Branching Out:
Banking, Credit, and the Globalizing US Economy, 1900s–1930s

By

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Dissertation

Submitted to the Faculty of the

Graduate School of Vanderbilt University

in partial fulfillment of the requirements

for the degree of

DOCTOR OF PHILOSOPHY

in

History

August 31, 2020

Nashville, Tennessee

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ACKNOWLEDGEMENTS

This project would not have been possible without the Vanderbilt University Graduate Fellowship, the Jefferson National Fellowship Program, and the History Project Research Grant, as well as research support from Harvard Business School, the University of Michigan's Bentley Library, and Vanderbilt University.

In addition, my extraordinary committee improved this project at every juncture. Sarah Igo is an inspiration in academia and in life. Paul Kramer has pushed me to improve as a scholar and writer throughout my time at Vanderbilt. I couldn't ask for more gracious and thoughtful mentors than Jeff Cowie and Naomi Lamoreaux. In addition, a number of colleagues, advisors, and friends have enriched my work. In particular, Alvita Akiboh, Brian Balogh, Louis Hyman, Jessica Burch, Nadav Orian Peer, Jamieson Myles, Marc Adam, Mark Carlson, Walter Friedman, Gary Gerstle, and Noam Maggor have provided key ideas, insights, critiques, and encouragement along the way. I owe a special debt to wonderful colleagues at Vanderbilt—Henry Gorman, Juliet Larkin-Gilmore, Jessica Lowe, Sarah Nelson, Kyle Romero, and Anthony Siracusa.

I don't know where I'd be in life or work without unending support from Josh Segall, Mitchell Maddox, Paul Smyke, Quin Segall, Max Smith, and Ari Nova Szulc.

My biggest thanks are to my family. I'm blessed with the most extraordinary parents a middle daughter could have and two sisters who are my best friends, confidants, and role models. I aspire to make you all proud.

To Louisa and Edwin, thank you for giving me new purpose and perspective: I lack words for the ways you have upended my life and expanded my heart. And most of all, Bill—thank you for the support, encouragement, and love that made this possible in the first place.

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INTRODUCTION: THE EMPIRE NEEDS A BANKER

In 1862, a British banker boarded a steamer headed for Buenos Aires. The ship was under contract with the British postal service to deliver mail, but instead of mail, the banker carried "two boxes of gold doubloons, some account books, and letters of credit." A subsequent ship would bring the rest of his goods: "more bullion, scales to weigh coins, a copying press, several safes, and a large supply of stationery."[1] Therein lay the material foundation for building what would become one of the most powerful banks in Argentina—the London and River Plate Bank. While British financiers embarked on this international venture, the United States was mired in civil war. Creating overseas bank branches was not on US lawmakers' agenda. When that British banker landed in Buenos Aires, Congress had only recently authorized the federal government to issue paper money, and long-standing popular resistance to centralized control over banking remained strong. Over the next few years, the United States authorized the chartering of national banks, but with limits. As British banks steadily expanded their influence overseas, the US government prohibited national banks from opening branches. Throughout the late 1800s, British financiers dominated global trade, while US investors focused primarily on domestic opportunities.

Over the next century, the United States, its banks, and its multinational corporations would grow to claim international dominance in trade and politics. While only a smattering of US firms operated overseas branches in the late nineteenth century, the nation's economic position began to shift in the early 1900s. The United States became the world leader in industrial production, dwarfing the output of Western European nations.[2] The banking and financial structures that

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[1] David Joslin, *A Century of Banking in Latin America – to Commemorate the Centenary in 1962 of the Bank of London & South America Limited* (London; New York: Oxford University Press, 1963), 31.
[2] Noam Maggor, *Brahmin Capitalism : Frontiers of Wealth and Populism in America's First Gilded Age* (Cambridge: Harvard University Press, 2017), ix; Mira Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914* (Cambridge: Harvard University Press, 1970).

underpinned that transformation are the subject of this dissertation. I argue that, as with the financing of railroads in the nineteenth century, US overseas banking undergirded the expansion of US business around the world. Financial infrastructures are less visible than the iconic railroads that knitted together the US continental empire and contributed to the expansion of managerial capitalism in the nineteenth century within the United States.[3] However, as with railroads, they played a key role in the growth of US multinational commerce and enabled US businesses to operate on a transnational scale. This dissertation focuses on the brick-and-mortar outposts of early twentieth-century US banks in order to chart the financial pathways—the trackwork and trestles—through which capital moved. Further, it examines the bankers who did the moving and their processes of deciding how and to whom capital should be allocated. It analyzes the international branches of US banks as physical spaces that connected people to the increasing sprawl of US capitalism. Following the development and construction of this network of branches helps reveal how the presence of banks influenced local power shifts, and it also helps track the uneven expansion of US commerce beyond traditional national borders.

While most US legislators in the 1860s favored reining in banks, by the turn of the twentieth century, many US lawmakers and military advisors were searching for new overseas opportunities.[4] As government leaders began to push for access and power in new markets, US bankers moved in tandem, piggybacking on the growing US overseas colonial empire. Military actions that began in 1898 with the Spanish-American War, among other military conflicts, expanded the US military's presence around the world and created new financial demands, such as paying soldiers' salaries and

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[3] Maggor.

[4] See, for example: Alfred T. Mahan, *The Influence of Sea Power Upon History, 1660-1805* (Novato, CA: Presidio Press, 1987 [1890]); Frederick Jackson Turner, *The Significance of the Frontier in American History* (London: Penguin, 2008 [1893]). For interpretations of these thinkers' influence, see: Walter LaFeber, "A Note on the "Mercantilistic Imperialism" of Alfred Thayer Mahan," *The Mississippi Valley Historical Review* 48, no. 4 (1962). Frederick Jackson Turner and John Mack Faragher, *Rereading Frederick Jackson Turner : "The Significance of the Frontier in American History" and Other Essays* (New Haven; London: Yale University Press, 1999).

buying supplies in new locations. The United States found itself in the position of managing an overseas colonial empire without an overseas bank. British banks could and did provide the necessary financial services to the US government. But what might be gained from using a bank that would also promote US commerce? What advantages might a US financial institution convey as compared to a European bank? These questions began to percolate in the minds of some US politicians and investors in the early twentieth century.

With an emerging alignment between financiers and imperially-minded politicians, US bankers began to board steamers with their own barrels of gold and letters of credit. National banking laws still barred the overseas branching of large national banks; however, several states granted overseas banking charters. One problem for recipients of those rare and coveted charters was the lack of experience in international banking, so bank executives adopted a classic strategy of market newcomers—poaching staff from established, knowledgeable competitors. US banks seeking to expand abroad routinely sought to hire European, and specifically British, bankers to gain skills that US personnel lacked. Foreign exchange and trade finance—some of the skills required of overseas bankers—were not easily acquired by aspiring young financiers in the United States. At the time, advanced degrees in business and finance did not even exist.[5] Scattered private business colleges taught clerical skills such as bookkeeping, but because US banks did not have branch networks, apprenticeships and on-the-job learning were not an option for those wanting to acquire the skills required to operate banks beyond US borders. A recurring theme in the first wave of US overseas banks in the early 1900s was hiring British staff and replicating British practices. Thus, the early years of US branch banking knitted together British colonial practices with US imperial

[5] The first graduate degree program in business in the United States—Tuck's program at Dartmouth—awarded its first diplomas for a Master of Commercial Science in 1902. Harvard Business School was established in 1908 and vastly expanded the visibility and stature of advanced degree programs in business. Carter A. Daniel, *MBA : The First Century* (Lewisburg: Bucknell University Press, 1998).

expansion, and a close analysis of US bankers' work reveals both continuities with British colonial systems and bankers' connections to US state power.

Once US bankers stepped off those steamers, landing in various countries in Asia, the Pacific, the Caribbean, and Latin America, they had to make decisions about the creditworthiness of people and businesses in these unfamiliar places. In the United States, the practices for evaluating credit were beginning to shift. First-hand, personal ways of knowing borrowers had served as the foundation of US banking throughout the nineteenth century, but new approaches that emphasized standardized, paper-based forms of knowledge gained increasing traction in the early twentieth century. In 1912, JP Morgan famously declared in a Congressional inquiry that *character* was the foundation of commercial credit—"[b]efore money or anything else. Money can not buy it."[6] Within less than a decade, the Federal Reserve Board rallied behind new tools to scientize credit evaluations, which had formerly used on "character" as a core determinant. The practice of "credit barometrics" offered ratio calculations so that "credit men" could compare a shoe maker's sales-to-receivables, for example, against industry norms. According to barometrics boosters, lenders could use the ratios to evaluate risk much like insurance agents used actuarial tables to design policies.[7]

Questions about how bankers could "know" their communities and how lenders could trust borrowers were openly debated in the United States and, as this project argues, central issues in bankers' expansion overseas. What were the markers of trustworthiness that mattered to bankers operating in new contexts, and how did those markers convey financial privileges to some groups but not others? How did US bankers' systems interact with local financial practices? To answer these seemingly abstract questions, the dissertation turns to the seemingly mundane—to the meeting notes

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[6] Committee on Banking and Currency. House of Representatives, United States Congress. *Money Trust Investigation : Investigation of Financial and Monetary Conditions in the United States under House Resolutions Nos. 429 and 504 before a Subcommittee of the Committee on Banking and Currency, House of Representatives, 1912-1913*. Washington: 1912.
[7] Tobias Rötheli, "Innovations in US Banking Practices and the Credit Boom of the 1920s," *Business History Review* 87, no. 2 (2013): 315-17. Division of Analysis and Research. Federal Reserve Board. *Credit Barometrics*. Alexander Wall. Federal Reserve Board, 1922. "Study of Credit Barometrics," *Federal Reserve Bulletin* 5, no. 3 (1919).

and reams of paperwork that formed the financial apparatus for allocating financial opportunities. These questions seem at first to focus exclusively on the private sector; however, questions about "knowing" borrowers and assessing lending risks were—and are—inseparable from questions about the state, state power, and how governments structure systems of money and value. Bankers sought information to help them determine what risks could be profitable. The profitability of risk depended not just on bank's lending practices, but on the larger apparatus that sustains economic value. How states enforced contracts, privatized property, and forgave losses were among the political determinations that shaped that order. Banks' opportunities for profits overseas hinged on the political regimes governing financial relationships and economic obligations.[8]

Indeed, banking inherently raises questions about state power and the boundaries between the public and private sectors. For much of the late twentieth century, popular depictions of banks have focused on their private-sector nature. Banks are private institutions that broker opportunities between consenting parties. They work as intermediaries, taking funds from depositors and lending them to borrowers.[9] The 2008 financial crisis provided a reminder that, when banks become "too big to fail," they can pose system-wide, socially-imperiling risks. However, the status of "too big to fail" represents the exception. Its exceptionality implies that "normal," smaller banks can thrive or falter on their own terms as fully private entities. As banking scholar Morgan Ricks has noted, regulators and economists have tended to focus on banks' role as intermediators between private parties, and the focus on intermediation obscures a longer tradition of seeing the more public role of banks. They are also institutions that "augment the money supply" and, as such, have a "unique

[8] Sarah Quinn's framing of this connection is particularly lucid: Sarah L. Quinn, *American Bonds: How Credit Markets Shaped a Nation* (Princeton: Princeton University Press, 2019), 7. Her work builds on and mine is inspired by a range of economic sociologists, legal scholars, and historians on this topic, such as: Viviana A. Rotman Zelizer, *The Social Meaning of Money* (New York: BasicBooks, 1994). Christine Desan, "The Constitutional Approach to Money: Monetary Design and the Production of the Modern World," in *Money Talks : Explaining How Money Really Works*, ed. Nina Bandelj, Frederick F. Wherry, and Viviana A. Zelizer (Princeton: Princeton University Press, 2017). Bruce G. Carruthers, "The Social Meaning of Credit, Value, and Finance," ibid.
[9] Morgan Ricks, "Money as Infrastructure," *Columbia Business Law Review* 3 (2018).

relationship with the state."[10] Thanks to their government-sanctioned licenses to operate, banks take deposits and lend out more than those deposits as money for people to use. The process of loaning beyond their reserve requirements increases the money supply in society and affects how difficult it is for people to access credit and repay debts. Ricks proposes that modern policymakers should rethink banking regulation by considering the models that govern infrastructure—such as public utilities and common carrier laws—rather than regulating banks as private business actors. The growth of "shadow banking" and the emergence of new financial technologies have raised questions about the governance of our banking system, and these developments present a timely opportunity to investigate the foundations of our existing regulatory framework.

Banks play a major role not only in influencing the funds available in a society but also in deciding who gets access to those funds. As sociologist Sarah Quinn has noted, credit practices reveal the "social logics" for structuring risk and profits.[11] My project investigates the way US overseas bankers attempted to apply that logic in a range of new contexts, each with its own approaches to money, debt, and trust. Understanding the social logic that informed bankers' credit decisions requires unearthing the belief systems and practices that structured seemingly mundane, technocratic decisions, such as how to design credit-records systems. This dissertation examines the epistemology of credit—how bankers understood commercial trust, risk, and security in new contexts—that undergirded US banks' overseas expansion. It also analyzes how banks' practices of evaluating the trustworthiness of borrowers changed over time, interacted with other systems of governance, and impacted daily life. This study sheds new light on the important, but often overlooked, connections between the social logic of credit and the quasi-public work of banking. Credit epistemology was—and is—more than just a question of private businesses implementing

[10] Ibid., 759.
[11] Quinn, 7.

protocols for would-be borrowers. It's a question of how financial institutions, acting with their special role to affect the money supply, deploy that power and fuse their state-granted license to operate with individual clients' financial gain.

The dissertation follows the key player in the nation's first wave of overseas banking—the International Banking Corporation. IBC was the first broadly international bank in the United States and the only significant multinational one in the early twentieth century, but it existed on the periphery of mainstream finance from its founding in 1901 until the passage of the Federal Reserve Act. I argue that IBC took on outsized importance as a pioneer of overseas branching and as the creator of a banking framework that became foundational to the work of National City Bank—today's Citi—as National City acquired IBC starting in World War I. IBC has long seemed like an anomaly among US banks. It was founded under an unusually expansive charter by the state of Connecticut in 1901. By the time the Federal Reserve Act lifted the ban on national banks' expansion in 1913, IBC already operated 16 branches on four continents—nearly two-thirds of the total number of US overseas branches.[12] The bank received several high-profile government projects in its early years. In 1902, IBC was named as a US fiscal agent in the Philippines, to hold deposits, pay soldiers, and process other financial business. It was also selected to receive China's indemnity payment following the Boxer Rebellion.[13] Two years later, President Theodore Roosevelt named IBC the government's fiscal agent in Panama.[14]

Despite these highly public responsibilities, IBC's full history remained largely mysterious, even to National City Bank, which acquired a controlling interest in IBC in 1915. In the 1950s, the Federal Reserve Bank of Boston inquired about IBC's origins, and Citi responded by commissioning

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[12] Vincent P. Carosso and Richard Sylla, "U.S. Banks in International Finance," in *International Banking, 1870-1914*, ed. Rondo Cameron, et al. (New York: Oxford University Press, 1992), 68; Joseph Durrell. History of Foreign Branches of American Banks and Overseas Division, NCB. 1940. Citi.

[13] Charles H. Darling. Special Order No. 33. Dec 22, 1902. RG 80, Box E19A, Folder 10424. National Archive.

[14] "To Handle Canal Funds," *San Francisco Chronicle*, Dec 6, 1904.

staffers to investigate.[15] The resulting timeline listed the chartering of IBC in 1901 and, beyond that, the internal memo concludes: "Great turnover of names (Directors, Officers) – numerous interchange of stock…. Like walking through a strange graveyard. Minutes both detailed and cryptic."[16]

Since that opaque internal report in 1955, few scholars have attempted to chart that "strange graveyard." Historian John Hart, in his analysis of US investment and imperial activities in Mexico in the early twentieth century, revealed interconnections between IBC's elite board and Mexican infrastructure financing.[17] Historian Peter Hudson's recent *Bankers and Empire* has importantly shown the ways IBC's overseas work in the Caribbean was informed by white supremacist beliefs, imperial convictions, and the racialized culture of the United States.[18] Hudson argues that US bankers reproduced "the racist imaginaries and cultures in which finance capital was embedded and through which bankers functioned."[19] Using bankers' personal papers, among other records, he brings to life previously neglected "rogue banker" characters—middle-managers and forgotten executives—who shaped the political-economic terms on which US banks expanded into the Caribbean.[20]

This study advances and refines the existing scholarship about IBC and the first wave of US overseas banking first by studying the full geographic span of its activities. Drawing on IBC's internal records, it demonstrates that Asia was a major focus of its work in the early 1900s. Of IBC's

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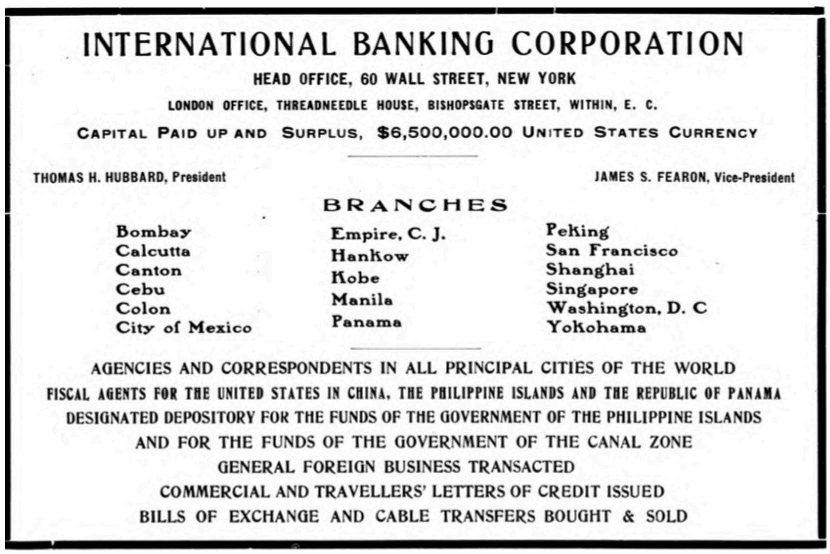
[15] Edward Young. International Banking Corporation: Memoradum for File. Aug 1, 1955. Item #79 (IBC), Miscellaneous (1918-1960). Citi.
[16] Ibid.
[17] John M. Hart, *Empire and Revolution : The Americans in Mexico since the Civil War* (Berkeley: University of California Press, 2002), Ch. 3.
[18] Peter James Hudson, *Bankers and Empire : How Wall Street Colonized the Caribbean* (Chicago: The University of Chicago Press, 2017). See also: "Dark Finance: An Unofficial History of Wall Street, American Empire and the Caribbean, 1889-1925" (Ph.D., New York University, 2007); "The National City Bank of New York and Haiti, 1909-1922," *Radical History Review* 2013, no. 115 (2013).
[19] *Bankers and Empire*, 7.
[20] Ibid., 13-14.

first five branches, four were in Asia—Shanghai, Manila, Singapore, and Yokohama—and the fifth was in London.[21] Branches in Mexico and Panama followed in 1903 and 1904 respectively, while the number of Asian branches increased to twelve.[22] In the ensuing decade, Asia continued to dominate IBC's attention, and the bank boasted of its international, especially Asian, branches in advertisements (see *Figure 0-1*[23]). By 1918, two-thirds of its 24 branches were in Asia.[24]

Operating in diverse contexts in Asia, Europe, and Latin America required bankers to use a range of strategies for navigating local politics, imperial regimes, and racial difference. When examined together, their practices reveal the fluidity of bankers' methods in the service of pursuing profit. By expanding our geographic focus and tracking the knowledge practices—such as methods of evaluating creditworthiness and "security" for loans—we can see the ways that white supremacist views held by US bankers affected their approach to credit evaluations, allocations of capital, and encounters with different social and racial hierarchies in their adopted communities.

Figure 0-1: Advertisement of IBC Branches (Far Eastern Review, 1910)



[21] "Banking News of New York," *The Financier* 80 (1902).
[22] Foreign Branches. nd,RG IBC, Box 496, Foreign Branch. Citi; IBC Secretary. Directors' Minutes. Sept. 13, 1917. RG 7, Annual Directors Meeting Minutes. Citi. "Oldest Zone Bank Plays Vital Part in Canal Operation Employees' Lives," *Panama Canal Review* 6, no. 9 (1956). International Banking Corporation. To the Stockholders. Apr 15, 1905. RG 350, Box 418, Folder 5500. National Archive.
[23] "International Banking Corporation [Advertisement]," *The Far Eastern Review*, Jun, 1910.
[24] "Foreign Business of the National City Bank of New York," *Federal Reserve Bulletin* (1918).

