

THE STORY OF JOHN R. WALSH

The Commoner has no disposition to gloat over the downfall of any man and it is for educational purposes that it directs attention to "the story of John R. Walsh" as told by the assistant district attorney in Chicago in presenting the case to the jury. It will be remembered that John R. Walsh was president of a national bank in Chicago, he was also at the head of other enterprises and was the owner of the Chicago Chronicle. Mr. Walsh had all along claimed to be a democrat and the Chronicle had posed as a democratic newspaper, but Mr. Walsh and his newspaper were both horrified at the course of the democratic party in 1896 and since then no denunciation was too severe, no gibe too coarse, no story too false for it to be used by the Chicago Chronicle or indulged in by its owner in the effort to defeat the democratic party or to make Mr. Bryan odious in the eyes of good citizens. The Chronicle and John R. Walsh posed in 1896 as "the defenders of the national honor" and now it develops with respect to Walsh—as it has developed with respect to others of the 1896 pretenders—that he had no more concern for the national honor than he had for his own. The following report is taken from the Chicago Record-Herald:

"John R. Walsh had a chance to play the game of millions with the funds of his bank. The money which his left hand needed his right hand could take from the coffers of the institution. And it was before this temptation that John R. Walsh fell!"

Assistant District Attorney Fletcher Dobyns hurled this declaration at the former president of the defunct Chicago National bank yesterday afternoon before the jury in Judge Anderson's court which is to try him for alleged misapplication of banking funds.

The statement sounded the keynote of the government's case against the former banker.

It came as a climax to the prosecutor's opening address to the jury; an address in which the defendant's alleged banking methods were graphically described in figures that hovered about the millions; an address that laid bare what the government describes as the secret and criminal methods by which Mr. Walsh sought to unload upon the Chicago National, the Home Saving and the Equitable Trust banks speculative securities—consisting of worthless bonds and "forged" notes.

During the recital the defendant, seated at the attorneys' table beside his son, J. W. Walsh, nervously fingered a pen which occasionally he dipped into an ink bottle and then abstractedly laid upon the table.

His eyes for the most part, though, were riveted upon the assistant district attorney, but his face, as on the previous day, remained impassive despite the attacks upon his business integrity.

The gaze upon the man who was denouncing him as a "bank wrecker" and a domineering financier became even more fixed and he leaned forward in his chair when Mr. Dobyns declared that Walsh was "more afraid of Chicago's honest bankers" than he was of the government.

During the address it developed that the government will attempt to show that \$14,000,000 was removed from the Chicago National bank, the Home Savings bank and the Equitable Trust company, while there was not a "scratch of the pen" on the books of these concerns to indicate the transactions.

"The evidence will show," said Mr. Dobyns, "that in the early days when he was a poor boy, frugal and industrious, and before the greed for wealth and lust for power seized him, John R. Walsh was honest. And by this combination of qualities he rose step by step in this community until he stood at the head of three important banking institutions.

"Mr. Walsh was a man of domineering personality; he was a man of domineering nature also, and he felt that he knew more about those banks than did his directors or anyone else. The officers and employes of the banks, from the vice president down to the janitor of the building, were in the absolute power of John R. Walsh."

Continuing, Mr. Dobyns recited a list of enterprises, including railroads, stone quarries, coal mines, gas companies and other corporations, in which he was interested. These the prosecutor declared Walsh had financed through his banks and were described as "obscure, un-

known and in some instances bankrupt concerns."

"Of all the different companies which Mr. Walsh owned," said the prosecutor, "there was not one of them which at the time he acquired it was an established and prosperous business enterprise. He organized corporations to take over the companies from himself and then put his employes in as dummy directors, and then through these directors he would vote to himself all or practically all of the capital stock of the company and as many of the bonds as he needed, which he would put in his bank to pay for the properties.

"He thus would raise money in which to pay for the enterprises himself, so that the very purchase money stood not as a liability against Mr. Walsh, who owned the properties and whose bonds had been put into these banks. Now this, I say, was the most usual method of his procedure."

Mr. Dobyns paused and held a short consultation with Assistant District Attorneys Childs and Hanchett before proceeding.

Resuming his address, the prosecutor told the jury that in all these properties the defendant had issued approximately \$30,000,000 of watered stock, which he voted to himself and continued to place the bonds in the bank. The government in this connection, Mr. Dobyns said, is prepared to show that the defendant would place these bonds in the Chicago National bank largely at par.

"Then, after he had gone as far as he dared in these manipulations," said the prosecutor, "Walsh resorted to the method of getting people to sign accommodation notes for the banks, and finally he resorted to the method of signing people's names to notes, and attaching to these fictitious notes this unmarketable and in many cases practically worthless collateral. Then he would, by having a check drawn to the bearer, deposit this into his own personal account and check it out to his own enterprises.

