financial affairs in the United States and it is significant of the grasp he already had on such matters that he found the country rather behind the times.

He conceived the ambition—the very daring ambition—of taking hold of the United States' monetary system and making it what he thought it ought to be.

This alone would make him a remarkable man. It illustrates very well that detached point of view which the Jew is more fitted to take than any other man perhaps. He sees countries and systems with the same freedom from intimate bias with which another man would view assorted fish upon a market stall. Most of the world is engaged in doing its work and indulging its national, racial, domestic and social affections and inclinations; a small minority stands in the background and watches the entire mass at its unconscious maneuvers, and studies it as an observer studies a hive of bees. The man at work has no time except for his job. One man, standing back and studying 1,000 men at work, is able to see how he might utilize their labor or possess himself of a first toll on their production. Doubtless there must be men to stand at a sufficient distance from things to get a correct idea of their interrelationship, and doubtless such an attitude may be made of great service to the race, but doubtless it has also contributed to the selfish manipulation of natural and social processes.

When Mr. Warburg Became a Citizen

MR. WARBURG testified: "When I came here I was at once impressed by the lack of system, by the old-fashioned nature of the system that prevailed here; and I got immediately into one of those periods of high interest rates, where call money went up to 25 and 100 per cent; and I wrote an article on the subject then and there for my own benefit.

"I was not here three weeks before I was trying to explain to myself the roots of the evil. I showed the article to a few friends but I kept it in my desk, because I did not want to be one of those who try to inform and educate the country after they have been here for a month or so; and I kept that article until the end of 1906, shortly before the panic, when those conditions arose again, and when one newspaper wanted for an issue at the end of the year an article dealing with the conditions in our country.

"Then I took out that article and touched it up and brought it up to date; and that was the first article of mine that was published. It was called, 'Defects and Needs of Our Banking System.' . . .

"That was, however, the first time that I know of that the question of the discount system and the concentration of reserves was really brought out; and I got a great many encouraging letters asking me to go on and explain my ideas."

Mr. Warburg was perfectly willing to talk to the committee about himself, but not about Kuhn, Loeb & Company, his firm.

"I cannot discuss the affairs of my firm nor my partners," he said, "nor be asked to criticize acts of my partners, either to approve them or in any other way," but eventually he did tell a number of things which students of American financial affairs have considered interesting. Of which more later.

On page 77 of the testimony, more personal matters appear:

Senator Bristow—"When did you become a citizen of the United States, Mr. Warburg?"

Mr. Warburg—"1911. Did I not answer that?"

Senator Bristow—"Perhaps so. Did you intend to become a citizen when you came to the United States in 1902?"

Mr. Warburg—"I had no definite intentions then, because some of the reasons that brought me over here were family reasons; . . . That had a good deal to do with my first coming here; and I was not sure at all that I would stay here when I came."

Senator Bristow—"When did you decide to become a citizen of the United States?"

Mr. Warburg—"In 1908, when I took out my papers."

Senator Bristow—"When you took out your first papers? You took out your second papers, then, in 1911?"

Mr. Warburg—"Yes."

Senator Bristow—"You made your declaration in 1908; that is when you decided to become an American citizen?"

Mr. Warburg—"Yes."

Senator Bristow—"Why did you wait as long as you did after you came to this country, before deciding to become a citizen of this country?"

Mr. Warburg—"I think that a man that does not come here as an immigrant; a man who has had, if you may call it such, a prominent position in his own country, will not give up his nationality so easily as a man who comes over here knowing that he does not care for his own country at all. I had been a very loyal citizen of my own country; and I think that a man who hesitates in giving up his own nationality and taking a new one, is apt to be more loyal to his new country when he does change his nationality than a man who gives up his old country more lightly."

Senator Bristow—"Yes."

Taking American Finance in Hand

MR. WARBURG—"I may add this: That a thing which had a great deal of influence on my making up my mind to remain in this country and work here, and become a part and parcel of this country, was that monetary reform work, for I felt I had a distinct duty to perform here; and I thought I could do that; and in fact I have been working on it since 1906 or 1907.

"Then I felt that it was the right thing for me to become an American citizen and work here and throw in my lot definitely with this country."

Senator Bristow—"When you became an American citizen; and the motive which induced you to become an American citizen was, then, as I understand it, largely with a view of laboring to bring about a reform of the American monetary system?"

Mr. Warburg—"Well, you put it nearly exclusively on that. I think a man wants to feel that he is going to do some useful work in his country; that he has a mission to perform; and that is what happened to me . . . Moreover, I had been long enough in this country then to have thoroughly taken root and feel that I was a part and parcel of it."

Senator Bristow—"Yes. When did you first become active in promoting the monetary reforms in the United States?"

Mr. Warburg—"1906."

Senator Bristow—"What was your method of promoting your ideas with regard to monetary reforms?"

Mr. Warburg—"Mainly writing."