In particular, the study connects bankers' racialized views and imperial politics to the day-to-day practices of credit evaluations. It asks: what were the practices and values—the epistemology of credit—that guided bankers' transformation of government funds and private deposits into financial opportunity? Banks do more than simply straddle the boundaries between public and private sectors; they actively move money and power from one to the other. When IBC took in government deposits, it could use that capital base to finance private businesses and merchants. Public funds came in, and private benefits went out. This transformation stems from banks' special abilities to turn deposits in to loans, debits into credits, and payment promises into working funds. Tracking the movement of money across IBC's balance sheets and following the day-to-day activities of bankers on the ground expands the existing characterization of IBC as a racist imperialist institution by showing what power exchanges it enabled and who it benefited.

The study also speaks to ongoing scholarly conversations in the history of the United States and the World, new histories of capitalism, and studies of credit and financial information. A well-established literature has investigated the interconnections between the overseas expansion of US political and economic power in the first half of the twentieth century because the period marked a major shift in the nation's involvement in international trade and diplomacy. The United States acquired an overseas colonial empire, prioritized trade promotion as a diplomatic goal, and dramatically increased its export capacity. In the process, the US government began to rely on what Emily Rosenberg has called "chosen instruments"—individuals, private companies, or other nongovernmental entities—who worked in tandem with diplomats to advance US foreign policy goals on the ground. Rosenberg and others have offered rich depictions of the "promotional state" in the early twentieth century, in which the federal government focused on advancing US commerce. This scholarship has generated detailed analyses about how the government's imperial priorities affected its relationships with US businesses and how those businesses operated abroad.[25] A vast literature has explored alternative forms of imperial intervention—often associated with "informal empire"—in which economic pressure, cultural influence, and other non-state activities took precedence over territorial colonialization and military force. More recent literature has established the problems of the formal-versus-informal distinction, given the way in which it perpetuates narratives of US exceptionalism and its tendency to characterize post-1898 overseas colonialism as a historical aberration, among other limitations.[26]

The present study explores the interconnections between US political and economic power overseas, but it offers a different way to frame debates about "informal empire." By starting with banks, rather than the government, the dissertation reveals that both political and corporate actors used the porousness of boundaries separating public from private power—political from economic, "formal" from "informal"—as an opportunity to advance their own interests.[27] The study asks: what forms of US intervention did banks enable overseas? What role did overseas banks play as part of a larger apparatus for extracting commodities, profits, and political influence? What were the limits of government-bank collaboration? The fact that the US banks operated in major cities around the world also enables us to examine multiple sites of engagement on the same plane of analysis:

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[25] For an overview of this literature, see: Paul A. Kramer, "Embedding Capital: Political-Economic History, the United States, and the World," *The Journal of the Gilded Age and Progressive Era* 15 (2016). William Appleman Williams, *The Tragedy of American Diplomacy* (Cleveland: World Publishing Company, 1959). Lloyd Gardner, *From Colony to Empire: Essays in the History of American Foreign Relations*, ed. William Appleman Williams (New York: John Wiley & Sons, 1972). Walter LaFeber, *Inevitable Revolutions : The United States in Central America* (New York: Norton, 1993). Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930* (Durham: Duke University Press, 2003 [1999]). *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*, American Century Series (New York: Hill and Wang, 1982).

[26] See, for example: Paul A. Kramer, "Power and Connection: Imperial Histories of the United States in the World," 116 (2011); "How Not to Write the History of U.S. Empire," *Diplomatic History* 42, no. 5 (2018).

[27] The understanding of public-private sector boundaries and the porousness of those boundaries in multinational operations and different historical eras draws on: Vanessa Ogle, "Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s-1970s," *American Historical Review* 122, no. 5 (2017). Peter Bratsis, *Everyday Life and the State* (Boulder: Paradigm Publishers, 2007); Timothy Mitchell, "Fixing the Economy," *Cultural Studies* 12, no. 1 (1998); Jeffrey D. Broxmeyer, "Bringing the 'Ring' Back In: The Politics of Booty Capitalism," *The Journal of the Gilded Age and Progressive Era* 19, no. 2 (2020).

overseas colonies, such as the Philippines; areas of non-colonial domination, such as the Dominican Republic; and places where the United States sought but lacked broad influence, such as Argentina.[28] Because banks' work intersected with a spectrum of US interests, this study allows us to explore imperial strategies across a range of places and identify types of intervention that US banks enabled.

The early history of state-bank relations also connects to and continues with the creation of the Federal Reserve System, which changed the relationship between state power and overseas banks. Rather than severing the entwined state-bank relationship, the regulatory framework created new structures for state support of banks' overseas work. The Federal Reserve System formalized record-keeping systems for member banks and established new standards for risk levels and liquidity of different types of debt. In particular, the Federal Reserve Act created an important new financial instrument, the bankers' acceptance, that would have a major impact on the relationship between state power and private banking. Bankers' acceptances essentially turned an overseas trade into a commodity: they were slips of paper representing trade deals between an importer and exporter, which a bank guaranteed for future payment according to the terms of the trade. When a bank accepted a bill, it did not alter the underlying trade. The importer still paid an exporter a predetermined sum in a pre-negotiated currency at an agreed upon time. The main impact of accepting the bill—and of the Federal Reserve's allowance for banks to buy and sell acceptances—involved the creation of a secondary market for trade debt.

Acceptances have been overlooked as an arcane detour in Federal Reserve history, but I argue that they changed banks' overseas operations, their financing possibilities, and the risks they

[28] A sampling of political-economic histories about US influence in these locations includes: Yoshiko Nagano, *State and Finance in the Philippines, 1898-1941: The Mismanagement of an American Colony* (Singapore: NUS Press, 2015). Cyrus Veeser, *A World Safe for Capitalism: Dollar Diplomacy and America's Rise to Global Power* (New York: Columbia University Press, 2002); Allan Lumba, "Monetary Authorities: Market Knowledge and Imperial Government in the Colonial Philippines, 1892–1942" (Ph.D., University of Washington, 2013). Hudson, *Bankers and Empire.* Ricardo D. Salvatore, "The Normalization of Economic Life: Representations of the Economy in Golden-Age Buenos Aires, 1890–1913," *Hispanic American Historical Review* 81, no. 1 (2001). "Yankee Advertising in Buenos Aires," *Interventions* 7, no. 2 (2005).

incurred.[29] Not only could US banks resell debt resulting from foreign trade, but they could also discount acceptances with the Federal Reserve, thereby ensuring the liquidity of the financial instrument. In addition, the Federal Reserve invested aggressively in the market for bankers' acceptances: throughout the 1910s and 1920s, the Federal Reserve purchased acceptances much like it buys Treasury securities today. By examining the financial landscape on which US banks moved overseas, we gain a deeper understanding of the way in which the US state was involved not just as a diplomatic force or as an architect of the ground rules, but as a day-to-day participant in supporting and shaping the work of US banks overseas.

This study also engages with political-economy scholarship often known as the "new histories of capitalism." The works span a broad range of geographies and cover topics ranging from cotton to bookkeeping to fraud.[30] They are as substantively diverse as they are methodologically eclectic, but a common theme that runs through them is a desire to understand market relationships not as hermetically sealed economic transactions but as social processes, continuous with and inextricable from political relationships and cultural frameworks.[31] Banks hold important powers in the domain of political economy, particularly because of their impact on the availability of credit. As Sven Beckert has noted, credit has played a central role in modern capital development: it "allowed merchants to recast nature, clear lands, remove native inhabitants, purchase labor, produce crops in

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[29] The rules for what counted as a bankers' acceptance changed over the course of the 1910s and 1920s. Initially, bankers' acceptances were trade acceptances between buyers and sellers that had been guaranteed by a bank. Because international trade presented greater challenges related to time required to ship goods and information about the creditworthiness of a buyer—among other obstacles—bankers' acceptances represented a way to substitute the credit of the bank, which typically had greater prestige and name recognition, for the credit of individual firms. Such a substitution lowered the barriers to international trade. By 1916, the eligibility guidelines for acceptances were expanded to include domestic transactions as well, but their usage for such functions continued to be rather limited, as Chapters Three and Four discuss. For a helpful explanation of the theory of acceptances, see: Benjamin Haggott Beckhart, *The New York Money Market, Vol. 3: Uses of Funds* (New York: AMS Press, 1971 [1932]), 256-68.

[30] Caitlin Rosenthal, *Accounting for Slavery : Masters and Management* (Cambridge: Harvard University Press, 2018); Jonathan Levy, *Freaks of Fortune : The Emerging World of Capitalism and Risk in America* (Cambridge: Harvard University Press, 2012). Sven Beckert, *Empire of Cotton: A Global History* (New York: Knopf, 2014).

[31] See, for example: Jonathan Levy, "Capital as Process and the History of Capitalism," *Business History Review* 91 (2017). Jeffrey Sklansky, "The Elusive Sovereign: New Intellectual and Social Histories of Capitalism," *Modern Intellectual History* 9, no. 1 (2012). Kramer, "Embedding Capital."

definite qualities and quantities, and meet the voracious appetites of manufacturers and their modern cotton machinery."[32] Increasingly at the turn of the twentieth century, banks became major gatekeepers of credit in a world in which the importance of credit grew massively.[33] Their decisions shaped the movement of large pools of capital and affected the creation of new enterprises, based on who could and could not access this capital.

The development of credit-rating practices in the United States has been a subject of vigorous scholarly inquiry in recent years: historians have traced the roots of nineteenth-century mercantile agencies such as R.G. Dun & Company and connected that history to the emergence of today's FICO scores and credit analytics.[34] This study contributes to and revises the history of US credit practices in two key ways. First, it widens the geographic scale of this analysis by exploring the transnational migration of credit evaluations. As others scholars have documented, the expanding geography and surge in business within the United States in the nineteenth century stretched the capacity of merchants and local financiers to know their customers. Conducting business across multiple US states required traders to verify the reputations of far-flung potential trading partners, and mercantile agencies emerged in the context of increasing demands for information. The early twentieth century marked a period of even greater and more disparate expansion of US business around the world, yet historians have not systematically examined how international trade adopted

[32] Beckert, 219.
[33] Eugene Nelson White, "Were Banks Special Intermediaries in Late Nineteenth Century America?," *Federal Reserve bank of St. Louis Review*, no. May/Jun (1998).
[34] Scott A. Sandage, *Born Losers : A History of Failure in America* (Cambridge: Harvard University Press, 2005). Rowena Olegario, "Credit Reporting Agencies: A Historical Perspective," in *Credit Reporting Systems and the International Economy*, ed. Margaret J. Miller (Cambridge: MIT Press, 2003); *A Culture of Credit : Embedding Trust and Transparency in American Business* (Cambridge: Harvard University Press, 2006); Josh Lauer, "From Rumor to Written Record: Credit Reporting and the Invention of Financial Identity in Nineteenth-Century America," *Technology and Culture* 49, no. 2 (2008); *Creditworthiness: A History of Consumer Surveillance and Financial Identity in America* (New York: Columbia University Press, 2017); Bruce G. Carruthers, "From Uncertainty toward Risk: The Case of Credit Ratings," *Socio-Economic Review* 11 (2013); Kenneth Lipartito, "Mediating Reputation: Credit Reporting Systems in American History," *Business History Review* 87 (2013).

and adapted the changing infrastructure of credit information. The present study takes on these questions.

The broad geographic scope of this project leads to a second observation about the function of these initial new credit systems: personal knowledge—the kind of small-town, face-to-face relationships on which businesses prided themselves in the nineteenth century—undergirded newly bureaucratized credit systems that the Federal Reserve embraced and banks aspired to maintain. Throughout the early twentieth century, social clubs, for example, served as one of the main guides for bankers in building and deepening business relationships. This was true among Manhattan bankers in the nineteenth century, and it remained true for US international bankers throughout the early twentieth. A major result of this credit expansion was that, as sociologist Sarah Quinn has observed, "credit continually carries forward the prejudices and inequalities of the past."[35] Analyzing the belief systems and blind spots of early twentieth-century US bankers clarifies how and why some groups were excluded from access to credit, as well as how the systems that were supposed to provide a more scientized, rationalized foundation of knowledge became mechanisms of exclusion.

One of this study's primary contributions is to bring into focus the humans who enabled overseas banking in the first place: the people who staffed the branches, moved money, and evaluated borrowers. The goal of spotlighting middle managers and white-collar staff—the worker bees of US commercial expansion—is one that a number of recent historians share. These scholars have drawn on longer traditions in the history of science regarding expertise and professionalization.[36] Focusing on the day-to-day work, as well as the workers themselves, helps

[35] Quinn, 18.
[36] Michael Zakim, *Accounting for Capitalism : The World the Clerk Made* (Chicago: University of Chicago Press, 2018); "Producing Capitalism: The Clerk at Work," in *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America*, ed. Michael Zakim and Gary Kornblith (Chicago: University of Chicago Press, 2012); James W. Martin, *Banana Cowboys : The United Fruit Company and the Culture of Corporate Colonialism* (Albuquerque: University of New Mexico Press, 2018). Sarah E. M. Grossman, *Mining the Borderlands : Industry, Capital, and the Emergence of Engineers in the Southwest Territories, 1855-1910*, Mining and Society Series (Reno, Nevada: University of Nevada Press, 2018). Hudson, *Bankers and Empire*.

ground what is sometimes a hazy set of abstracted financial processes. By examining bankers' professionalization processes, we learn how workers were trained to see.[37] What credentialing processes distinguished professionals from lay people? How did formal and informal features of the training and workplace affect knowledge production? A close study of the training process for bankers reveals both the cultural context that shaped their work, and how much went unsaid. The opacity of Citi's 1955 version of IBC history—the "strange graveyard" of "detailed and cryptic" minutes—feeds into popular stereotypes of banks as omnipotent, mysterious, and monolithic institutions. Focusing on the humans conducting the banking reminds us that multinational banks were at once massive corporations capable of large-scale impacts, as well as organizations made up of fragmented divisions, ad hoc decision-making, and individual humans. The Hongkong & Shanghai Banking Corporation—one of the preeminent international banks in the late nineteenth century—had to admonish its bankers in 1893 that: "The practice of throwing pellets of paper about the office must be discontinued."[38] To see multinational bankers as young men who might have needed written reminders not to throw paper pellets helps reveal the social, political, and material worlds in which they operated. Focusing not just on its executives, but its on-the-ground staff also undercuts the image of multinational banking as a singular, inscrutable enterprise. It does not, however, make light of its consequences. In fact, a deeper understanding of the day-to-day operations renders the actual workings of these banking more amenable to critique. It allows us to see the contorted paths and precarious processes by which US banks became a dominant force in shaping twentieth-century history.

[37] Steven Shapin, "The House of Experiment in Seventeenth-Century England," *Isis* 79 (1988). Bruno Latour, *Science in Action : How to Follow Scientists and Engineers through Society* (Cambridge, Mass.: Harvard University Press, 1987).
[38] Frank H. H. King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, The History of the Hongkong and Shanghai Banking Corporation (Cambridge: Cambridge University Press, 1988), 175.

This in-depth study of actual banking operations also restores two important but obscured facets of banks' overseas work. First, it reaffirms the centrality of personal relationships and elite privilege to the day-to-day operation of banking. Bankers routinely relied upon interlocking directorate relationships, alumni networks, and social clubs as markers of trust, respectability, and creditworthiness. Personal knowledge provided a way to vet borrowers and to win business. At times, such connections led to fraud or generated popular outrage, but more often, personal connections served as a routine and widely accepted way of knowing customers and winning business. Personal knowledge constituted part of the backbone of everyday banking relationships in the early twentieth century. IBC's history reminds us of the persistence of relationship-based knowledge even as the day-to-day work of banking became increasingly paper-bound, bureaucratic, and scientized.

Second, by focusing on the specific processes of commercial banking, we connect financial transactions and abstractions to their material underpinnings. It can be tempting to approach financial terms such as the "gold standard" as hard facts with clear, unitary meanings. Economic historians have revealed that, at best, the gold standard in the early twentieth century was a "decentralized" and "multipolar" system that required constant affirmation, adjustment, and cooperation among governments and central bankers.[39] Speaking of a singular "standard" obscures the underlying fissures, personal relationships, and political fixes required to sustain foreign exchange and global trade. A close examination of bankers' daily work also reminds us that the gold standard was about gold—storing, moving, unloading, and calculating the value of a precious metal. A 1924 memo from the Federal Bank of New York underscores that, in addition to being a store of value, gold was a tangible object. And tangible objects could be physically damaged. Shipping $10

[39] Barry J. Eichengreen, *Golden Fetters : The Gold Standard and the Great Depression, 1919-1939* (New York: Oxford University Press, 1992), 5-9.

million in gold required discounting the metal that would be lost from chafing and wear in transit across the Atlantic Ocean—a loss of 9 kilograms, based on "average abrasion."[40] Whenever possible, this study seeks to avoid terminology such as "commercial paper" and "exchange markets," which assumes both prior knowledge and unitary meaning, and instead bring out the materiality of banking—the barrels of doubloons and friction between gold coins.

Reasserting the materiality of finance is not just matter of aesthetic preference. It helps deflate the power that abstractions can acquire as unassailable technical or scientific facts. Abstractions distance banking from social accountability, human error, and the role of individual human beings. Analyses of credit can become a matter of risk matrices, algorithms, and actuarial calculations, rather than questions about who has access to power and resources. The bankers' acceptance market is a key example: it grew out of financial reform efforts intended to shift the foundation of the nation's credit supply to a system that would privilege the concrete trade of commercial goods. There were other options, such as government loans, corporate securities, or agricultural credit. But creating a bankers' acceptance market established a specific set of priorities about what businesses "should" be doing and what type of commercial activities would receive special protections. Acceptances are also complicated forms of financial paper that require multiple signatures and supporting paperwork, such as customs receipts, insurance documents, and bills of lading. Acceptances were so complex that multiple agencies published dozens of pamphlets to teach people what acceptances were and how to use them. As the use of acceptances became more widespread, experts who were sufficiently knowledgeable to make judgements on their discount rates took control of their creation and exchange. Non-experts resigned themselves to trading in other financial products—or not trading at all. Reconnecting abstractions, such as credit and

[40] J.E. Crane. Office Correspondence to Governor Strong. Nov. 26, 1924. 616523, 441 - Acceptances Foreign (1915-1939). Federal Reserve Bank of New York.

acceptances, with their material origins helps remind us that seemingly technocratic questions about the operation of the Federal Reserve or protocols for credit evaluations are questions about how societies allocate opportunities and resources.

The dissertation portrays the early history of US international banking as composed of the threads of public and private power, bureaucratized systems, and personal connections. It reveals that overseas US banks created new processes for entangling elite privilege with state power, and these processes gave a bureaucratic, "scientific" gloss to a more complex reality of personal relationships, government dependence, and structures of elitism. When National City Bank acquired IBC, the essential patterns of reliance on personal relationships and a privileged relationship with the state continued to be a central part of the bank's overseas operation. The ability of overseas bankers to broker bureaucratic and personal information and to operate on both multinational and local scales, proved themselves to be a durable basis for supporting the increasing demands of US commercial expansion.

The dissertation consists of five chapters. The first establishes the history of IBC, its reliance on personal networks for establishing business, and its relationship to US empire. The second is a case study of IBC's on-the-ground work in the Philippines. It tracks the bank's support for US empire—as well as the limits of state-bank collaborations. Chapter three focuses on the Federal Reserve and the way in which the Federal Reserve System supported the banker's acceptance market and, as a result, necessitated new techniques for authenticating trust between far-flung trading partners. The fourth chapter examines branch banks' attempts to gather credit information and the implications of these new systems for allocating resources and conveying power. Chapter five explores the interconnections between the newly bureaucratized branch banking system and the earlier, friend-to-friend approach to overseas banking. It argues that the new structure was not a modernized successor to an old, outdated one but, instead, that the two systems coexisted and drew strength from each other, even after the Federal Reserve Act and World War I changed the landscape for US overseas banking. Collectively, these chapters offer a new way to see the interdependence of private banking and state action, as well as the persistence of personal connections, even as bankers aspired to take on the mantle of scientific efficiency.

1 – PROTOCOLS AND PENMANSHIP

It was their handwriting that stood out to novice banker Daniel de Menocal, a US banker sent to Hong Kong in the early 1900s. De Menocal was "a pioneer, the first American to be sent overseas to the Far East" by the International Banking Corporation, the only US bank to operate branches on a broadly multinational scale in the early 1900s.[1] A dozen Chinese employees and a half-dozen Europeans worked in IBC's Hong Kong office, but it was the British staff that particularly impressed De Menocal: "These young Britishers all had extremely good hand-writing," he remembered in his unpublished memoir. He had already learned the consequences of bad penmanship. Before coming to Hong Kong, IBC had sent him with a cohort of young graduates from Bowdoin College to London to learn international banking. International banking hardly existed as a job category in the United States, so most US banks relied on connections with European—and especially British—banks to transact business outside the country. Once the cohort arrived in London, De Menocal was the only one allowed to proceed with banking instruction because the others trainees shared a common problem: "their handwriting was so bad that London office could make no use of their service and they were all sent to an English school to be taught how to write before they were permitted to touch pen to paper."[2]

Handwriting was not a trivial matter in banking work of the early twentieth century. Another IBC staff remembered what happened when a careless bank manager in Rangoon, Burma, changed his signature suddenly without following the proper protocols. A client—an official of the Upper Burma Oilfields—took an IBC Traveler's Letter of Credit on an international business trip, and the letter contained the manager's newfangled signature. Each time the client presented the letter to

[1] Daniel De Menocal. Memoirs of Daniel De Menocal. 1961. RG 12, De Menocal. Citi; Mira Wilkins, "Banks over Borders: Some Evidence from Their Pre-1914 History," in *Banks as Multinationals*, ed. Geoffrey Jones (London: Routledge, 1990), 233.
[2] De Menocal, 1961.

draw funds during his trip, he was "questioned lengthily and suspiciously." Upon arriving in New York, he took the letter of credit to IBC's headquarters at 60 Wall Street and "boiled over in the explicit language of an oil-drilling foreman to one of our senior officers."[3] The reprimand served as a warning to the whole Rangoon office about the importance of protocols and penmanship.