"Millions of dollars that went into the defendant's private personal account were checked out in this manner, and when the money was gone there was left simply the paper of Mr. Walsh's enterprises. We will show you the exact figures, of course, when we reach it.

"He began rather modestly at first, taking out a small amount way back in the early '90s, and the amount grew a little larger and a little larger, until finally he was taking it out, as we shall show, by the hundreds of thousands and even by the millions at a single deal.

"At the time of the suspension of the Walsh banks in 1905 there had been taken from the institutions by Mr. Walsh more than \$14,000,000 on these unmarketable and practically worthless bonds. This, gentlemen, was more than half the total deposits of the banks, although in this connection his name did not appear on the books of the banks as owing one cent to the Chicago National bank."

Mr. Dobyns said that in 1903 the government bank examiners became suspicious and that in the early part of 1904 Bank Examiner Oakley demanded an explanation.

"They retired to the directors' room," related the attorney, "and there the examiner said to him:

"Mr. Walsh, this bank is being loaded down with the securities of your enterprises. It is an outrage and this stock must be taken out of the bank and the money returned."

"Yes, that is right, and it will be done," replied Mr. Walsh."

Mr. Dobyns said the banker furnished a list of dates to the comptroller of the currency setting forth when he would relieve his institutions of the stocks and bonds complained of by the government, but the condition, the prosecutor told the jury, was no better when the next examination was made in 1904.

"Again he was warned and told that this stock must be taken out," recited Mr. Dobyns, "and again he promised. Letters were exchanged between him and the comptroller of the currency on the subject, which will be introduced as evidence."

When Bank Examiner Bosworth went over the books of the institutions in 1905 their condition, according to the government, was "still worse."

"And remember, gentlemen, it was not known to the bank examiner at this time that

all this money had gone into Mr. Walsh's personal account. In fact, all the highly incriminating evidence of this did not appear on the face of the books. So the examiner, upon the direction of the comptroller of currency, again called upon Mr. Walsh and told him he had promised to get this stock out of the bank and that he must do it or the matter would be laid before the directors of the institution."

There followed a sharp letter from the comptroller of currency, according to Mr. Dobyns, in which the government officer informed Mr. Walsh promises no longer would be accepted.

"Mr. Walsh received this letter," continued the prosecutor, "and framed a reply, which he induced the directors to sign, although he did not permit them to know anything about the true condition of affairs. They signed the letter because they had perfect confidence in Mr. Walsh, and in the communication various excuses and promises were made. This was followed by the receivership proceeding in December, 1905."

Mr. Dobyns told how, after other Chicago bankers were informed of the condition of the Walsh banks, they had gone to the rescue of the depositors by paying them in full and buying in the securities. He pointed to the law, which declares a banker shall not loan more than ten per cent of its capital stock to any individual firm or corporation, a violation of which he said constituted a criminal offense if the loan is made for the benefit of the banker himself rather than for the benefit of the institution of which he is an officer.

Mr. Dobyns declared the government is prepared to show criminal intent in this.

"The facts in this case will largely be taken from the books of Mr. Walsh's own enterprises, from his banks and all his other corporations," said the prosecutor. "They will be taken from his employes and associates, men who are friendly to him, and men who naturally will tell no more than they have to tell; who will put upon their admissions a construction as favorable to Mr. Walsh as possible."

With the evidence that the so-called worthless securities were deposited by the defendant in the Chicago National bank, Mr. Dobyns explained to the jury that the paramount question will be that of the banker's intent.

"Now, gentlemen, in determining that issue I might say that this is the offense charged in the indictment," said he. "That Mr. Walsh took this money not for the purpose of benefiting the bank, but that he did so without the knowledge or consent of the directors, and for the sole purpose of benefiting himself, with the result that the bank suffered loss thereby."

"The evidence will show that he started in cautiously and that, emboldened by the success of his plans—for some of these enterprises did turn out well—he had been able by so adroitly keeping his books that the true nature of his transactions were concealed from the bank examiner, from his directors and associates. Thus he became more and more bold and toward the end he was taking money out of these banks by armsful with utter recklessness. And this, I say, gentlemen, he was doing right up to the day the banks closed."

An illustration of the alleged methods employed by Mr. Walsh in financing his various enterprises was given by Mr. Dobyns as follows:

"Mr. Walsh would give a bond to his private secretary, McKay, who would take it to the bond department man, Mr. Ferrier. The latter, having instructions from Mr. Walsh to purchase this bond at, say, 95, or at par, would enter it as 'sold by Mr. Wymand' or some other employe, but never by Mr. Walsh. He then would make out a bond department check, payable to Mr. Wymand or bearer, which he would deposit to Mr. Walsh's personal account without the latter's name appearing anywhere on the books of the bank in this connection.

"Thus the defendant would have \$95,000 or \$100,000 or \$1,000,000, as the case might be, to his personal account and subject to his check. He would sell these bonds to himself at a certain price, charge himself with a certain price on the books of his company and then would go and sell them to his bank at a higher

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