Senator Bristow—"Were you connected with the Monetary Commission?"

Mr. Warburg—"No, not directly . . ."

Senator Bristow—"Were you consulted in regard to the report of the Monetary Commission in any way?"

Mr. Warburg—"Yes, Senator Aldrich consulted with me about details, and I gave him my advice freely."

Senator Bristow—"And in regard to the bill which was prepared by Senator Aldrich in connection with the commission, were you consulted in regard to that?"

Mr. Warburg—"Yes."

Senator Bristow—"What part did you have in the preparation of that bill, directly or indirectly?"

Mr. Warburg—"Well, only that I gave the best advice that I could give."

The Adviser of Senator Aldrich

MOST readers will recall that the name of "Aldrich" was, a few years ago, the synonym for the money power in government. Senator Aldrich was an able man and a tireless worker. His character for thoroughness and industry did more than anything else to disabuse the popular mind of the notion that such men were mere "tools of the money interest," or engaged in their work out of lust for gain, or out of sheer pleasure in legislating against the interests of the people. Senator Aldrich led on tariff and financial matters because he understood them; and he understood them by tireless study of them; and, therefore, he was the master of other men who had not paid the price of knowledge. But, he understood these matters from the standpoint of the business interests only. He was sincerely desirous of the prosperity of the country, but that prosperity was written in banking balances. Fifteen

years ago it might not have been possible to judge him thus calmly, because then he represented in the public mind, more than any individual does today, the concentrated power of the financial group. Their prosperity was his first care, probably because he believed that their prosperity was also the country's.

It was such a man, then, that came to Mr. Warburg for advice. The labors of Senator Aldrich comprise many volumes of difficult material and Senator Aldrich's appeal to Mr. Warburg was a very high compliment to the quality of the latter's mind and financial experience—this, of course, assuming that Mr. Warburg's counsel was not forced upon the Aldrich committee by the New York money interests.

In his testimony, Mr. Warburg did not tell all. The omission, however, was supplied by an article in *Leslie's Weekly* in 1916, the author being B. C. Forbes.

It is a story of which *Current Opinion* said: "It reads like the opening in a shilling shocker."

It appears that the conferences between Mr. Warburg and Senator Aldrich took place on an isolated island off the coast of Georgia—Jekyll Island. Included in the party, besides Senator Aldrich and Mr. Warburg, were two New York bankers and the then Assistant Treasurer of the United States. The mysteriousness of it all was well brought out by Mr. Forbes:

Hist! Four Bankers on a Lonely Island

"PICTURE a party of the nation's greatest bankers stealing out of New York on a private railroad car under cover of darkness, stealthily hiding hundreds of miles south, embarking on a mysterious launch, sneaking out to an island deserted by all but a few servants, living there a full week under such rigid secrecy that the name of not one of them was once mentioned lest the servitors learn their identity and disclose to the world this strangest, most secret episode in the history of American finance.

"The utmost secrecy was enjoined upon all. The public must not glean a hint of what was to be done. Senator Aldrich notified each one to go quietly into a private car which the railroad had received orders to draw up at an unfrequented platform. Drawn blinds balked any peering eyes that might be around. Off the party set. New York's ubiquitous reporters had been foiled. So far so good. After bowling along the railroad hour after hour into southern country, the order was given to prepare to disembark.

"Stepping from the car when the station had been well cleared of travelers, the members of the expedition embarked in a small boat. Silence reigned, for the boatmen must not find out how distinguished were their passengers.

"In due time they drew up at another deserted pier. They were at Jekyll Island, off Georgia. The island was entirely unpeopled save for half a dozen servants.

"The servants must under no circumstances learn who we are," cautioned Senator Aldrich.

"What can we do to fool them?" asked another member of the group. The problem was discussed.

"I have it," cried one. "Let's all call each other by our first names. Don't ever let us mention our last names."

"It was so agreed.

"The dignified veteran Senator Aldrich, king of Rhode Island and a power second to none in the United States Senate, became just 'Nelson'; . . . and the quiet, scholarly member of the powerful international banking firm of Kuhn, Loeb & Company, became 'Paul.'

"Nelson had meanwhile confided to Harry, Frank, Paul and Piatt that he was to keep them locked up on Jekyll Island, cut off from the rest of the world, until they had evolved and compiled a scientific currency system for the United States, a system that would embody all that was best in Europe, yet so modeled that it could serve a country measuring thousands where European countries measured only hundreds of miles."

Mr. Forbes does not omit to write this further description of Mr. Warburg's condition at the time:

"unable then to speak idiomatic English with perfect freedom and without an accent, an alien not naturalized."

Mr. Forbes also wrote—"Here is a German-American, but the sort of one that makes the hyphen look like a badge of honor."

That was in 1916. Hyphens went out of fashion, though not entirely out of use, soon after.

Thus far the story of Paul Warburg.