Good handwriting was not just a question of appearances in turn-of-the-century banking: it meant legibility and consistency. Account books needed to be kept with proper handwriting so that bankers could evaluate assets and track debts. As US financial institutions sought to enter larger and more distant markets in the early twentieth century, US bankers modeled their handwriting and most other banking practices on the more established players in the world of overseas banking: the British. The story of the first US financial institutions to open overseas branches bears some resemblances to the personal arc of De Menocal's crash course in banking. As with handwriting instruction, US banks modeled the practices of British colonial banks—and they did so while following in the footsteps of US empire. After US occupations in Cuba and the Philippines, an elite cadre of businessmen—largely railroad tycoons and insurance millionaires—perceived new opportunities in a post-1898 geopolitical landscape for financing infrastructure, holding government deposits, and expanding trade. This chapter follows the nation's first broadly multinational financial institution in its overseas expansion and evaluates these twin strategies: follow the (US) flag; model the British.

The chapter asserts that the International Banking Corporation began essentially as a side-gig for Gilded Age tycoons to finance trade and profit from US imperial ventures. However, its branches became a significant part of the emerging architecture of US financial power overseas in the early 1900s after IBC's acquisition by National City Bank—today's Citi. As such, its practices for

[3] W.M. Simmons. Those 'Good Old Days'. Jul 25, 1972. RG 7, History of International Banking Corporation – Employee Memoirs. Citi.

evaluating borrowers and extending credit took on disproportionate importance as the bank became folded into Citi's larger overseas network. This chapter draws on previously overlooked internal records of the International Banking Corporation—such as ledgers, executives' minutes, and correspondence—to provide a more complete picture of how and why the bank operated overseas than has previously been available. This new evidence sheds light on two interconnected questions: first, what relationship the bank had with the US state; and second, what protocols and practices shaped the bank's allocations of credit. These questions focus on two seemingly different planes of banking operations. The state-bank raises questions about Washington-authorized privileges and metropolitan connections that created the bank. Questions about credit practices focus on the more day-to-day aspects of bank lending. Examining the questions in tandem reveals that they are inherently interconnected. US financial power expanded overseas due to its connections to the federal government, and the government's collaboration with IBC created a mechanism for channeling US political power into economic opportunities. The bank offered a tool to convert public deposits and Gilded Age fortunes into access to credit and investments overseas. Further, bankers determined how and to whom those opportunities would be distributed with processes that tended to increase the power of already established elites.

The approach also reveals the centrality of personal knowledge in both public and private sectors, as bankers and US government officials navigated new overseas contexts. IBC's history looks at first like a fringe story about the shadowy underbelly of US empire and commercial expansion. However, depicting the bank's work as emblematic of Gilded Age corruption overlooks the deeper structural connections between bankers' work and the US state. Indeed, the inside history of IBC's operation reveals that reliance on connections for business networking were, in fact, core features of international commerce and diplomacy during the time. Political nepotism and "insider lending" were different iterations of a common emphasis on face-to-face knowledge and personal trust. In Washington, for instance, bankers used board members' connections to win favor with President Theodore Roosevelt's administration. In their overseas environments, bankers used interlocking directorates and social club memberships to recruit business and verify the trustworthiness of borrowers. IBC institutionalized these practices in its construction of the nation's first international banking network. Moreover, the bank did not invent these practices in a financial vacuum; instead, IBC modeled British banking and built institutions that layered US imperial power on top of a substrate of British colonial practices.

The analysis investigates Dollar Diplomacy from the perspective of a bank, rather than from traditional state-based perspectives. It takes up questions about the dynamics of economic and imperial intervention that have been central to scholars of US foreign relations for decades, but rather than seeing from the state's perspective, it starts from inside the archives of banks and private companies.[4] Shifting the perspective offers two key insights. First, it creates a chance to examine the mechanics of the "chosen instrument" model: When did it work and when did it falter? What happened when state-bank agendas diverged? As the chapter argues, IBC was never the government's platonic ideal of an international banker; however, it was the only US banking option in a number of contexts. By analyzing interactions with an ambivalently chosen instrument, we can better understand the innerworkings of state-bank reliance. Second, the analysis reveals that "American-ness" was a brand that IBC bankers embraced or downplayed, depending on context and audience. When speaking with US government officials, bank executives celebrated their service to "American commerce." When working in China's treaty ports, for example, IBC banks often had more British staff than US employees, and the influence of British employees was so pronounced

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[4] Rosenberg, *Financial Missionaries*; *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*; Veeser. For the historiography of the economic dimensions of US foreign-relations history, see also: Kramer, "Embedding Capital." Established literature in this field includes: William Appleman Williams, "The Frontier Thesis and American Foreign Policy," *The Pacific Historical Review* 24, no. 4 (1955); *The Tragedy of American Diplomacy*; Gardner; LaFeber, *Inevitable Revolutions : The United States in Central America*. For a more focused discussion of "chosen instrument," see *Spreading the American Dream*, 59-62.

that the bank launched a concerted initiative to "Americanize" its staff in the 1920s.[5] By examining the "instrument" side of chosen-instrument dynamics, the importance of British imperial models and colonial power comes to the fore.[6]

Additionally, by focusing on the protocols and daily practices of banking, the chapter sheds light on the way in which government favoritism was translated into individual financial opportunities. As recent historians of capitalism have demonstrated, the day-to-day work of bookkeeping and accounting, for example, represent important tools for encoding and perpetuating elite privilege and racialized labor inequality.[7] This chapter grounds IBC's elite connections—with the US government and a board of railroad tycoons, for example—in a larger context of questioning how those connections affected the distribution of credit. The chapter proceeds by establishing the context of multinational banking at the turn of the century. Next, it uses new evidence to explain how the International Banking Corporation came into being and why it acquired the status it did. Finally, it examines the bank's lending practices overseas in order to understand how bankers conveyed financial opportunities in their adopted communities. As these layers of analysis reveal, IBC functioned as an appendage to US empire and sustained itself by parroting British practices and leveraging the personal connections of its powerful board.

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[5] Dirk De Young. Yankee Finance on the Seven Seas. 1925. RG 7, Yankee Finance. Citi. Peter Starr, *Citibank: A Century in Asia* (Singapore: Editions Didier Millet, 2002), 56.

[6] For more context about inter-imperial continuities between British and US overseas colonial administration and power, see also: Paul A. Kramer, "Empires, Exceptions, and Anglo-Saxons: Race and Rule between the British and United States Empires, 1880–1910," *Journal of American History* (2002); "Reflex Actions: Colonialism, Corruption and the Politics of Technocracy in the Early Twentieth Century United States," in *Challenging US Foreign Policy: America and the World in the Long Twentieth Century* ed. Bevan Sewell and Scott Lucas (London: Palgrave MacMillan, 2011).

[7] See, for example: Caitlin Rosenthal, "Slavery's Scientific Management: Masters and Managers," in *Slavery's Capitalism: A New History of American Economic Development* ed. Sven Beckert and Seth Rockman (Philadelphia: University of Pennsylvania Press, 2016); *Accounting for Slavery : Masters and Management*. Levy, *Freaks of Fortune : The Emerging World of Capitalism and Risk in America*.

I. Banking Context

In the late nineteenth century, there was essentially no such thing as a US international bank. Several US banks had affiliated offices in London, and many maintained close relationships with European correspondents.[8] These arrangements, which were often reciprocal, formed a dense network of connected financial institutions that allowed bankers to move money, finance trade, and invest in far-flung locations without maintaining an on-the-ground presence. In many ways, correspondent relationships functioned much the same as a branch network. The chief difference was that, in a correspondent network, communication and financial transactions occurred among partnering institutions, rather than among employees within the same firm. Correspondent banks typically relied on London as the center for clearing bills and settling accounts. London was an efficient place to conduct international banking in part because the British sterling was the dominant currency of international trade and because British banking networks spanned the globe. British banks expanded overseas in tandem with British empire-building, and by 1913, 1,286 British branches operated around the world.[9] The reach of British banks was so extensive that, in 1863, *Bankers' Magazine* published a parody prospectus for a bank in the only two places that seemed to lack British financial services: the North and South Poles.[10]

While the correspondent system was effective for executing international transactions, it carried a few downsides for US businesses. Most obviously, trades were usually conducted in British sterling, so US traders paid transaction fees and foreign exchange costs.[11] Another downside

[8] Olivier Accominotti, "International Banking and Transmission of the 1931 Financial Crisis," *The Economic History Review* 72, no. 1 (2019); Edwin J. Perkins, *Financing Anglo-American Trade: The House of Brown, 1800-1880* (Cambridge: Harvard University Press, 1975). Guaranty Trust Company of New York, *One Hundred Years of Banking Service, 1839-1939* (New York: Guaranty Trust, 1939), 26.
[9] Geoffrey Jones, "Competitive Advantages in British Multinational Banking since 1890," in *Banks as Multinationals*, ed. Geoffrey Jones (London; New York: Routledge), 31.
[10] A. S. J. Baster, *The International Banks* (New York: Arno Press, 1977 [1935]), 40.
[11] Paul Philip Abrahams, *The Foreign Expansion of American Finance and Its Relationship to the Foreign Economic Policies of the United States, 1907-1921* (New York: Arno Press, 1976), Reprint of author's thesis, University of Wisconsin, 8.

involved access to information. In the process of financing trades, British bankers reviewed paperwork that revealed prices of goods, shipping details, and other information that US manufacturers considered to be "trade secrets." As US manufacturers became increasingly focused on international trade in the early 1900s, trade advocates accused foreign banks of sharing these secrets with their own business communities.[12] Additionally, correspondent banks did not always provide reliable credit information about trading partners overseas. Within the United States, banks frequently exchanged information about merchants' reputations, and they answered inquiries from mercantile agencies seeking credit information. By contrast, British banks did not operate according to the same norms of information sharing. British banks did not customarily "answer inquiries coming from individuals or firms that do not keep an account with the bank," noted a US Commerce Department publication. "Information given out by British banks in regard to firms' standings is usually of a general and noncommittal character."[13]

High transactions costs and lack of information access might have impeded US international trade; however, in the early 1900s, the barriers were not so onerous as to motivate lawmakers to change the National Banking Act of 1864. For decades, regulators had interpreted the Act as barring large national banks—which possessed the capital necessary to operate expensive overseas branches—from opening offices abroad.[14] Opposition to branching stemmed primarily from local, state-chartered banks and their concerns about having to compete with the branches of large, national banks.[15] Debates about branching were grounded in domestic US politics; however, the

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[12] Clyde William Phelps, *The Foreign Expansion of American Banks: American Branch Banking Abroad* (New York: Ronald Press Co., 1927), 48.
[13] Department of Commerce. *Sources of Foreign Credit Information*. A.S. Hillyer. Washington, D.C.: Government Printing Office, 1924.
[14] The rule specified that "usual business be transacted at an office or banking house located in the place specified in its organizational certificate," and regulators interpreted the language to preclude the operation of both foreign and domestic branches. As cited by: J. Lawrence Broz, *The International Origins of the Federal Reserve System* (Ithaca: Cornell University Press, 1997), 21.
[15] Eugene Nelson White, "The Political Economy of Banking Regulation, 1864-1933," *The Journal of Economic History* 42, no. 1 (1982).

banking system's embrace of "unit banking," as the system was called, rather than branching constrained international activities. State banks and trust companies were not encumbered by the same regulations, and several state legislatures proved amenable to approving international bank operations.[16] The most significant of these branching ventures came out of Connecticut in 1901 when the state legislature approved the charter of the International Banking Corporation, originally named the International Company.[17]

II. "Rotten Borough" Beginnings

In 1901, the Connecticut legislature made a curiously audacious move: it chartered a bank with virtually unlimited power—including the ability to invest, issue bonds, accept deposits, and establish branches anywhere in the world—as long as it did so outside the state of Connecticut. At the time, Connecticut's legislature was known for being susceptible to lobbyists' cajoling; however, the International Banking Corporation was noteworthy even by Connecticut's corporation-friendly standards. A 1902 newspaper story called IBC's powers "unusually broad."[18] Another attributed IBC's charter to the unique "liberality" of Connecticut banking laws.[19] *The Hartford Courant* was more critical, accusing the legislature of selling out by giving the bank "gratuitous privileges" without benefiting shareholders or Connecticut citizens. According to the charter, IBC's books did not need to be open to stockholders. Its directors did not have to live in Connecticut. The only real burden on IBC was the requirement to file annually with the state's bank commissioner and pay a state tax

[16] For example, West Virginia authorized the incorporation of the Continental Banking and Trust Company of Panama in 1913, and the bank briefly operated four branches in Panama and Colombia before closing. Carosso and Sylla, 68. Phelps, 86. Durrell, 1940.
[17] International Banking Corporation: Charter. Jan, 1901. Item #631, IBC, Charter. Citi.
[18] "Moyer Succeeds Snyder," *New York Tribune*, Nov 22, 1902.
[19] "Many Branch Banks to Be Established," *New York Times*, Jan 2, 1902."

of 0.01% on the bank's capital.[20] Yet, aside from an initial filing after the bank's founding, Connecticut state archivists have no record that such documents were submitted in subsequent years.[21] Three decades after IBC's chartering, Connecticut officials notified IBC that they had no records of its banking registration, and IBC responded with a curt letter reminding the official of IBC's 1901 charter. The bank's response also enclosed a copy of the charter and a bill for the postage to send the paperwork.[22]

Why would the Connecticut legislature charter an international bank in 1901—particularly when the state seemed to gain so little from the arrangement? One way of answering that question is to consider the local pressures. Connecticut's state legislature was notoriously susceptible to corporate lobbyists, due to its "rotten borough" system for distributing political power. The state's constitution allocated one legislator for every town, regardless of size. Thus, the system gave a 300-person town as much legislative power as New Haven, with more than 350 times the population. In practical terms, the system "meant that the General Assembly was actually run by a handful of professionals who returned year after year, as well as the railroad and insurance lobbyists who wined and dined and sometimes paid hayseed legislators," notes historian Christopher Collier.[23] In addition, Connecticut rejected a trend underway in many states to enact general incorporation laws, rather than relying on the special chartering of private businesses. In the late nineteenth century, many states passed legislation for general incorporation as the pathway to create new businesses, due in part to the potential of special charters to increase corruption. According to legal historian Henry Butler, "opportunities for lobbying, logrolling, and bribery had multiplied as the volume of special

[20] "A Few Gratuitous Privileges," *The Hartford Courant*, Jan 6, 1902.
[21] Stephen Rice, Aug 1 2016.
[22] William L. Higgins. Letter to the International Banking Corporation. Sept. 2, 1931. Board Shareholders Files 1, Item 79 State of Connecticut – Secretary's Office. Citi. C.O. Moore. [Letter to Hon. William L. Higgins, Secretary of State of Connecticut]. Sept. 5, 1931. Board Shareholders Files 1, Item 79 State of Connecticut – Secretary's Office. Citi.
[23] Christopher Collier, "New England Specter: Town and State in Connecticut History, Law and Myth," *Connecticut Historical Society Bulletin* 3-4 (1995). For more about Connecticut's "town-rule" legislature, see also: Clarence Deming, "Town Rule in Connecticut," *Political Science Quarterly* 4, no. 3 (1889).

chartering legislation increased," and as a result, many states adopted constitutional bans on the practice.[24] Not so for Connecticut—its legislative structure continued to prove ripe for lobbyists to receive a state-sponsored monopoly on nontraditional banking activities.

IBC's board reflected the same people who would have had sway with Connecticut's legislature—the pinnacle of railroad and insurance elites, among other Gilded Age tycoons. In fact, a Connecticut legislator, Allen Paige, was among the first members of the bank's board and potentially played a role in lobbying for its creation, though available archival evidence sheds little light on the dynamics of his involvement. IBC's first president, Marcellus Hartley, made his fortune as an arms dealer for the US government during the Civil War and went on to become owner of Remington Arms. In the 1860s, the Union Army commissioned Hartley to travel to Europe and buy up munitions before the Confederacy could acquire them. The profits Hartley amassed during the war allowed him to buy and reorganize Remington Arms in the company's post-war financial slump. Hartley also acquired several New England factories during the downturn and combined them to form the Union Metallic Cartridge Company.[25] Hartley became close friends with Henry Hyde, President of Equitable Life Assurance, and joined the board of directors Equitable, then one of the nation's most powerful companies.[26]

While the available archival sources do not reveal exactly why IBC was founded, the existing evidence suggests that the motley, powerful assortment of board members were drawn to IBC as a flexible financial vehicle that might support their own agendas. However, the exact agenda seemed to differ depending on board member. A number of members rotated off the board after only a year or two of service, as IBC's emerging agenda did not align with their own. Nearly a third of the more

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[24] Henry N. Butler, "Nineteenth-Century Jurisdictional Competition in the Granting of Corporate Privileges," *The Journal of Legal Studies* 14, no. 1 (1985): 149.
[25] Marcellus Hartley, *A Brief Memoir* (New York: Privately Printed, 1903).
[26] Roscoe Carlyle Buley, *The Equitable Life Assurance Society of the United States : One Hundredth Anniversary History, 1859-1959* (New York: Appleton-Century-Crofts, 1959).

than 40 people who served on the board in the bank's first two years of operation did not continue beyond 1904.[27] As historian John Hart has demonstrated, many of the initial board members had prior business interests in Mexico, the Caribbean, and the US West. For example, Jules Bache, a powerful New York financier and founder of the prominent firm J.B. Bache, had investments in Texas petroleum as well as Mexican railroads.[28] Juan Ceballos, a New York-born businessman of Spanish descent, had interests in a range of Caribbean and Mexican projects, such as the New York and Porto Rico Steamship Company and Cuban sugar exporting.[29] Henry Manning might have seen the benefits of having partial control of an international bank in order to benefit his well-known business in exporting industrial machinery, such as cranes and pneumatic tools.[30] Board members also included Alfred Vanderbilt, son of Cornelius Vanderbilt, who inherited the bulk of his father's business in 1899; Isaac Guggenheim, an active member of his family's global mining enterprise; Edwin Gould, son of railroad magnate Jay Gould; and Henry Huntington, nephew of Collis Huntington and founder of Huntington Library outside of Los Angeles, California.[31] Many of members of IBC's board were exactly the same individuals who earned personal fortunes—or, more commonly, inherited personal fortunes—from over-constructing the US rail system and receiving government bailouts, as historian Richard White has argued.[32] In IBC's flexible charter, these investors and industrialists would likely have seen the possibility of lowering transaction costs as compared to using British banks, as well as opportunities to expand their investments into new markets in Asia and the Americas (see Figure *1-1*[33]).

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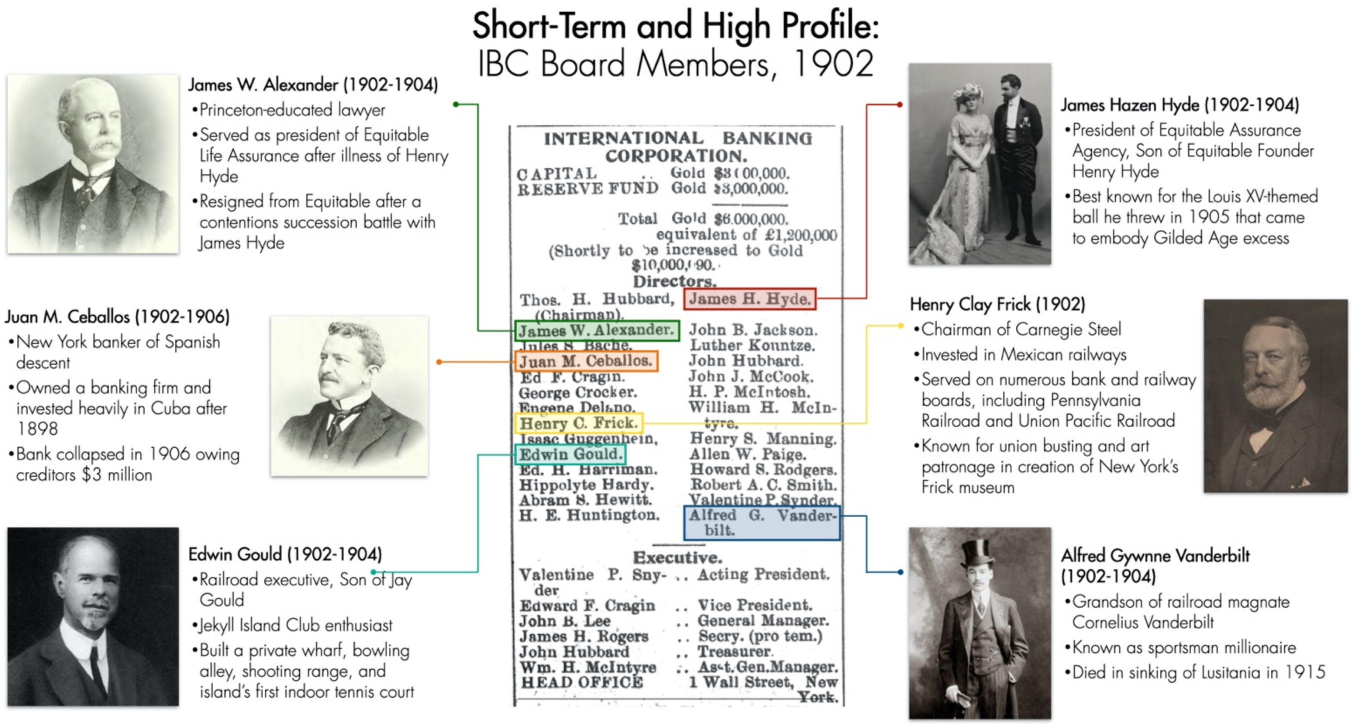
27 Board membership data for 1902-1904 from: "International Banking Corporation [Advertisement]," *The Straits Times*, Oct 3, 1902. International Banking Corporation: Board of Directors. 1903. RG 350, Container #418, 5500-21. National Archives. *Moody's Manual of Railroads and Corporation Securities*, (New York: Moody Manual Co., 1904).
28 Hart, 93.
29 Mitchell C. Harrison, *New York State's Prominent and Progressive Men, Vol 1* (New York: New York Tribune, 1900), 60-61.
30 "Retirement of Henry S. Manning," *The Iron Trade Review*, Jan 19, 1905.
31 "International Banking Concern," *New York Tribune*, Dec 13, 1903.
32 Richard White, *Railroaded: The Transcontinentals and the Making of Modern America* (New York: WW Norton & Co, 2012).
33 Data sources: Patricia Beard, *After the Ball : Gilded Age Secrets, Boardroom Betrayals, and the Party That Ignited the Great Wall Street Scandal of 1905* (New York: HarperCollins, 2003). "Equitable Fight Is Hot," *New York Tribune*, Apr 5, 1905;

Figure 2-1: Prominent IBC Board Members, 1902



Another axis of interest involved board members associated with life insurance corporations who likely sought to use IBC as a tool to diversify their investments. The initial formation of the bank depended heavily on support from Equitable Life Assurance, the largest subscriber, which held 17% of the initial issue.[34] Eight of Equitable's directors served on IBC's board.[35] The firm did not hold the stake for long: Henry Hyde passed away shortly before the founding of IBC, and many of his successors believed that ownership of IBC constituted a conflict of interest with other banking

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Harrison, 3-4, 60-61; "Juan M. Ceballos Dies in His Office," *New York Times*, Feb 2, 1913; White; William B. McCash and June Hall McCash, *The Jekyll Island Club : Southern Haven for America's Millionaires* (Athens: University of Georgia Press, 1989), 107-09; Sven Beckert, *The Monied Metropolis : New York City and the Consolidation of the American Bourgeoisie, 1850–1896* (Cambridge, UK: Cambridge University Press, 2001), #2556; "Mr. Carnegie Sheps Out," *Chicago Daily Tribune*, May 6, 1899; Hart, 95-99; "Mr. Alfred Gwynne Vanderbilt." The Lusitania Resource, Jul 1, 2020. https://www.rmslusitania.info/people/saloon/alfred-vanderbilt/.
Images: IBC Board List: "International Banking Corporation [Advertisement]." James Alexander: Harrison, 3. Ceballos: ibid., 60. Gould: "History." Edwin Gould Services for Children & Families, nd. May 26, 2020. https://egscf.org/about/history/. Hyde: Byron Company, *James Hazen Hyde and His Sister Comtesse De Rougemont at the Hyde Ball at Sherry's in 1905,* 1905. Museum of the City of New York. Frick: Ernest Walter Histed. Henry Clay Frick. 1912. Number 56.386.45. Museum of the City of New York. Vanderbilt: "Mr. Alfred Gwynne Vanderbilt".
[34] Subscription Agreement. Dec. 20, 1901. RG 7, Annual Directors Meeting Minutes. Citi.
[35] Hart, 96.

investments that Equitable maintained. In 1902, the firm sold much of its stock to General Thomas Hubbard, who became president of IBC and a major driving force in the firm following Marcellus Hartley's death.[36] Their sale might have stemmed from a difference of opinion about how to use IBC's charter. An internal bank memorandum suggested that several insurance-affiliated board members invested in IBC less for the possibilities of operating international branches and more because its expansive charter made it a useful investing vehicle for acquiring stakes in other US banks and foreign firms.[37] In 1903, the bank's executive committee opted not to use IBC to buy stocks in smaller, US banks or international firms. Instead, IBC chose to focus on international banking, and several directors associated with Equitable Life Assurance discontinued their involvement shortly thereafter.[38] The precise impetus for founding IBC remains unclear, but what is clear is that shortly before Marcellus Hartley's death in January 1902, he and his fellow board members organized a group of shareholders to create a bank with $3 million in paid up capital and an additional surplus of $3 million.[39]

A number of IBC leaders brought powerful political connections to their involvement (see *Figure 1-2*). President General Hubbard was a well-connected in the Republican Party and had extensive ties to railroad magnates.[40] Hubbard, the son of a former governor of Maine, had served as a general in the Civil War and later became a distinguished Manhattan attorney who specialized in railroad bankruptcies and reorganizations. Hubbard worked frequently with railroad tycoon Collis Huntington and served as vice president of Huntington's Southern Pacific. A graduate of Bowdoin College, Hubbard became a major booster for the school; insisted on hiring many Bowdoin

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36 Buley, 106.
37 Thomas Cochran. The International Banking Corporation During the Chairmanship of Thomas H. Hubbard 1901-1915. [1945]. RG 7, History of IBC - Cochran (1943-1965), Citi.
38 Equitable leaders James W. Alexander, James H. Hyde, and William H. McIntyre all served on IBC's board through 1904 but discontinued their involvement the following year. *Moody's Manual of Railroads and Corporation Securities. Moody's Manual of Railroads and Corporation Securities*, (New York: Moody Publishing Co., 1905).
39 "Subscription Agreement." 1901.
40 James M. Morgan, *Recollections of a Rebel Reefer* (Boston: Houghton Mifflin, 1917), 475.

graduates to work at IBC; and endowed the school's library—a building still known as Hubbard Hall.[41] Hubbard practiced law with Thomas E. Stillman, brother of National City Bank President James Stillman.[42] Their firm and its powerful connections helped Hubbard acquire directorships in railroads and banks: Hubbard served on the board of the Western National Bank, which focused on investing in railroads in the US West. Western National and IBC had substantial overlap.[43] At least six members of the Western's board served on the Board of IBC in its first year of operation.[44] Western National Bank and Equitable Assurance were themselves so enmeshed that IBC seems almost like the international arm of an already entangled cohort of Gilded Age elites, many of whom boasted extensive political power. Hubbard owned a stake in the New York newspaper *The Globe and Commercial Advertiser* and knew prominent journalists, including editor Joseph Bucklin Bishop—a close friend of Theodore Roosevelt.[45] Hubbard used the connections to lobby President Roosevelt to name IBC as the government's fiscal agent in Panama and to secure an audience with the President. Hubbard succeeded on both fronts.[46]

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41 Henry S. Burrage, *Thomas Hamlin Hubbard : Bvt. Brigadier General U.S. Vols* (Portland1923). "Gen. T.H. Hubbard, Financier, Dead," *The New York Times*, May 20, 1915. "Campus and Buildings." Bowdoin College, Mar 25, 2020. https://www.bowdoin.edu/about/campus-location/facilities/campus-and-buildings.html.

42 "Two Banks Consolidate: The Western National Absorbs the United States National," *New York Tribune*, Nov 20, 1897.

43 Hart, 93; "Western National Bank Meeting," *New York Tribune*, Jan 30, 1903.

44 James W. Alexander, Juan M. Ceballos, Marcellus Hartley, Thomas H. Hubbard, James H. Hyde, and Valentine P. Snyder are the key interlocks. "Elections of the Banks: Few Changes Made in the Directorates of National and State Institutions," *New York Times*, Jan 10, 1900. "The International Bank: Secretary Gage Not Chosen to Succeed Marcellus Hartley," *New York Times*, Jan 23, 1902. "Many Branch Banks to Be Established." "Western National Bank Meeting." Notably, future Secretary of State Elihu Root also sat on the Western's board, but it's unclear if the relationships he would have developed with future IBC board members affected IBC's future selection as a government fiscal agent.

45 Bishop had developed a close relationship to Theodore Roosevelt when Roosevelt was New York City's police commissioner and Bishop served as editor of New York's *Evening Post*. Charles O. Bishop, *The Lion and the Journalist : The Unlikely Friendship of Theodore Roosevelt and Joseph Bucklin Bishop* (Guilford: Lyons Press, 2012), vi.

46 Ibid. See also: Joseph Bucklin Bishop. Letter to Theodore Roosevelt. Jan. 21, 1904. Theodore Roosevelt Papers, http://www.theodorerooseveltcenter.org/Research/Digital-Library/Record.aspx?libID=o43800. Library of Congress Manuscript Division, Theodore Roosevelt Digital Library. Theodore Roosevelt. Letter to Joseph Bucklin Bishop. Jan. 22, 1904. Theodore Roosevelt Digital Library, http://www.theodorerooseveltcenter.org/Research/Digital-Library/Record.aspx?libID=o187162. Library of Congress Manuscript Division.
Letter to Joseph Bucklin Bishop. Oct. 30, 1903. Theodore Roosevelt Digital Library, http://www.theodorerooseveltcenter.org/Research/Digital-Library/Record.aspx?libID=o186328. Library of Congress Manuscript Division.

Figure 1-2: Directors with Continuous Leadership on IBC Board, 1902-1910[47]

Name	Biographical Notes
Jules S. Bache *JS Bache & Company*	• Commodities trader, banker and art collector • Firm JS Bache later acquired by Prudential Life in 1980s • Bequeathed $20 million art collection to New York's Metropolitan Museum[48]
Juan M. Ceballos *JM Ceballos & Company*	• New York financier of Spanish descent • Owned a banking firm and invested heavily in Cuba after US War • Bank collapsed in 1906 with Ceballos owing creditors $3 million[49]
George Crocker *Pacific Improvement Company*	• Son of California railroad investor • Former partner of Collis Huntington and Leland Stanford • Inherited a railroad fortune[50]
Isaac Guggenheim *American Smelting and Refining Company*	• Eldest son of Meyer Guggenheim, founder of the family mining business • Established Guggenheim Brothers with his 6 brothers after father's death in 1905
Edward H. Harriman *Union Pacific Railroad*	• "World's greatest railroad man," according to the New York Times[51] • Director of Union Pacific and dozens of other railway lines • Specialized in rebuilding foreclosed and failing lines
John Hubbard *International Banking Corporation*	• Son of Thomas Hubbard • Joined NYC office of IBC with no banking experience[52]
Thomas H. Hubbard *International Banking Corporation*	• Lawyer and partner with Thomas Stillman, brother of National City Bank's James Stillman • Worked as Collis Huntington's lawyer for Southern Pacific Railroad and gained seat on numerous railway boards[53]
Henry E. Huntington *Southern Pacific Railroad Company*	• Nephew of railroad tycoon Collis Huntington • Worked within Southern Pacific Railway[54] • Went on to become real estate magnate in Southern California • Donated books and art collection to create Huntington Library
John B. Jackson *Fidelity Title & Trust Company*	• "One of the most prominent men of Pittsburg"[55] • Financier and railroad investor[56]

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[47] Board membership data from: "International Banking Corporation [Advertisement]." "International Banking Corporation: Board of Directors." 1903. *Moody's Manual of Railroads and Corporation Securities*; *Moody's Manual of Railroads and Corporation Securities*. *Moody's Manual of Corporation Securities*, Moody's Manual of Corporation Securities. (New York: John Moody & Co., 1906). [International Banking Corporation]. Jun 30, 1910. RG 350, Box 418, National Archives. Data for 1907, 1908, and 1909 not available, but these 15 names served on the board for all other years available up to and including 1910.

[48] "Jules Bache Gives His $20,000,000 Art Collection to New York," *Life* (1937).

[49] Harrison; "Juan M. Ceballos Dies in His Office."

[50] Harrison.

[51] "Edward H. Harriman," *New York Times*, Sep 10, 1909.

[52] Citicorp, *Citicorp in China : A Colorful, Very Presonal History since 1902* (Citicorp [Citibank], 1989).

[53] "Gen. T.H. Hubbard, Financier, Dead." Burrage.

[54] White.

[55] "Pittsburg Banker Killed," *New York Times*, Nov 1, 1908.

[56] Allegheny Valley Railway Company, "Annual Report of the Allegheny Valley Railway Company for the Year," in *Annual report of the Allegheny Valley Railway Company for the year ...* (Philadelphia: Allen, Lane & Scott, 1892).

Henry S. Manning *Manning, Maxwell & Moore*	• Partner in prominent industrial-equipment sales firm • Firm held controlling interests in companies that manufactured traveling cranes, air hoists, and "other pneumatic tools"[57]
John J. McCook *Alexander & Green*	• Corporate lawyer who represented major railroads • Hatched failed scheme to expand US railroad development in Russia and China via trans-Siberian railroad in 1890s • Labeled a "Second-echelon chieftain" by historian T. McCormick[58]
Henry P. McIntosh *Guardian Trust Company*	• Ohio-born former railroad telegrapher who went on to become president of one of Cleveland's most established banks • Involved in financing throughout Midwest • Served on board of many manufacturing companies[59]
Allen W. Paige *State Senator, Connecticut*	• Lawyer and state senator for Connecticut • Prominent in state's Republican Party • Involved in Connecticut legislature's chartering of banks[60]
Howard S. Rodgers *Merchants' National Bank*	• Kentucky-born engineer-turned-banker • Assumed leadership of Merchants' National Bank in Cincinnati[61]
Robert AC Smith *American Mail Steamship Company*	• British-born investor in Cuban infrastructure • Became head of major steamship company[62] • Known as a New York socialite: "He speaks Spanish like a hidalgo, and he entertains like a king," according to WSJ[63]

IBC's designation as financial agent to collect the Boxer Indemnity payment for the United States represented a significant credibility boost to the fledgling bank. Why exactly the government chose IBC when it had originally planned to use British intermediaries is less clear, but personal connections likely weighed heavily in the consideration. IBC retained Frederick W. Holls, a prominent international attorney and US delegate to the Hague Convention of 1899, as its lawyer. Holls was also a close friend and confidante of President Theodore Roosevelt and a frequent visitor to the White House.[64] *The Washington Post* speculated that the selection of IBC was "largely due to

57 "Retirement of Henry S. Manning."
58 Thomas McCormick, "The Wilson-McCook Scheme of 1896-1897," *Pacific Historical Review* 36, no. 1 (1967): 48.
59 *A History of Cleveland and Its Environs: The Heart of New Connecticut*, vol. II (Chicago, New York: Lewis Publishing Company, 1918).
60 "The Connecticut Muddle," *New York Tribune*, Mar 9, 1891. "State Whipping Post," *The Hartford Courant*, Mar 1, 1901.
61 Paul A. Tenkotte and James C. Claypool, *The Encyclopedia of Northern Kentucky* (Lexington, KY: University Press of Kentucky, 2009).
62 "Robert A.C. Smith," *New York Tribune*, Nov 29, 1911.
63 "'R.A.C.'," *Wall Street Journal*, Jan 24, 1913.
64 "Plans of New Oriental Bank: International Corporation to Develop the Trade of Far East," *San Francisco Chronicle*, Jan 3, 1902. "About People and Social Incidents: At the White House," *New York Tribune*, Dec 17, 1901. "The White House Dinner: Prince Entertained in Great East Room by the President," *New York Times*, Feb 25, 1902.

the efforts of Mr. Frederick W. Holls."[65] Holls was not the bank's only personal connection to the President. Board member John J. McCook also counted the President as a personal friend. Shortly after Roosevelt's 1901 inauguration, McCook wrote to Roosevelt about IBC board elections. The letter contained no explicit request for government appointments, but its familiarity—referring to IBC simply as "the bank" and referencing debates about the leadership of IBC's board—suggests that Roosevelt knew of IBC and its international aspirations.[66] In 1904, McCook wrote to Roosevelt about IBC President Thomas Hubbard. The letters do not mention IBC or banking; instead, they focus on Hubbard's ownership of the *Globe* and Roosevelt's desire for the endorsement of Hubbard's paper and for Hubbard's support. In one letter, McCook wrote: "If Gen Hubbard retains control [of the *Globe*] he will I am sure direct its policy aright, for he strongly favours your direction."[67] IBC board member W. Murray Crane, Governor of Massachusetts, also corresponded frequently with President Roosevelt. Crane had declined Roosevelt's invitation to serve as Treasury Secretary, but he continued to advise Roosevelt informally: "you will always find in me a most devoted friend and an earnest supporter of your administration," Crane assured.[68] Given the levels of friendship and trust among multiple members of IBC board and the Roosevelt Administration, it is not surprising that IBC received careful consideration for serving as the government's overseas banker.

IBC's founders, such as Hartley, Hubbard, and McCook, handpicked the bank's early shareholders. Subscribers were identified by "personal request," and if bank executives sensed that someone planned to sell off bank shares, the investors were refunded their money in favor of those

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65 "Fiscal Agents in Orient: An American Corporation Will Supplant the English Bankers," *The Washington Post*, Jan 1, 1902.
66 John J. McCook. [Letter to Hon. Theodore Roosevelt]. Nov 2, 1901. Theodore Roosevelt Papers, Reel 20, Library of Congress.
67 [Letter to Mr. President]. Aug 19, 1904. Theodore Roosevelt Papers, Reel 46, Library of Congress.
68 W. Murray Crane. [Letter to My Dear Mr. President]. Aug 23, 1902. Theodore Roosevelt Papers, Reel 29, Library of Congress; [Letter to My Dear Mr. President]. Dec 26, 1901. Theodore Roosevelt Papers, Reel 23, Library of Congress; ibid.

who were interested in long-term holdings.[69] The result was a carefully curated and interconnected set of investors. After Equitable, the second largest subscriber for the bank was the "Belgian Group," a consortium that represented King Leopold of Belgium—a ruler best known for colonial exploitation of the Belgian Congo, which led to the death of millions of Congolese. The King invested in part because he wanted to secure Belgian participation in financing railroad construction between Beijing and Hankow.[70] While King Leopold played no active leadership role in the bank, the Belgian interests maintained a seat on IBC's board through Pierre Mali, Belgian consul to the United States, and the consortium sought to use IBC to gain a foothold in a US-backed banking syndicate that could finance the railroad construction.[71]

The financial opportunities linked to US imperialism were not lost on IBC's leadership, and the bank's founders celebrated the possibilities that might accompany US colonialism overseas. As Thomas Hubbard told the *New York Times* in 1902, "Heretofore there has been no particular need in the United States for a banking institution doing an international business, but since the Spanish war and the tremendous trade of recent years with South America and the promise of constantly increasing commerce with China and the Orient, the necessity for just such an institution as this has developed."[72] IBC officials boasted that the bank was founded "closely in the wake of the Spanish-American war… for the purpose of developing American foreign trade, establishing branches in the Philippines, Panama and China working hand in hand with Uncle Sam."[73] The locations of IBC's early branches coincided with the US overseas colonial empire. IBC even tried to establish a branch in Cuba, a key site of US empire in the Caribbean, but an advisor warned in 1902 that Cuba was already saturated with banks. IBC would be better served using correspondents on the island

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[69] IBC Executive Committee. Executive Committee Meeting Minutes. 1902-1905. Item #335 - 1. Citi. Feb. 7, 1902.
[70] Guy Cary. Comments [Letter to G.S. Rentschler]. Aug. 24, 1943. RG 7, History of IBC - Cochran (1943-1965). Citi.. "Hankow" also appears as "Hankou" in some writings and translations.
[71] IBC Executive Committee, 1902-1905. Feb. 27, 1903.
[72] "Many Branch Banks to Be Established."
[73] De Young, 1925.

instead, he noted.[74] Thus, in broad contours, IBC envisioned an overseas presence that piggybacked on US imperialism and used US government funds as working capital. Once in place, bankers would channel those deposits to burgeoning US business interests in Asia and the Americas.

III. Hand-in-Hand with Uncle Sam

From the US government's perspective, there was a central problem to IBC's working "hand in hand with Uncle Sam." Namely, IBC was not as a good of a banker as the US government had hoped. Instead of serving as a model of Emily Rosenberg's "chosen instrument" for US foreign policy implementation, IBC behaved more as a bumbling, distractible sidekick that followed its own agenda and often faltered in its execution of government directives. A brief tour of early state-bank relations reveals government ambivalence about the competency of IBC's management and its financial status for conducting the type of overseas banking that the government wanted to execute. After all, venerable British banks were already quite capable of carrying out the functions that IBC purported to offer. One function the government needed in an overseas bank involved the physical safeguarding of cash deposits. Without banking facilities, military personnel had to keep money in their possession, which exposed them to multiple risks.[75] The government's financial needs grew as the US military expanded its international operations and long-term presence in more locations, and the government needed to pay an increasingly varied set of contractors and suppliers around the world.

British banks were well equipped to fulfill these duties, and the US government had relied on British banks in a number of contexts during the nineteenth century. Two British banks—the

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74 IBC Executive Committee, 1902-1905. Mar. 24, 1902.

75 See, for example: Josephus Daniels. Letter to the Secretary of the Treausury. Jun 5, 1915. RG 80, Folder 14708-11. National Archive.

Hongkong & Shanghai Banking Corporation and the Chartered Bank of India, Australia, and China—had served as fiscal agents for the United States during the war in the Philippines, before IBC opened an office.[76] Even after IBC opened and was named fiscal agent, it shared that designation—and the deposits that accompanied it—with the Hongkong and Chartered Banks.[77] European international banks typically had more years of experience and greater capital at their disposal. For example, by 1903, the Manila branch of the Hongkong & Shanghai Banking Corporation had twice the deposits of IBC and five times its loan portfolio.[78] English colonial banks also had established track records of converting high rates of profit into large dividends for shareholders, as well as reputations for conservatism and safety.[79]

Why then would the US government want or need an upstart US bank to accomplish tasks so capably fulfilled by British financiers? The broader agenda of Open Door-era politics involved creating more opportunities for US businesses overseas. In the eyes of many government officials, a US bank could facilitate the expansion of US commerce.[80] However, IBC's failure to comply with government guidelines for is fiscal agents strained its support for the US upstart. In one dispute, the War Department stipulated that IBC needed to provide bonds as security for holding government deposits before it could qualify as a fiscal agent.[81] However, the bonds that IBC provided were not

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[76] King, 111.
[77] Another US bank, Guaranty Trust of New York, was also initially named a fiscal agent in Manila, and the bank briefly operated a branch in Manila. However, Guaranty Trust closed its branches in Asia after several months and transferred the "goodwill of the Guaranty Trust Company's business" to IBC in places where it formerly operated. Balance of Funds, Manila. Mar 31, 1903. RG 350, Box 418, Folder 5500. National Archive. Guaranty Trust Company of New York. [Announcement of Withdrawal]. Feb 4, 1904. RG 350, Box 418, Folder 5500. National Archive.
[78] Philippine Banks: Abstraction of Reports of Philippine Banks. Dec. 31, 1903. 101, PC46-28, Philippines. National Archives.
[79] Youssef Cassis, *City Bankers, 1890-1914* (Cambridge [England]; New York: Cambridge University Press, 1994), 185-95. See, for example, Charles Jones, "The Transfer of Banking Techniques from Britain to Argentina, 1862-1914," *Revue internationale d'histoire de la banque* 26 (1983). Joslin, 42.
[80] Clarence R. Edwards. Memorandum for the Secretary of War, in the Matter of Securities for Deposits with the International Banking Corporation. May 24, 1910. RG 350, Box 799, Folder 17959. National Archive.
[81] Elihu Root. Letter to the International Banking Corporation. Jun 21, 1902. RG 350, Box 418, Folder 5500. National Archive.

sufficiently high-class to pass government standards.[82] When pressed, IBC offered alternatives, including two forms of railroad stocks—one worth only 55% of its face value and another for a railroad partly controlled by IBC's Thomas Hubbard—to appease the government.[83] The Chief of the Bureau of Insular Affairs argued that the government should take a lenient stance toward IBC and the imposition of security requirements, given that it served the larger interests of promoting US trade. He called for granting IBC "special consideration" as a new bank finding its footing: "the withdrawal of the only American institution doing a banking business there would be a severe blow to that trade, in addition to the loss of banking competition."[84] Ultimately, the War Department concluded that supporting IBC was in the nation's best interest, but officials suggesting capping deposits in the bank at $2 million to limit its risks.[85]

Additional tensions between US government officials and IBC bankers emerged in IBC's work in China. Starting in 1907, IBC jockeyed to become the on-the-ground representative of an "American Group" financing railroad construction in China. The syndicate also included JP Morgan and National City Bank, among others. The State Department played an active role in the negotiations alongside US financiers who wanted to secure railroad construction contracts. Ultimately, the consortium chose JP Morgan rather than IBC as its loan agent, and Thomas Hubbard publicly denounced the State Department's endorsement of JP Morgan as an act of

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[82] See, for example: International Banking Corporation. [Multiple Letters to War Department, Bureau of Insular Affairs]. 1904. RG 350, Box 418, Folder 5500. National Archive. Clarence R. Edwards. Lettter to J.S. Tait, International Banking Corporation. Dec 9, 1904. RG 350, Box 418, Folder 5500. National Archive.

[83] Memorandum for Major McIntyre. May 10, 1909. RG 350, Box 799, Folder 17959. National Archive. Jacob Dickinson. Letter to Gen. Hubbard, International Banking Corporation. Jun 1, 1910. RG 350, Box 799, Folder 17959. National Archive. "Memorandum for Major McIntyre." 1909; F.C. Boggs. Letter to the International Banking Corporation. Apr 24, 1915. RG 7, IBC, Citi. Frank McIntyre. Letter to H.T.S. Green. 1917. RG 350, Box 890, Folder 17959-137. National Archive; Clarence R. Edwards. Memorandum for the Secretary of War. Apr 24, 1911. RG 350, Box 799, Folder 17959. National Archive.

[84] "Memorandum for the Secretary of War, in the Matter of Securities for Deposits with the International Banking Corporation." 1910.

[85] "Memorandum for Major McIntyre." 1909.

favoritism.[86] The government "ought not to countenance monopolies; it ought not to give special privileges," he admonished at a 1909 meeting of the American Asiatic Association.[87] Despite IBC's high-profile board of directors, the State Department declined to rely on IBC because its small size and lack of resources and opted instead to trust more established financiers.[88]

Another sticking point in China involved the IBC's transfer of Boxer Indemnity payments. A government audit revealed in September 1913 that IBC owed the government $111,956.30 in back payment of the Chinese indemnity. According to IBC attorneys, the discrepancy stemmed from disagreement about the proper exchange rate.[89] As historian Frank King has noted, the exchange rate for the Boxer Indemnity payment was not a self-evident question: even experts acknowledged that the Protocol Treaty left some ambiguities as to whether the Indemnity was a gold or silver debt.[90] The exact nature of the government's disagreement with IBC is unclear, but ultimately, it was settled two years later with IBC paying $6,800 and an additional $5,000 to the special counsel—down from a total initial claim of roughly $120,000.[91]

The disputes resulted in lengthy and sometimes tense exchanges between the bank and the federal government, but they did not warrant a severing of the state-bank connection. In 1917, the US government designated IBC's London branch as the depository and official banking institution for officers of the US Army and Navy.[92] That same year, IBC offered office space to the US consul

[86] Charles Vevier, *The United States and China, 1906-1913; a Study of Finance and Diplomacy* (New Brunswick, N.J.: Rutgers University Press, 1969), 106-09. Hudson, *Bankers and Empire*, 72-73.
[87] "The American Group," *Far Eastern Review* 6 (1910). "Hankow-Szechuan Railroad Loan and the State Department," *The Wall Street Journal*, Feb 16, 1910.
[88] Ian James Bickerton, "Bankers, Businessmen, and the Open Door Policy, 1899-1911" (Ph.D., The Claremont Graduate University, 1974), 245.
[89] L.A. Doherty. Fourth Brief for the International Banking Corporation on the Subject of the Transfer from Shanghai to the United States of the Chinese Indemnity. Mar. 18, 1914. Safekeeping Documents 1 (1904-1926), Item #335: 1911-1915. Citi.
[90] Frank H. H. King, "The Boxer Indemnity: 'Nothing but Bad'," *Modern Asian Studies* 40, no. 3 (2006): 671-73.
[91] IBC Executive Committee. Executive Committee Meeting Minutes. 1914-1918. Item #335, Folder 3. Citi. Jun. 10, 1915
[92] Ibid., Oct. 3.

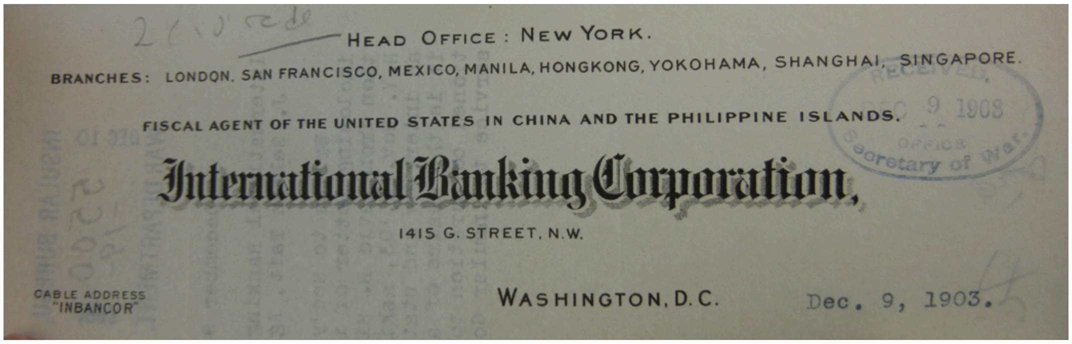
in Manila.[93] Even in the face of repeated questions about IBC's inadequate security for handling state funds overseas, key government leaders affirmed their support for the bank and their trust in its leadership. An auditor commissioned by the War Department examined IBC's books in 1908 and raised concerns about the bank's management. The exchange between the two men—General Clarence Edwards, Chief of the Bureau of Insular Affairs, and auditor Theodore Cocheau—was recorded in a "Confidential Office Memorandum" and provides insight on the rationale for the government's ongoing support of IBC:

> General Edwards: I have great confidence in General Hubbard and think he is a fine man.
> Mr. Cocheau: Yes, but he is not a practical banker, General.
> General Edwards: That is the trouble.
> Mr. Cocheau: …[IBC] might just as well speculate on Wall Street. That is not legitimate banking.[94]

Despite this questioning, War Department officials remained loyal to IBC President Hubbard, and IBC was able to continue benefiting from the reputational associations of serving as fiscal agent—a designation that IBC emblazoned on its letterhead (see *Figure 1-3*).[95] The systems IBC instituted for assessing new business opportunities and creditworthiness of would-be borrowers show how the bank channeled government legitimacy, no matter how precarious behind the scenes, into access to capital for an already elite subset of commercial operators.

93 Ibid.
94 Bureau of Insular Affairs. Confidential Office Memorandum. May 9, 1908. RG 350, Box 799, Folder 17959. National Archive.
95 James M. Morgan. [Letter to Helie]. Dec 23, 1903. #524 James Morris Morgan Papers, Folder 4. The Wilson Library, University of North Carolina at Chapel Hill.

Figure 1-3: IBC letterhead, boasts of being "Fiscal Agent of the United States" (Wilson Library, 1903)



IV. Day-to-Day Banking Abroad

Banking norms in the early 1900s afforded wide latitude for banks to cater to the financial needs of their powerful directors, and IBC did not lack for influential board members. As historian Naomi Lamoreaux has demonstrated, the late nineteenth and early twentieth centuries saw rapid changes in the practices and standards that governed US banking. Traditionally, East Coast banks served as small clubs that facilitated financial exchanges among board members. Lamoreaux reveals that, for much of the nineteenth century, lending decisions among New England banks depended primarily on bank directors, rather than on input from salaried employees. Bank directors typically channeled "the bulk of the funds under their control to themselves, their relatives, or others with personal ties to the board."[96] Because of the practices, banks functioned more like "investment clubs" than publicly accountable financial institutions for much of nineteenth century. These lending practices did not protect the institutions from heavy losses that accompanied financial upheavals of 1890s. Many banks attributed losses to sloppy credit evaluation practices, which prompted bankers to conclude that they could "no longer afford to base their credit decisions on a borrower's general

[96] Naomi R. Lamoreaux, *Insider Lending : Banks, Personal Connections, and Economic Development in Industrial New England* (Cambridge: Cambridge University Press, 1997), 4.

reputation for wealth and probity."[97] Instead, banks needed more systematic protocols for evaluating credit risks. These conclusions were among the pressures that led US banks to establish in-house credit departments in the late nineteenth and early twentieth centuries.

The "insider lending" model helps clarify the culture and information practices of IBC. Much of the bank's operation resembled an "investment club" in terms of privileging contacts of directors and shareholders. IBC's operation was not identical to the insider-lending East Coast banks, which often lent directly to their own board members and members' families. In IBC's case, its directors sometimes served as recipients of loans, but more often, their relationship networks and personal contacts helped seed the branches with sources of clients and credit information. Firsthand information from board contacts tended to take precedence over alternative sources of information, such as financial statements or mercantile agency reports, which were becoming increasingly common tools for evaluating creditworthiness in domestic US banking.

The reliance on personal knowledge makes sense in the face of the massive risks and unknowns that accompanied overseas banking operations. IBC's branches operated where its staff had limited access to information, prior banking experience, or experience with local business customs. The personal networks of directors played a major role in guiding IBC lending decisions, as an investigation of the bank's executive committee minutes and internal documents reveals. The records do not spell out the precise protocol for why some exporters were advanced funds and why others were not. At times, the committee authorized loans without requesting security. In other cases, executives requested collateral to be held against loans.[98] Nonetheless, the records provide windows into the tacit assumptions and concerns that animated such deliberations. The basic

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[97] Ibid., 102.

[98] For example, in 1920, the committee approved an advance of $540,000 for the Pacific Commercial Co. to refinance dishonored drafts for the financing of sugar shipments from Manila. Meanwhile, when Calamba Sugar Estates Co had requested an advance of $500,000, the request was denied, "unless satisfactorily secured or otherwise suitably guaranteed." The minutes do not provide any greater detail about the basis for approving one and rejecting the other. International Banking Corporation. Executive Committee Meetings 1918-1921. Citi, Item #355, IBC.

protocol seems to be that branch managers cabled or wrote to IBC executives in New York regarding requests for trade financing. Credit requests that fell under particular thresholds could be determined by local managers, who would update New York executives after the fact. Financing that exceeded standard lending thresholds required New York's approval. The bank's executive committee—which included at least four of the board's most active members—met multiple times a week between 1902 and 1916. During these meetings, executives would authorize trade financing and set clients' borrowing limits. New York executives sought to centralize control of lending decisions in 1907, after a spate of bad loans afflicted the Manila branch.[99] Shortly after, the executive committee circulated a memorandum to all branches advising accountants to report any suspicious activity to headquarters. Nonetheless, managers continued to operate with little direct oversight from distant executives.[100]

Efforts to consolidate decision-making in New York were designed to help the elite board determine who benefited from IBC services. For example, the bank authorized a "liberal line of credit" for the Fearon Daniel Company in China in 1912.[101] Not coincidentally, the firm's cofounder James Fearon was also an IBC director.[102] Board members also wrote to the executive committee to request favorable financing terms for friends. Juan Ceballos, a board member during IBC's early days, requested in 1902 that the committee support "the banking business of my friends the Philippine Tobacco Company" by financing the firm's exports.[103] The committee did not simply greenlight all the personal requests; instead, it exercised discretion, although the rationale for rejections is not always clear. In 1909, an IBC officer in Mexico City requested a personal loan for

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[99] IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905. See also: H.E. Westcott. International Banking Corporation: Report on Manila Branch and Consolidated Balance Sheet of the Corporation as of December 30th, 1905. May 4, 1907. RG 350, Box 420, Folder 5500. National Archive.
[100] IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905.
[101] Executive Committee Meeting Minutes. 1905-1914. Item #335 - 2. Citi. Apr 11, 1912.
[102] "International Banking Corporation," *Wall Street Journal*, Oct 6, 1903.
[103] IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905.

the creation of a new life insurance company, and the executive committee denied the request.[104] Nonetheless, these references to personal connections, combined with the absence of other processes to mitigate credit risks, suggest that IBC bankers relied heavily on personalized forms of knowledge, at least in the early years of international operations. The personal connections of directors were essential to vetting borrowers and navigating new business opportunities.

Extending these norms to unfamiliar contexts required bankers to learn new methods, and what better practices to model than those of the more established British banking giants, such as Standard Chartered Bank and Hongkong and Shanghai Banking Corporation? Ironically, while IBC executives in New York and Washington emphasized the bank's American-ness and preference for US customers, many outsiders regarded IBC's culture and overseas presence as more similar to a European institution than a US one, due in part to its hiring of European staff. As Daniel De Menocal observed when he arrived in Hong Kong, he was the only US citizen within a staff of roughly twenty people.[105] That pattern continued for the early decades of IBC's history, as the bank poached managers from leading European banks.[106] According to one internal memo, in the early years, some of IBC's branches had British bankers "in all the positions of authority."[107] Of course, the bank was only able to snag staffers amenable to leaving, and this meant that IBC was often stuck with the staffing dregs of European competitors, according to the Bureau of Insular Affairs.[108] The mid-1920s, IBC executives had become so concerned about the lack of US nationals on the payroll that it made a concerted effort to "Americanize" the staff, though bank insiders observed that British, Scottish, and other European citizens continued to receive overseas management positions.[109]

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104 "Executive Committee Meeting Minutes." 1905-1914.
105 De Menocal, 1961.
106 Starr, 29-30.
107 Cochran, [1945].
108 Bureau of Insular Affairs, 1908.
109 De Young, 1925. See also Cochran, [1945]. On the high proportion of British staff, see also Starr, 30.

IBC executives regarded London as the epicenter of banking knowledge and sought to imitate British practices in a range of contexts. First, US hires were sent to IBC's London office to work for one year and learn British banking methods before being sent abroad.[110] While one year of apprenticing was the ideal, in practice, the training "actually ended when a call for help arrived from overseas," remembered one IBC veteran.[111] Scant archival information leaves us with little knowledge about the training. However, one US trainee described spending a month in London before being deployed to Rangoon. Two days after arriving in Rangoon, he was promoted to second in command of IBC's branch because his boss went on furlough. The only person available to teach him proper bookkeeping techniques was, according to the banker's memoir, "a small Hindu boy known as my chockra," or servant.[112] Even when bankers did stay longer in London, the instruction had significant gaps. IBC trainees were given no information about how to handle credit evaluations; instead, credit and foreign exchange were two functions considered to be "mystiques sacred to management and seldom available to young officers for many years," according to an internal bank history.[113] In lieu of developing a systematic training program, IBC typically hired away those already well-versed in British banking. "IBC's secret had been that it hired the British to compete with the British," recalled overseas banker George Moore.[114]

In contrast to IBC's ad hoc hiring and training, the employment practices of British overseas banks tended to be formalized, and entry into the banking world was a privilege guarded by bank executives. The Hongkong and Shanghai Banking Corporation represented a standard-bearer in multinational banking. Founded in 1865, the bank established an official, London-based training process for young bankers prior to sending them to Asia. In order to qualify, applicants had to be

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110 "Special Training Classes Conducted by the Bank, City Company and I.B.C.," *No. 8* 14, no. 7 (1919); "I.B.C.'S Training Divided between New York and London Offices," *No. 8* 14, no. 6 (1919).
111 Citicorp, 32.
112 Simmons, 1972.
113 Citicorp, 32.
114 George S. Moore, *The Banker's Life* (New York: W.W. Norton, 1987), 176.

"properly introduced" to the bank, have previously worked in banking, and demonstrate competency through an interview and a written examination. The requirements were more formal on paper than in practice: the interview was "perfunctory," and written exams had less to do with evaluating skills and more with providing a pretense to reject applicants without offending their sponsors, observes historian Frank King.[115] Instead, applicants were screened based on tacit social signals about what constituted the right type of banker. Applicants were asked questions such as whether they played sports, given that rugby, cricket, and tennis were central to the bank's culture.[116] The result was an insular community that drew from the upper strata of society and privileged elite educations. From 1890-1914, all but 2% of London bankers had fathers who belonged to the upper classes, according to historian Yousef Cassis, and three-quarters attended the same set of elite schools.[117]

In its fast rollout of a multi-branch network, IBC bypassed some of the steps that gave British overseas banks a foundation for success. The lack of a formalized training program meant that IBC had no pipeline for vetting staff to send abroad. Another challenge was the absence of business relationships in communities where IBC inserted itself. The Hongkong Bank addressed this challenge by working through designated agents for years—sometimes more than a decade—before opening overseas branches. The relationships gave the bank experience and long-term connections with clients before committing to the expense of maintaining offices. The Hongkong Bank opened an office in Manila in 1875 only after working through US merchant house Russell, Sturgis, and Company for ten years.[118] In Bangkok, it partnered with a German merchant house for more than a decade before opening a branch and, in Ceylon, did the same through a firm founded by former

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[115] King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, 173.
[116] Ibid., 174-75.
[117] Cassis, 311.
[118] King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, 103. Nagano, 9. Roy Ybanez, "The Hongkong Bank in the Philippines, 1899-1941," in *Eastern Banking : Essays in the History of the Hongkong and Shanghai Banking Corporation*, ed. Frank H. H. King (London: Athlone Press, 1983).

operators of a Mississippi River steamer line.[119] Some British banks used family relationships and prior business connections in order to navigate the expansion of branches and extension of business to new locations. For example, the Anglo-American bank Brown Brothers represented a family partnership in which brothers operated linked offices in New York, Philadelphia, and Liverpool.[120] In the Rothschild banking enterprise, the family cultivated a network of "business agents," who provided information in exchange for payment and reputational benefits. Many of the agents were related to the inner circle of the banking family or married into it, and Rothschilds tended to sustain relationships with trusted agents for decades.[121] IBC opted not to follow the model of the prestigious British banks in terms of long-term, careful cultivation of business contacts. Instead, it opened branches on multiple continents within months after the Connecticut legislature approved its charter.

Another British banking strategy for developing a trusted client base involved working through family and businesses connections.[122] Established banking families tended to intermarry and connect to the aristocracy and gentry through marriage.[123] In the day-to-day operation of British banks overseas, a bank's investors were often the same firms and individuals as its borrowers.[124] For example, Britain's London and River Plate Bank became one of the strongest foreign banks

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[119] Thiravet Pramuanratkarn, "The Hongkong Bank in Thailand: A Case of a Pioneering Bank," ibid., 421. H.L.D. Selvaratnam, "The Guarantee Shroffs, the Chettiars, and the Hongkong Bank in Ceylon," ibid., 409. "Delmege: History." 2017. Apr 16, 2020. https://delmege.com/history/.
[120] Edwin J. Perkins, "Financing Antebellum Importers: The Role of Brown Bros. & Co. In Baltimore," *Business History Review* 45, no. 4 (1971).
[121] Rainer Liedtke, "Agents for the Rothschilds," in *Mobility and Biography*, ed. Sarah Panter (Berlin: De Gruyter Oldenbourg, 2016). For more on British merchant banking intermediaries, see: Emily Buchnea, "Bridges and Bonds: The Role of British Merchant Bank Intermediaries in Latin American Trade and Finance Networks, 1825–1850," *Enterprise & Society* 21, no. 2 (2020); Manuel Llorca-Jaña, "Connections and Networks in Spain of a London Merchant-Banker, 1800-1850," *Revista de Historia Económica* 31, no. 3 (2013).
[122] P.L. Cottrell, "Great Britain," in *International Banking, 1870-1914*, ed. Rondo Cameron, et al. (New York: Oxford University Press, 1992), 42. On intermarriage in London banking more generally, see also:
Cassis. Mark Brayshay, Mark Cleary, and John Selwood, "Social Networks and the Transnational Reach of the Corporate Class in the Early-Twentieth Century," *Journal of Historical Geography* 33, no. 1 (2007).
[123] Cassis, 315.
[124] Cottrell, 26.

operating in Argentina in part due to its connections with British railroads and utilities, which helped the bank attract deposits from these institutions.[125] Further, once British bankers established themselves overseas, their connections to and financial stakes in local businesses typically expanded. In Buenos Aires, for example, European bank managers frequently formed and held important positions in Argentine companies throughout the early twentieth century.[126]

Another common practice among British international banks, especially those working in Asia, was to rely on local staff to make personal connections and evaluate local borrowers. In China, a single staff person—the comprador—shouldered the responsibility of managing the bank's financial relationships with local banks, businesses, and individuals. The comprador's role dates back to the opening of China's treaty ports in the 1840s.[127] The term came from the Portuguese word meaning "buyer" and referred to go-betweens who helped Portuguese and other European traders navigate business in China, India, and other Asian ports.[128] Compradors played such a vital role in brokering cross-cultural deals that, according to a 1905 circular from the US Department of Commerce, "practically all the business of foreigners with the Chinese is done through [compradors], whether it be in buying or selling, in loaning or in borrowing money…. There is no limit to what a comprador does not do under the present way of doing things in China."[129] The functions and importance of compradors varied across industries and over time, and scholars have interpreted compradors along a spectrum of critique. On one end, they have been cast as handmaidens for European imperial expansion. On the other end, they have represented

125 Jones, 260.
126 James M. Barker. Letter to Mr. Trafford. Jan 30, 1923. James M. Barker Papers, Box 52, Folder 1174. Newberry Library, Special Collections.
127 Yen-p'ing Hao, "A "New Class" in China's Treaty Ports: The Rise of the Comprador-Merchants," *The Business History Review* 44, no. 4 (1970).
128 Starr, 32.
129 Reprinted in: "The Comprador: A Great Factor in Chinese Trade," *Bulletin of the National Association of Credit Men* 5, no. 12 (1905).

empowered entrepreneurs who accelerated Chinese economic development.[130] More recent work particularly on bank compradors has emphasized their importance in shaping the interdependence of foreign and local financial institutions and in generating profits for themselves and their businesses, a characterization that aligns with the available evidence about US banking and compradors.

IBC carried on the tradition of relying on compradors to arrange local business, vouch for loans, and manage local staff. One of a comprador's biggest responsibilities was screening local borrowers and finding investing opportunities. The comprador's approval was more than a friendly nod; instead, it represented a personal guarantee that a borrower would comply with terms of the loan. A comprador's contract with a bank typically required the applicant to pledge security—such as real estate or cash—as a guarantee for the position.[131] As an IBC chairman remembered, "The comprador pledged to mortgage his house and his kids or anything else… and guaranteed all the loans."[132] Compradors tended to occupy elite positions in local society and boasted strong connections to diverse local businesses—often managing importing businesses and using their comprador position as a secondary occupation.[133] The comprador of the Hongkong Bank, for example, belonged to one of the city's most affluent families that operated a domestic bank and an active import-export business.[134] Wu Peichu, a comprador for IBC, observed that nearly all compradors for foreign banks came from less than a half-dozen Chinese families.[135] Their positions as go-betweens gave them numerous opportunities to profit from commissions and interest-rate arbitrage, as well as earn salaries from banks and their work in local businesses. Foreign banks

130 Kaori Abe, *Chinese Middlemen in Hong Kong's Colonial Economy, 1830-1890* (London: Routledge, 2018), 5.
131 Chongyi Shou and Leying Shou, "Wai Shang Yin Hang Zai Zhongguo [Foreign Banks in China]," (Beijing: Zhongguo wen shi chu ban she, 1996).
132 As quoted by Starr, 32.
133 Ghassan Moazzin, "Sino-Foreign Business Networks: Foreign and Chinese Banks in the Chinese Banking Sector, 1890–1911," *Modern Asian Studies* (2019).
134 King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, 75.
135 Shou and Shou.

depended heavily on compradors in order to integrate themselves with local credit markets, identify clients, and sustain their businesses in China.[136]

The memoirs of IBC bankers focus on the more quotidian and superficial roles of compradors than their business importance, and the accounts underscore the racial and cultural boundaries that European and US bankers used to differentiate among clients. Daniel De Menocal remembered that IBC's comprador would greet Chinese customers in his office by offering them "a drag on the [opium] pipe just as he might tender a highball, cocktail or glass of beer under similar circumstances."[137] Another IBC banker in China recalled that the comprador "would bring in the large, native clients that we didn't know very much. And he guaranteed them… He would tell us so-and-so was all right, and we did a reasonably good business if the comprador was competent."[138] The characterizations gesture to the segregated world that US bankers inhabited while living in China: "the community was composed almost entirely of cultivated Europeans who could have no place to climb but down as they were already sitting prettily on top and having a wonderful time," said De Menocal of his time in Hong Kong.[139] US bankers cited barriers to socializing with Chinese counterparts. Certainly, language was one obstacle, but De Menocal's depictions suggest that US bankers tended to view Chinese elites with judgments of primitivism and cultural inferiority. One impediment was "our different table manners. They ate with much slushing and shoveling…the rumble and the belch were sounded off as a compliment to the host and hostess."[140] The assessment suggests the tendency of white elites to leave local work to the comprador, even as compradors provided more of a source of continuity and stability than did foreign bankers who managed

136 Moazzin.
137 As quoted by Starr, 32.
138 Ibid., 33.
139 De Menocal, 1961.
140 Ibid., 50.

branches. IBC's Shanghai branch had twelve different managers in 38 years, but only three compradors.[141]

Another practice among British bankers for limiting financial risks involved standards about what counted as appropriate security for loans and, in particular, an emphasis on the liquidity of collateral. Nineteenth-century multinational banks tended to be keenly aware of the need to maintain sufficient reserves on hand to honor debts. In the event a branch overextended itself, gold shipments from Europe would take weeks to arrive to foreign locations. Thus, many British banks stressed the need for conservative loan practices and for liquid assets as security.[142] Loans against real estate or other forms of property were less desirable because the assets could not be easily resold. The emphasis on liquidity tended to make British overseas banks avoid lending to finance capital improvements for local businesses, and their resistance to providing such loans left them vulnerable in parts of Latin American and Asia to critiques that they failed to support infant industries.[143] Instead, British banks tended to loan money to their preferred clients. In the case of the London and River Plate Bank in Argentina, the practice meant lending primarily to "their major depositors, the Anglo-Argentine railway and utility companies and merchant houses."[144] Banking historian Frank King argues that the critique was misplaced in the case of the Hongkong Bank: it was neither designed nor equipped to finance the development of native industries. Instead, it provided capital to firms where entrepreneurs had already made the risky investments. King notes that the bank made exceptions, but less than 10% of its outstanding loans provided advances to companies.[145] Many of those constituted firms with which the bank had long-standing relationships.

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141 Starr, 32.
142 As Lamoreaux notes, privileging liquid assets was not just a norm of British bankers. Increasingly in the late nineteenth century, East Coast US banks began abiding by the "50% rule" which held that a borrower's liabilities should not exceed 50% of his quick assets. Lamoreaux, 103.
143 Joslin, 36-42.
144 Jones, 257.
145 King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, 73.

British multinational banks tended to work with a close group of customers such that the technical requirements for security could be relaxed for the right client and the right context, whether that client was local or European. British banks benefited from "their public images as bastions of financial orthodoxy," notes historian Geoffrey Jones, but in reality, they often loosened requirements by providing longer credit terms or lending against mortgages. "In some cases, no security beyond a man's name came to be accepted."[146] Certainly, some US and European banks developed more standardized metrics to rate borrowers long before the founding of IBC. For example, Brown Brothers, a prominent private bank involved in US-Great Britain trade financing, developed intricate, paper-bound processes for evaluating borrowers as early as the 1820s. Branches of the bank supplied information to New York headquarters using a numerical rating system from 1 to 4 and the designation of "A #1" for prime accounts.[147] British financiers often rated well-established merchant houses according to similar ranking systems: A1 constituted well-known, large houses with strong reputations; A2 signified "smaller or less experienced firms," according to banking historian Stanley Chapman.[148] Yet these rankings rarely extended beyond large trading houses. And in many institutions, the systems accompanied rather than displaced bankers' intuitions and personal knowledge of clients.

In the years before the Federal Reserve Act changed the framework for international banking, as Chapter 3 describes, IBC combined techniques for its overseas work: it drew on British models and hired British staff while relying on East Coast, insider-lending practices for gathering information. All the while, branches depended heavily on ad hoc decisions of local managers.[149] Meeting minutes, audits, and other IBC records from this time lack references to managers' requests

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146 Geoffrey Jones, *British Multinational Banking, 1830-1990* (Oxford: Oxford University Press, 1995), 374.
147 Perkins, *Financing Anglo-American Trade: The House of Brown, 1800-1880*, 130.
148 Stanley Chapman, *The Rise of Merchant Banking* (London: Routledge, 2006 [1984]), Ch. 5.
149 Starr, 54.

for financial statements or outside sources of financial information as aids in evaluating creditworthiness. The absence of discussion about external, paper-based sources of credit information suggests that evaluations of borrowers relied on personal assessments and fluid criteria about security rather than systematic guidelines. As Lamoreaux has demonstrated, a reliance on personal ways of knowing does not necessarily correspond to poor quality; instead, "under certain circumstances a banking system based on insider lending can function very well."[150]

It is tempting to want to answer the question of how well IBC functioned by examining its financial performance: was the bank profitable in its early years before National City Bank's acquisition? Indeed, the bank's internal records and filings with the US government provide adequate evidence to make rough assessments. But there are a number of reasons to regard profitability calculations with skepticism. First, lack of standardized accounting resulted in variation across branches and between years. As Lamoreaux has noted, year-to-year reports of small East Coast banks varied dramatically depending on different practices for writing off losses.[151] Anecdotal reports from IBC bankers are riddled with stories of unbalanced books and questionable ledgers.[152] Nonetheless, an analysis of the balance sheets that IBC filed with the Bureau of Insular Affairs can provide some preliminary insights. This data suggests that IBC struggled in its first decade but became more profitable in its second. IBC's rate of profit fluctuated from zero to roughly 20% in the years before the passage of the Federal Reserve Act and of National City Bank's acquisition of IBC. Between 1904 and 1910, its performance was not confidence-inspiring: IBC averaged less than 4% as a rate of profit (see *Figure 1-4*[153]). But profitability began to increase after 1910, averaging over

[150] Lamoreaux, 165.
[151] Ibid., 96.
[152] See, for example: Simmons, 1972. Starr, 31.
[153] Data Source for Figure 4: International Banking Corporation. Semi-Annual Statement of International Banking Corporation. 1904-1913. RG 350, Box 418, Folder 5500. National Archives.

20% from 1911-1915.[154] The results pale in comparison to the average rate of profit of roughly 20% for British colonial banks.[155] Nonetheless, the analysis suggests that IBC's performance improved over time.

Figure 1-4: IBC's Rate of Profit, 1904-1910

Date	**Capital**	**Profit and Loss**	**Rate of Profit (Profit/Paid-Up Capital)**
6/30/1904	3,947,200	2,991	0.1
11/30/1904	3,947,200	40,000	1.0
6/30/1906	3,250,000	166,083	5.1
12/31/1907	3,250,000	278,720	8.6
12/31/1909	3,250,000	55,710	1.7
6/30/1910	3,250,000	125,444	3.9
12/31/1910	3,250,000	210,398	6.5
Average 1904-1910			**3.8**

Statistics revealing anemic profitability align with other sources of evidence as to the general precariousness of IBC's performance in its early years. The War Department auditor who examined IBC's books in 1908 concluded that the bank's profits of $60,000 represented a "ridiculously" small showing, relative to $3.25 million in capital.[156] An internal history of IBC also suggests that the bank suffered from liquidity shortages in its early years: the bank borrowed money when interest rates were high—"as high as 7%"—which contemporaries interpreted as revealing IBC's pressing need for capital.[157] The bank's executive committee responded to unimpressive $7,000 profits from its full network of branches in September 1904 by resolving to charge stockholders an additional $13 per share to raise funds.[158] Several months later, the committee voted to mortgage the bank's

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154 Cassis calculates profits as a ratio of net profit to paid-up capital. "This enables us to measure the efficiency of the capital originally brought to the business" (187).
155 Cassis, 188-92.
156 Bureau of Insular Affairs, 1908.
157 Cochran, [1945].
158 IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905.

headquarters at 60 Wall Street in order to secure a $1.5 million loan.[159] Perhaps most telling is that the bank paid no dividends for at least five of its first ten years.[160] When it did pay dividends in 1906, the amount was only 2% of its capital.[161] By contrast, the average dividend payments of British colonial banks were 20% in the same period.[162]

These statistics tell only part of the story of IBC's impact. The decisions of IBC bankers affected the flow of goods, the fates of businesses, and the economic opportunities of those who needed credit. IBC did so on a scale that paled in comparison to the banking behemoths of the day, such as JP Morgan or the Hongkong & Shanghai Banking Corporation. However, its improvised systems and roster of connections took on outsized importance as IBC became folded into the larger, more powerful, and better capitalized international expansion of National City Bank. While it's useful to note that IBC's performance was the financial equivalent of treading water, focusing exclusively on that axis of evaluation misses the more nuanced, distributed, and long-term implications of its daily work and its political connections. IBC hitched itself to the back of US imperialism and rooted overseas in a world of colonial privilege, both US and European. It elbowed into that world by having the right connections in Washington and poaching connected and already trained staff overseas. Once there, it parlayed government deposits and state-conferred legitimacy into economic opportunities for a hand-picked set of borrowers, based in part on the personal connections of its elite board.

The mechanisms for conveying opportunities built on a robust foundation of British practices. In Shanghai in the early 1900s, IBC hired Candido Ozorio, a Portuguese clerk, away from

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159 Ibid.
160 Partial data is available for the first decade. In particular, statements for 1905 are not available and only half-year statements are available for 1906-1909. However, complementary accounts come from IBC's internal records. International Banking Corporation, "Semi-Annual Statement of International Banking Corporation." 1904-1913. Cochran, [1945].
161 James H. Rodgers. Directors' Minutes. Sept. 7, 1906. 7, Annual Directors Meeting Minutes. Citi.
162 Cassis, 189.

Chartered Bank. Ozorio arrived to discover not only unbalanced books but also that IBC had purchased the wrong format of ledger. He immediately ordered "correctly ruled" books from London and created a new bookkeeping system, "modeled after the Chartered Bank method."[163] Just as the modeling project was nearly complete—every book put in "spic and span order"—the world changed beneath the bank. The Federal Reserve Act rewrote the rules for US banking overseas, and World War I reordered economic power around the world such that London no longer served as the hegemonic center of the financial universe. Nonetheless, IBC bankers and their systems remained in place. As Chapter Two reveals through a case study of IBC's work in Manila, the bank channeled the growing economic and political influence of the United States into on-the-ground financial power.

163 Starr, 31.

2 – EMPIRE'S MONEY MOVER

The Manila branch of the International Banking Corporation opened its doors on June 9, 1902, nearly a month before President Theodore Roosevelt proclaimed "peace" and an end to armed conflict in the Philippines.[1] From a number of vantages, the timing was inauspicious. The war had left hundreds of thousands of Filipinos dead. Cholera ravaged parts of the archipelago. An outbreak of rinderpest was decimating the islands' cattle and caribou populations. High prices of rice exacerbated malnutrition and famine. Armed conflict continued in parts of the Philippines, despite Roosevelt's proclamation.[2] And in the fall of 1902, the locusts arrived.[3] Nonetheless, the bank opened its doors in Manila in the former stables of a Chinese merchant, located between the Silver Dollar Saloon—a popular meeting place for local businessmen—and a US import house.[4] Against this turbulent backdrop, IBC had a powerful financial anchor: the US government. The government entrusted IBC with roughly $2 million in deposits in order for the bank to act as one of its fiscal agents in the archipelago.[5] Paying soldiers and civilian officials, financing supply purchases, and exchanging currency were among its duties.[6] In exchange for this work, IBC would earn a modest commission—a fourth of a percent—but more importantly, it would acquire a working base of capital. That capital could be used to finance exports, provide loans, and even "construct public or private works, outside the state of Connecticut," per the terms of the Bank's expansive 1901 charter.[7]

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1 "The International Banking Corporation," *Journal of the American Asiatic Association* 3, no. 1 (1903); "Manila's First American Bank: Wall Street Enterprise Just Opening in the Philippines," *The New York Times*, Jun 15, 1902.
2 "Fight Close to Manila," *Chicago Daily Tribune*, Aug 19, 1902. Christopher J. Einolf, *America in the Philippines, 1899-1902 : The First Torture Scandal* (New York: Palgrave Macmillan, 2014), Ch. 6.
3 "Gloomy View: Locusts Attack Crops in the Philippines," *Boston Daily Globe* Oct 27, 1902. Daniel F. Doeppers, *Feeding Manila in Peace and War, 1850-1945*, New Perspectives in Southeast Asian Studies (Madison: The University of Wisconsin Press, 2016).
4 Lewis E. Gleeck, *The Manila Americans (1901-1964)* (Manila, Philippines: Carmelo & Bauermann, 1977). Map, p. 33.
5 "Balance of Funds, Manila." 1903.
6 Darling, 1902.
7 "International Banking Corporation: Charter." 1901.

The story of IBC in the Philippines is not one of its transformation from humble, horse-stable beginnings into a titan of international financial markets. Nor is it simply one of two-bit imperial hucksters profiteering from connections to the US military. Instead, IBC followed a meandering middle road—early losses, followed by modest profits. Its existence was sustained by deep-pocketed founders and powerful government connections until IBC hitched itself to the behemoth of National City Bank, today's Citi, which acquired IBC over the course of World War I. This chapter excavates IBC's early history on the ground in Manila to show the machinery that enabled public-private sector collaborations and laid the trackwork along which US capital could move. Charting the bank's work in the Philippines allows us to reconstruct the bank's relationship to the colonial state, as well as the processes by which the bank sorted members of its new community into creditworthy and not. The analysis reveals the centrality of personal, friend-to-friend ways of knowing—both in bankers' access to political power and decisions about the creditworthiness of borrowers. Common understandings, military backgrounds, and service on boards help fused together a financial apparatus that took in government deposits and transmuted that foundation into access to land, resources, and opportunity to a handful of elites. IBC provided a portico that enabled the movement of resources and people between public and private sectors. Strikingly, the result was not an omnipotent imperial behemoth that allowed politicians and bankers to work in lockstep. Instead, it was a shaggy imperial assemblage of bankers working for personal gain and colonial designing institutions that could extract Philippine goods and labor for US gain, while much of the population lost access to economic opportunities.

The analysis deepens our understanding of how US imperial power functioned overseas. In recent years, a number of historians have investigated colonial power beyond formal politics to understand topics ranging from architecture to gender to education. Studies of colonialism in the Philippines have demonstrated the ways in which the US government reconfigured landscapes, livelihoods, and racial hierarchies—and the way in which Philippine communities contested, participated in, and altered the manifestations of U.S. power.[8] The present analysis applies the methodological insights of these studies to banking and finance. Historians Yoshiko Nagano and Allan Lumba have both examined the interrelation between colonial control and banking systems in the Philippines. Nagano has focused on the histories of state-sponsored banks such as the Philippine National Bank and the Agricultural Bank to understand how banking and financial systems were entangled with colonial conceptions of Philippine inferiority and how they affected economic development.[9] Lumba has analyzed the prominence of financial experts in the colonial state and their reliance on ideas about racial capacity and the "natural" operation of markets.[10] This chapter extends their work by investigating the colonial dynamics of private banking, as the bank provided an institutional framework for public and private power to intermingle and find beneficiaries in the form of loans, infrastructure projects, and trade development.

Tracing IBC's story into the Philippines—through loan portfolios and investing partnerships—reveals how racialized and imperial ideas and structures interacted with community relationships and inequalities that lingered from Spanish rule.[11] It reveals that the bank helped advance certain imperial goals, such as increasing the influence of US business; and its techniques often involved disenfranchising local populations, engendering resentment, and sparking anti-

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[8] See, for example: Paul A. Kramer, *The Blood of Government Race, Empire, the United States, & the Philippines* (Chapel Hill: University of North Carolina Press, 2006). Rebecca Tinio McKenna, *American Imperial Pastoral : The Architecture of US Colonialism in the Philippines* (Chicago: The University of Chicago Press, 2017). Denise Cruz, *Transpacific Femininities : The Making of the Modern Filipina* (Durham: Duke University Press, 2012). Alvita Akiboh, "Pocket-Sized Imperialism: U.S. Designs on Colonial Currency," *Diplomatic History* 41, no. 5 (2017). Theresa Marie Ventura, "American Empire, Agrarian Reform and the Problem of Tropical Nature in the Philippines, 1898–1916" (Ph.D., Columbia University, 2009).
[9] Yoshiko Nagano, "The Agricultural Bank of the Philippine Government, 1908-1916," *Journal of Southeast Asian Studies* 28, no. 2 (1997); *State and Finance*.
[10] Allan Lumba, "Imperial Standards: Colonial Currencies, Racial Capacities, and Economic Knowledge During the Philippine-American War," *Diplomatic History* 39, no. 4 (2015); "Monetary Authorities."
[11] Historian Peter Hudson has broken ground in this analysis by tracking IBC's work particularly in the Caribbean and argues that IBC represented an imperial endeavor that connected racial capitalism to enduring financial structures. The present analysis deepens this research agenda by exploring both the mechanics and limitations of this power. Hudson, *Bankers and Empire*, Ch. 2.

colonial mobilizations. The analysis highlights the new powers and capabilities the institution of a private bank contributed to corporate colonial dynamics. It argues that IBC drew on its ability to exchange—to move money across ledgers and transmute colonial deposits into trade credit, among other powers—to enlarge the space for US domination.

The chapter proceeds by establishing the context for banking when IBC arrived in Manila. Second, it examines the evolving relationship between IBC and the colonial government. Third, it considers how IBC leveraged government connections and the relationships of elite board members to shape economic opportunities on the ground in Manila. Fourth, it considers how IBC functioned in terms of investment projects and structural connections between the public and private sectors. Finally, it analyzes the ways in which IBC increased US imperial power and engendered resentment and backlash among Filipino communities. The story of IBC's impact reaches a predictable end point in the late 1910s: the bank contributed to increasing power and wealth in the hands of a select elite—some of the same elites who dominated Philippine commodity production prior to the arrival of the US military. However, the convoluted path it took to strengthening the status quo tells us about the mechanics of empire-making and the limits of that power.

I. A Bifurcated Banking World

When the United States established its colonial rule over the Philippines, it entered an already crowded banking landscape where a combination of European banks, church-affiliated institutions, and Chinese and Chinese mestizo merchants offered financial services to residents of the archipelago. European banks dealt primarily with European importers and exporters. In the 1870s, British banks such as Hongkong & Shanghai Banking Corp and Chartered Bank entered the Philippines to capitalize on burgeoning trade between China and the Philippines. Much of their work focused on trade finance and foreign exchange to meet the demands of European customers.[12] By contrast, the majority of Filipinos relied on church connections, landlords, and other less formalized financial entities for their credit needs. The Monte de Piedad y Caja de Ahorros*,* a Church-run financial institution, was the biggest credit institution that served Filipino laborers and farmers, and it provided loans in exchange for real estate and personal property as collateral.[13] Traditional pawn shops also provided credit, as did landlords and shopkeepers in rural areas where specie was scarce and people often had little need for cash.[14] Other ways that Filipinos received credit included taking advances on goods, seeking debt forgiveness, or requesting extensions for debt repayment.[15]

The conventional scholarly view has been that the turn-of-the-century Philippine economy was divided into two banking worlds. In one sphere, European institutions like the Hongkong Bank served trade-oriented clients, who tended to be white elites; meanwhile, institutions such as the Monte de Piedad provided credit to local populations. However, anecdotal evidence suggests that racial designation was not a rigid determinant of banking options before US occupation.[16] In the 1880s, both the Chartered and Hongkong Banks opened secondary offices in Iloilo to capitalize on the growing sugar trade in the region, but the branches struggled to amass deposits. The Iloilo manager of Chartered Bank remembered competing with his counterpart at the Hongkong Bank to get "deposits from the natives" to compensate for their limited capital base, recalled Walter Young in his memoir. "My method was to watch, through the bank blinds, the passing natives and Chinese, and if they looked like [they were] taking money to my rival I would dart out and capture them and

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12 Nagano, *State and Finance*, 55-60.
13 Lewis E. Gleeck, *American Business and Philippine Economic Development* (Manila: Carmelo & Bauermann, 1975), 88; Bureau of Labor. *Labor Conditions in the Philippines*. Victor S. Clark. Washington, D.C.: Government Printing Office, 1905.
14 Norman G. Owen, *Prosperity without Progress: Manila Hemp and Material Life in the Colonial Philippines* (Berkeley: University of California Press, 1984), 190-92. Clark.
15 See, for example, Harlan R. Crippen, "Philippine Agrarian Unrest: Historical Backgrounds," *Science & Society* 10, no. 4 (1946): 338. James S. Allen, "Agrarian Tendencies in the Philippines," *Pacific Affairs* 11, no. 1 (1938
16 See, for example: Nagano, *State and Finance*, 60.

the cash."[17] When Young spotted a young man—"his shirt-tails fluttering (Tagalo custom) in the wind, his cock under his arm (cock-fighting the natives' only joy) and few bags of silver dollars"—the British banker saw a potential customer.[18] According to banking historian Frank H.H. King, the scrappy methods reflect "a level of competition not frequently admitted in the staid world of nineteenth-century banking."[19] King's assessment downplays the importance of the bankers' solicitous methods; however, the anecdotal account suggests that European banking norms did not preclude courting non-white depositors—and doing so energetically.[20] IBC entered this bifurcated banking world as the aspiring agent to US empire. In its early years, IBC operated in the model of British predecessors by positioning itself to serve an elite set of white, Anglo-American clients, while, in reality, serving a larger, more varied customer base.

II. Colonial Aspirations

The US government was still actively involved in paying soldiers, financing military operations, and trying to defeat Philippine forces when the International Banking Corporation opened its doors in Manila in 1902. The government's needs for a banker were two-fold. On a practical level, the state needed basic banking services, such as currency conversions, access to vaults, and payment of contracts. On a strategic level, the colonial government sought to increase opportunities for US commerce by securing access to new markets. The government's turn-of-the-century agenda to expand commerce took shape in formal policy doctrines such as Secretary of State

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[17] Walter H. Young, *A Merry Banker in the Far East (and South America)* (London: John Lane Company, 1916), 58.
[18] Ibid.
[19] The incident is noted in: King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, 115.
[20] Further research will be necessary to identify the degree to which British banks' lending portfolios also included non-European borrowers. According to at least one secondary account, the Hongkong Bank listed one Chinese firm, Siuliong and Company, as one of its "most valued customers" in Manila. Kwok-chu Wong, *The Chinese in the Philippine Economy, 1898-1941* (Quezon City, Philippines: Ateneo De Manila University Press, 1994), 41-42.

John Hay's Open Door Notes and the Roosevelt corollary claiming US authority to intervene in the affairs of nations in the Western Hemisphere. The policies celebrated open markets, which could be secured through diplomacy as well as bloodier and more coercive methods. As historian Cyrus Veeser has described in the case of the Dominican Republic, Theodore Roosevelt's vision of making the world "safe for capitalism" involved seizure of the nation's customs and incursions on Dominican sovereignty.[21] In cases such as Venezuela's debt crisis of 1902 or the pursuit of Panama Canal ambitions, the policy goals involved direct deployment of military force.

By the time IBC entered the Philippines, more than 100,000 US troops had been sent to the Philippines, and even after Roosevelt's 1902 declaration of peace, thousands remained.[22] The government wanted US businesses to secure the beachhead of economic opportunity in its new territorial acquisition. The Bureau of Insular Affairs—the division within the War Department created to oversee US territories—became so involved with rallying US financiers to invest in the Philippines that the BIA chief boasted in 1904 that he was "on intimate terms now with all the hydra-headed capitalists in New York."[23] The colonial government commissioned studies to evaluate potential business opportunities and pitch those opportunities to would-be investors in the United States. Their depictions cast the Philippines as a tabula rasa, primed for the infusion of US capital and management techniques, in order to harness the archipelago's resources. Coconut production represented one sector where US investment could modernize outdated "peasant" methods and generate substantial profits, according to official characterizations: "[N]o branch of agriculture… offers such certainty of steady and assured returns from comparatively small investment as does the

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[21] Veeser.

[22] Trevor K. Plante, "Researching Service in the U.S. Army During the Philippine Insurrection," *Prologue*, Summer, 2000. Allan Reed Millett and Peter Maslowski, *For the Common Defense : A Military History of the United States of America* (New York: Free Press, 1984). "Fight Close to Manila."

[23] Colin D. Moore, "State Building through Partnership: Delegation, Public-Private Partnerships, and the Political Development of American Imperialism, 1898–1916," *Studies in American Political Development* 25, no. 1 (2011): 40.

growing of coconuts," promised a 1911 report from the Bureau of Insular Affairs.[24] The author, Dean Worcester, claimed that "the agricultural methods of the natives have violated every known rule" of modern agriculture in their purportedly sloppy harvesting and neglect of trees, among other "primitive" techniques.[25] To Worcester, the rudimentary agricultural processes of the Philippines seemed to beg for scientific management and US business efficiency.

In the eyes of many colonial officials, having a US bank operating on the ground in the Philippines would be a useful tool to facilitate US investment. British banks tended to finance trade that benefited the British empire, and State Department officials wanted to reroute Philippine trade flows toward US business. "Our policy toward the Philippine Islands has been, naturally, to increase their trade … [and] to direct as much of their trade to our own merchants as possible," argued Clarence Edwards, Chief of the Bureau of Insular Affairs.[26] IBC shared the government's goal of increasing US business in the Philippines, and pitching the Philippines to US investors represented a point of mutual self-interest for both state and bank. IBC bankers expected to increase their business and commissions as US trade and commerce in the Philippines grew. IBC created publications that advertised the Philippines' wealth of natural resources and echoed the government's emphasis on underdevelopment. In 1908, the bank published a pamphlet promoting

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[24] Dean C. Worcester, *Coconut Growing in the Philippine Islands: Cost of Production and Profits, Copra Making* (War Department, Bureau of Insular Affairs, 1911), 1.
[25] Ibid., 1-3.
[26] Edwards, "Memorandum for the Secretary of War, in the Matter of Securities for Deposits with the International Banking Corporation." 1910.

the Philippines for its raw, "undeveloped" resources and highlighting the need for US development: "There is probably no country of equal natural wealth where less has been done along modern lines to exploit it" (see *Figure 2-1*).[27] Both the US government and IBC focused on the archipelago's inability to maximize its own commercial prospects and, as a corollary, the potential profits from US entrepreneurs' intervention.

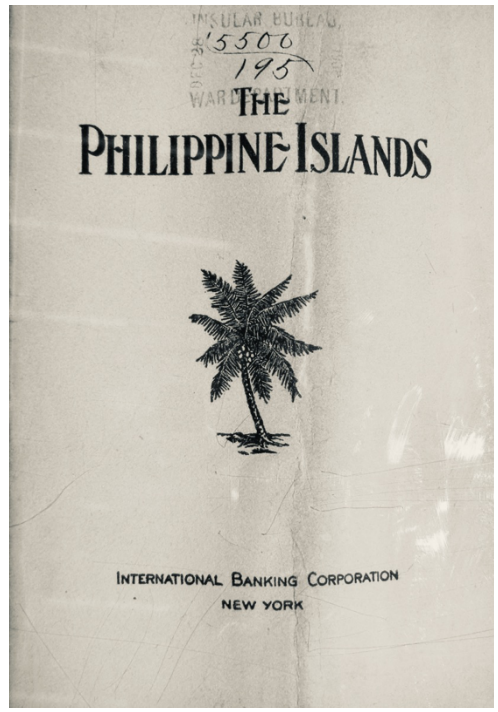

Figure 2-1: IBC's Promotional Pamphlet for Philippine Investment (National Archives, 1908)

The state-bank alignment around commercial boosterism existed within a larger portfolio of colonial priorities to change Philippine society and politics. Education reform was one area that exemplified insular government reforms to make the Filipino population more amenable to US commercial priorities.[28] Throughout the 1900s and 1910s, the Bureau of Education developed new programs designed to mold young Filipino students into *homo economicus*. By 1914, "problems of scientific management" were an educational priority for the Bureau, and it recognized regional schools throughout the archipelago that modeled best practices.[29] The Philippine Bureau promoted vocational programs designed to teach students to submit timecards and practice bookkeeping methods. The curriculum trained students to classify their work materials as factor inputs. A student's role in the market economy depended on gender: girls learned "cost accounting" associated with embroidery and sewing, while

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[27] International Banking Corporation, "The Philippine Islands," (New York: Brown, Lent & Pett, 1908).

[28] For more about colonial education policies in the Philippines, see: Sarah Steinbock-Pratt, *Educating the Empire: American Teachers and Contested Colonization in the Philippines*, Cambridge Studies in US Foreign Relations (Cambridge: Cambridge University Press, 2019). Adrianne Marie Francisco, "From Subjects to Citizens: American Colonial Education and Philippine Nation-Making, 1900-1934" (Ph.D., University of California, Berkeley, 2015).

[29] Hugo Miller. The Teaching of Business Methods in the Public Schools of the Philippine Islands. [1914]. Walter W. Marquardt papers, Box 5, Volume: Special Files. Bentley Historical Library, University of Michigan.

boys made work orders and kept time slips for their woodshop creations.[30] The colonial government also trained students in US-style thrift and savings programs in conjunction with the state's creation of the Philippine Postal Savings Bank in 1906. Architects of the bank hoped that savings practices would discipline Filipinos to become regular savers, thereby undercutting their dependence on Chinese merchants or landlords and inscribing them in a set of US-oriented financial relationships.[31] One Bureau of Education program involved creating contests to reward students and teachers for opening bank accounts.[32]

The insular government did not saddle IBC or other European banks with the requirement of providing financial services to local populations. Instead, it allowed IBC and its European competitors to operate with few restrictions other than regular reporting and auditing. Regulatory minimalism had characterized Spanish rule of banks in the archipelago: government legislation on banking was "practically nil," according to historian Roy Ybanez.[33] That minimalism continued under US rule. In 1900, the Philippine Commission deputized the Insular Treasurer as the supervising entity to oversee banks, but the requirements for foreign banks such as IBC involved little more than enduring inspections by government auditors.[34] Rather than foist its economic reform agenda on US and European banks, the colonial government created new institutions—such as the Postal Savings Bank in 1906 and the Agricultural Bank in 1907—to increase access to credit among Filipino populations.

In reality, neither the Postal Savings Bank nor the Agricultural Bank functioned in the way colonial planners had envisioned. The Agricultural Bank was founded to help small farmers and

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30 Ibid.

31 Ventura, Ch. 4. For more about postal savings banks, see also: R. Daniel Wadhwani, "The Institutional Foundations of Personal Finance: Innovation in U.S. Savings Banks, 1880s–1920s," *Business History Review* 85, no. Autumn (2011).

32 Walter W. Marquardt. The Encouragement of Thrift by the Bureau of Education. 1914. Walter W. Marquardt papers, 6, Volume: Bureau of Education: Activities, 1914. Bentley Historical Library, University of Michigan.

33 Ybanez, 461.

34 Yoshiko Nagano, "Philippine 'Colonial Banking' During the American Period," *Philippine Review of Economics and Business* 36, no. 1 (1999).

tenants to buy property and gain access to credit; however, the bank's stringent requirements for land titling resulted in very few loans going to the intended recipients. In its first year of operation, the Bank approved fewer than 6% of more than 400 loan applications, largely because of inadequate titles.[35] The Bureau of Treasury concluded in 1910 that the low numbers were "disappointing" and that obstacles included the complexity and prohibitive costs of titling: "people possessed neither Royal nor Torrens titles and that the requirements for securing a Torrens title were so complicated and expensive that people would not attempt to secure them."[36]

The colonial project of converting tenant farmers into property-owning, yeomanry got snarled in high fees, poor communication, and farmers' lack of access to credit.[37] In the end, the colonial land reforms resulted in greater inequalities: the number of small-scale, owner-cultivated farms decreased by 9% from 1903 to 1918, while large US corporations and existing landholders consolidated their ownership.[38] IBC's work focused not on helping owner-occupants, but on financing new businesses of former US soldiers and supporting established European firms. The bank channeled its support from the US colonial government into greater opportunities for non-Filipinos to profit from the archipelago's commodities, as many Filipinos faced a lack of access to credit, among other barriers to gaining economic control.

III. IBC Overseas, On the Ground

Amid the many attempts by the colonial government to remake the Philippines as a market tailored for US businesses to thrive, IBC was well-positioned to profit. The bank benefited—in

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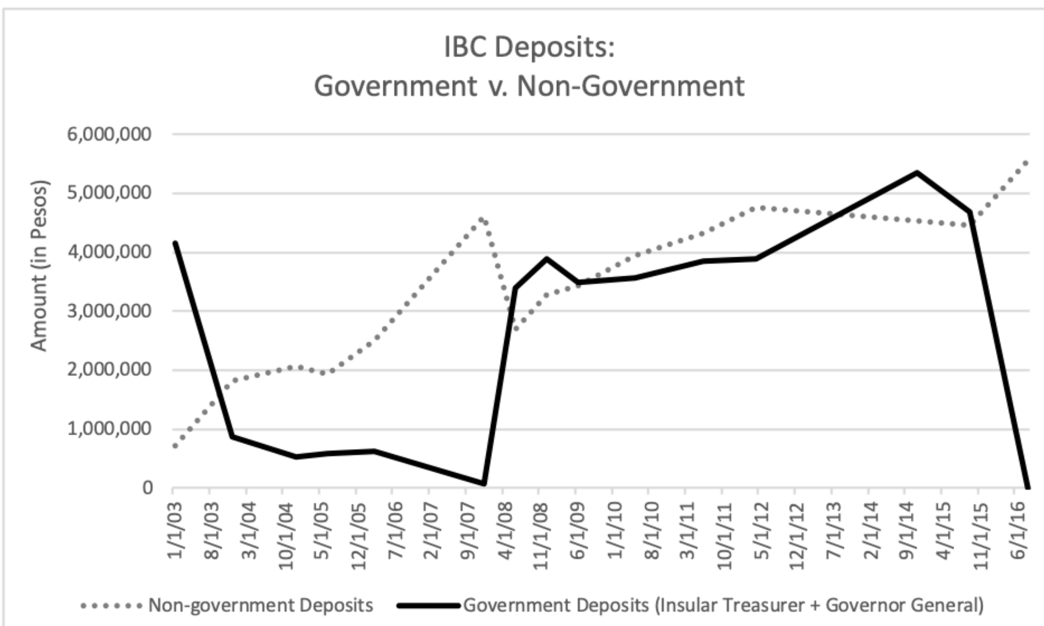
35 "The Agricultural Bank of the Philippine Government, 1908-1916," 318.
36 *Annual Report of the Treasurer of the Philippine Islands*. Manila: Bureau of Printing, 1910.
37 Theresa Marie Ventura, "From Small Farms to Progressive Plantations: The Trajectory of Land Reform in the American Colonial Philippines, 1900-1916," *Agricultural History* 90, no. 4 (2016).
38 Ibid., 473. Glenn Anthony May, *Social Engineering in the Philippines : The Aims, Execution, and Impact of American Colonial Policy, 1900-1913* (Quezon City: New Day Publishing, 1984), 172-74.

terms of both reputation and balance sheet—from its designation as US government fiscal agent. Handling government deposits provided a meaningful financial boost, even to established, larger banks such as the Hongkong Bank. Because the government needed a considerable amount of funds, it distributed fiscal-agent responsibility among several banks, including IBC, Chartered Bank, and Hongkong Banks.[39] Before the arrival of IBC, US government funds constituted roughly half of the total deposits of the Hongkong Bank.[40] An analysis of the balance sheets of IBC's Manila Branch suggests that US government deposits constituted, on average, more than 40% of the bank's total deposits between 1903 and 1915 (see *Figure 2-2*).[41]

Figure 2-2: US Government Share of IBC Deposits in Manila, 1903-1916



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[39] "Balance of Funds, Manila." 1903. Initially, the government also designated the Guaranty Trust of New York as a fiscal agent. Guaranty Trust opened an office in Manila in the early 1900s, but the bank failed to gain traction in the Philippines and closed in early 1904. Guaranty Trust notified its clients that it was transferring all its Asian business to IBC. Guaranty Trust Company of New York, "[Announcement of Withdrawal]." 1904.

[40] Ybanez, 400.

[41] Data Source: "Comparative Statement of the Financial Condition of the Manila Branch of the International Banking Corporation." Various Years. RG 350, Box 585, Folder 550-250. National Archive. "Non-government Deposits" include the following categories: Individual deposits, time; Individual deposits, current accounts; and Savings Accounts. Government deposits include the categories: Deposits of Insular Treasurer, Deposits of disbursing officers (gov-general).

Even with this base of funds, the risks of operating in a recent warzone – and in a country still marked by violence and unrest – remained high. The combination of war, food shortages, and economic hardship had ravaged parts of the Philippines. Casualties among Filipino soldiers amounted to 50,000 lives lost during the war, and civilian casualties due to war-related hunger and disease constituted between 250,000 and 750,000 people.[42] Against this backdrop, IBC arrived in Manila with few assurances of business and little knowledge of local conditions. By contrast, IBC's British competitors used agents to operate in the Philippines for years before opening their own offices.[43] IBC had none of this experience. What the bank lacked in prior business relationships, it sought to hire in local staff. Its first manager was a British banker hired from Chartered Bank, and its second manager was also British. A series of European managers continued to operate the bank until IBC named the first US-born manager in 1915.[44]

A close examination of the bank's loan portfolio sheds light on the ways in which IBC bankers sought to balance risks in its early years. As much as IBC championed its support of "American business" in Washington and New York, the majority of its loans in both 1903 and 1910 went to firms that were owned or dominated by European interests. Detailed records of private bank loans are notoriously difficult to access; however, the Insular Treasurer's office generated periodic reports about IBC's financial status and lending activities. Two snapshots of the bank's loan portfolios, in 1903 and 1910, clarify who received loans and what the bank considered to be "security" for lending.[45] Using diverse primary and secondary sources, this analysis has identified 97% of loan recipients in 1903 and 1910. Four groupings of borrowers emerge: first, European-affiliated individuals or interests that predated the arrival of US forces; second, interests connected

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[42] Ventura, "From Small Farms to Progressive Plantations," 464.
[43] King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, 103.
[44] Gleeck, *American Business and Philippine Economic Development*, 118-20.
[45] Statement Showing the Condition of the Manila Branch of the International Banking Corporation…. Nov 21, 1903. RG 350, Box 419, 5. National Archives. B. H.H. Report of an Examination of the Financial Condition of the International Banking Corporation, Manila Branch. Aug 22, 1910. RG 350, Box 418, National Archives.

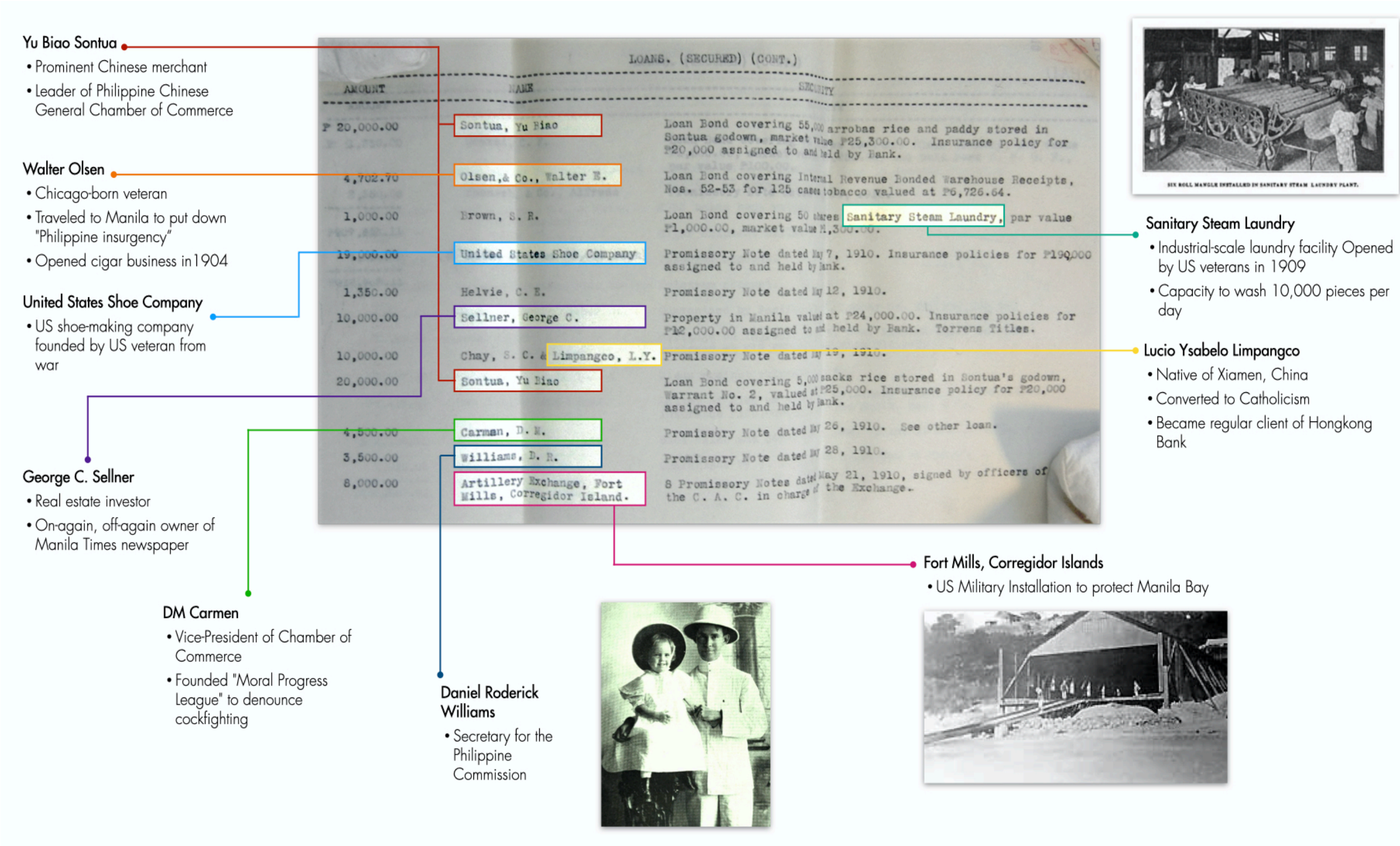
with the Chinese or Chinese mestizo community in the Philippines; third, US businesses and individuals who arrived in tandem with the US occupation; fourth, other types of borrowers or those with unknown backgrounds.[46] These categories stem from the particular political economy of the US rule over the Philippines. For example, the designation of "Chinese" and "Chinese mestizo," which is common in both the primary and secondary literature, emerged in part from the different and inferior legal status assigned to Chinese migrants under Spanish rule. The US insular government eliminated tax discrimination against Chinese residents of the Philippines, but other forms of discrimination continued and contributed to the ongoing identification of a distinct Chinese community.[47] Likewise, US business people tended to identify peers and competitors based on their country of birth, such as British, Spanish, or German.[48]

[46] The final category of unknown or "other" borrowers includes, for example, US citizens who established business interests in the Philippines in late nineteenth century, predating the US colonial regime, by working with British firms. Because the chapter's interest involves understanding IBC's impact on the goals associated with the US colonial administration, such hybrid cases do not fall conveniently in the categories used here. Examples of such hybrid cases are rare, so for the coarse level of assessment conducted here, the four categories adequately describe the economic dynamics under review.

[47] For more on the elaborate racial stratification under Spanish rule, see: Kramer, *The Blood of Government Race, Empire, the United States, & the Philippines*, 43-44. Wong. Richard T. Chu, "'Catholic,' 'Mestizo,' 'Sangley': Negotiating 'Chinese' Identities in Manila 1870–1905" (Ph.D., University of Southern California, 2003). "The 'Chinese' and the 'Mestizos' of the Philippines: Towards a New Interpretation," *Philippine Studies* 50, no. 3 (2002).

[48] For context on the establishment of British business interests in the Philippines, see: Frank R. Golay, "'Manila Americans' and the Philippine Policy: The Voice of American Business," in *The Philippine Economy and the United States in Past and Present Interactions*, ed. Norman G. Owen (Ann Arbor, Mich: Center for South and Southeast Asian Studies, University of Michigan, 1983). Smith Bell and Company, *Under Four Flags: The Story of Smith, Bell, & Company in the Philippines* (Bristol, England: J.W. Arrowsmith, Ltd, 1972). Kramer, "Empires, Exceptions, and Anglo-Saxons: Race and Rule between the British and United States Empires, 1880–1910."

Figure 2-3: Sample Page of IBC's Loan Portfolio, 1910[49]


LOANS. (SECURED) (CONT.)

AMOUNT	NAME	SECURITY
₱ 20,000.00	Sontua, Yu Biao	Loan Bond covering 55,000 arrobas rice and paddy stored in Sontua godown, market value ₱25,300.00. Insurance policy for ₱20,000 assigned to and held by Bank.
4,702.70	Olsen,& Co., Walter E.	Loan Bond covering Internal Revenue Bonded Warehouse Receipts, Nos. 52-53 for 125 cases tobacco valued at ₱6,726.64.
1,000.00	Brown, S. R.	Loan Bond covering 50 shares Sanitary Steam Laundry, par value ₱1,000.00, market value ₱1,300.00.
19,000.00	United States Shoe Company	Promissory Note dated May 7, 1910. Insurance policies for ₱190,000 assigned to and held by Bank.
1,350.00	Helvie, C. E.	Promissory Note dated May 12, 1910.
10,000.00	Sellner, George C.	Property in Manila valued at ₱24,000.00. Insurance policies for ₱12,000.00 assigned to and held by Bank. Torrens Titles.
10,000.00	Chay, S. C. & Limpangco, L.Y.	Promissory Note dated May [illegible], 1910.
20,000.00	Sontua, Yu Biao	Loan Bond covering 5,000 sacks rice stored in Sontua's godown, Warrant No. 2, valued at ₱25,000. Insurance policy for ₱20,000 assigned to and held by Bank.
4,500.00	Carman, D. M.	Promissory Note dated May 26, 1910. See other loan.
3,500.00	Williams, D. R.	Promissory Note dated May 28, 1910.
8,000.00	Artillery Exchange, Fort Mills, Corregidor Island.	8 Promissory Notes dated May 21, 1910, signed by officers of the C. A. C. in charge of the Exchange.

[49] Data sources: H.H., 1910. Wong, 39. "Americans in the Philippine Islands: Walter E. Olsen," *Journal of the American Chamber of Commerce in the Philippines* 1 (1921). "Sanitary Steam Laundry Company's Installation," *The Far Eastern Review*, Mar, 1909, 41; "Helping the World to Be Better Shod," *Boot and Shoe Recorder* 72 (1917); Gleeck, *The Manila Americans (1901-1964)*. Chu, "'Catholic,' 'Mestizo,' 'Sangley': Negotiating 'Chinese' Identities in Manila 1870–1905," 70. Ybanez, 456. Gleeck, *The Manila Americans (1901-1964)*, 53. *Commercial Directory of Manila* (Manila, Philippines1901), 104. Peter W. Stanley, *A Nation in the Making : The Philippines and the United States, 1899-1921* (Cambridge: Harvard University Press, 1974), 81. Photographs: Sanitary Steam Laundry: "Sanitary Steam Laundry Company's Installation." D.R. Williams: Daniel R. Williams, *The Odyssey of the Philippine Commission* (Chicago: A.C. McClurg & Co., 1913). Fort Mills: US Air Force, *Philippine Air School* (National Museum of the United States Air Force, 1913).

The overwhelming majority of IBC lending in both 1903 and 1910 went to established European-affiliated businesses or European individuals. In 1903, European interests constituted 86% of IBC's total secured lending, and in 1910, they comprised 70% of secured loans and overdrafts. A few anecdotal examples help bring the portfolio to life: IBC's two biggest borrowers in 1903 were a prominent British commodities firm, Smith, Bell & Company, and its subsidiary focused on engineering and infrastructure development.[1] Together, the two businesses constituted over half of the bank's total loans. In 1910, IBC's three largest borrowers—constituting roughly half of IBC's total portfolio of secured loans—were firms controlled by European or Chinese individuals.[2] The largest was an industrial rice mill backed by the already trusted client Smith, Bell.[3] A Zurich-born proprietor of a hat factory was IBC's second largest borrower. The third was prominent merchant Yu Biao Sontua (noted in *Figure 2-3*), who was born in China and established a large shipping and trading conglomerate in the Philippines in the early 1900s.[4] US citizens constituted only a tiny fraction—roughly 1%—of IBC's loans in 1903.[5] By 1910, IBC was lending to a larger number of US citizens and in greater quantities. Many of the loan recipients were US military veterans who came to the Philippines to fight in the war and stayed to open businesses under the new colonial administration. Walter Olsen, for example, arrived in the Philippines with the 20th US Infantry and, after the war, used financing from IBC to operate his cigar business.[6] US military veterans also founded the Sanitary Steam Laundry, an industrial facility built to handle the

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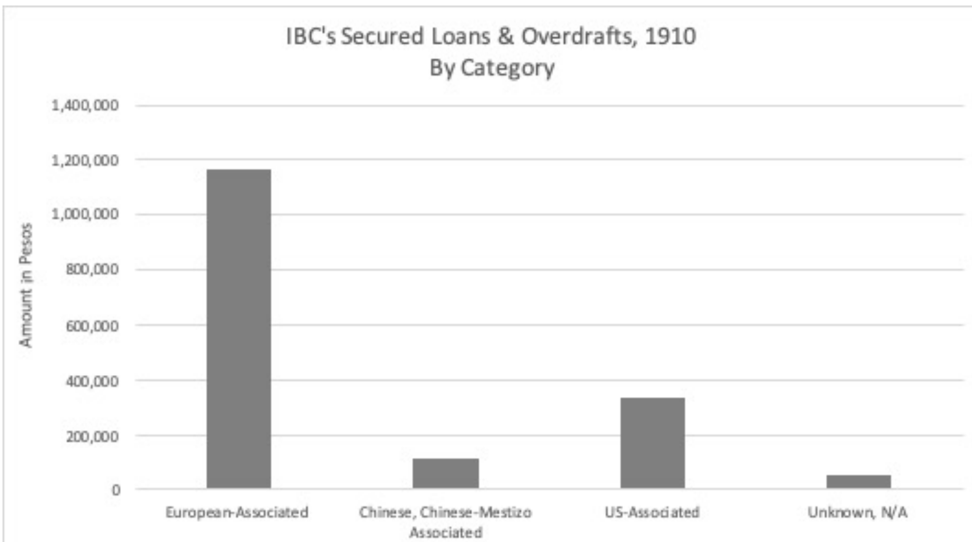
1 "San Nicolas Iron Works," *The Far East Review* (1906). Owen, 177-85.
2 H.H., 1910. Collectively Luzon Rice Mills Company; Gsell, Carlos; and Yu Biao Sontua borrowed P440,000 of the total P900,800 in loans inventoried.
3 Doeppers, 55. Smith Bell and Company, 22.
4 *The Chronicle & Directory for China, Corea, Japan, the Philippines, Cochin-China, Annam, Tonquin, Siam, Borneo, Straits Settlements, Malay States, &C.*, (Hongkong: Daily Press Office, 1912). Wong, 39.
5 IBC loaned P5,500 to the North American Trading Company, a supply company considered to be part of the United States' "'commercial invasion' of the Orient." "Point of View," *Western Christian Advocate*, Mar 5, 1902. See also: Charles Ballentine, *As It Is in the Philippines* (New York: Lewis, Scribner & Co., 1902), 198.
6 "Americans in the Philippine Islands: Walter E. Olsen."

"rapid laundering needs" of arriving ships.[7] IBC lent to the company and accepted the company's bonds as security for other loans. It also lent to Daniel Williams, Secretary of the Philippine Commission, as well as the Vice-President of the US Chamber of Commerce, who campaigned against the local practice of cock-fighting by co-founding the Moral Progress League.[8] By 1910, lending to US-affiliated firms and individuals grew to comprise roughly 20% of the bank's total secured loans and overdrafts (see *Figure 2-4*).[9]

Figure 2-4: IBC's Secured Loans and Overdrafts, 1910



Certainly, US interests appeared in other ways throughout IBC's portfolio, beyond simply citizenship or a firm's national headquarters. Several European clients supplied goods and services to the US government and military, and some European-dominated firms included US partners and employees.[10] For example, IBC borrower Alfredo Roensch & Company was formed in Manila by

[7] "Sanitary Steam Laundry Company's Installation."
[8] Williams. Gleeck, *The Manila Americans (1901-1964)*, 53.
[9] Data source: H.H., 1910.
[10] For example, San Nicolas Iron Works constructed ships for the US Navy, among its other work. The Philippine Tobacco Trust Company—which received a P24,000 loan—represented a consortium of tobacco growers and might have included US investors and interests. That the firm was organized "under the auspices of the Rothschilds" in London, which suggests a preponderance of European and likely British interests. "Philippine Tobacco Trust," *The Hartford Courant* Dec 6, 1901. The "Bell" in Smith, Bell & Company was New England-born Lawrence Bell who became a partner in the British-Philippine firm in the 1850s; however, he left in 1862. The firm likely hired other US citizens, but its management was largely British. Smith Bell and Company.

Figure 2-5: Alfredo Roensch & Co (Manila Nostalgia, 1914)

German hat-makers in the 1870s but refashioned its business to supply US troops during the Filipino-American War (see *Figure 2-5*).[11] Nonetheless, the breakdown of the bank's lending suggests that its initial operation worked largely to strengthen well-established firms—mostly those founded and operated by Europeans—and benefit their wealthy proprietors who already represented Manila's elites.

The representation of Chinese merchants in IBC's loan portfolio warrants particular consideration. In 1903, 11% of the bank's loans went to individuals born in China or business founded by owners of Chinese descent.[12] In 1910, the figure was roughly 10%, although the loans largely related to a single individual and his associated firms.[13] There is little existing evidence for how these clients initially connected with IBC, though IBC's British managers might have served as a conduit. Regardless of their entry into IBC's client roster, the findings suggest that IBC bankers did not make loans solely based on the white-supremacist rhetoric some US bankers espoused. Even as IBC bankers working in China spoke in derogatory terms of locals, bank managers in the

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[11] Photo courtesy of: Lou Gopal. "Brias Roxas Story, Manila Nostalgia." 2014. Jun 24, 2020. http://www.lougopal.com/manila/?p=2276. See also: Nigel Gooding. "Philippine Business Firms: Handstamp Markings & Privately Printed Covers." 2019. May 3, 2020. https://www.nigelgooding.co.uk/Spanish/Business%20Firms/Adolfo%20Roensch%20&%20Co/AdolfoRoensch.pdf; *The Chronicle & Directory for China, Corea, Japan, the Philippines, Cochin-China, Annam, Tonquin, Siam, Borneo, Straits Settlements, Malay States, &C.*, (Hongkong: Daily Press Office, 1910).

[12] IBC loaned a total of P62,411 to "Sy Chung Chim" and Siuliong & Co. "Sy Chung Chim" was most likely a misspelling of Siy Chong Lin (alias of Tomas Siy Cong Bieng), son of well-established Chinese business man Benito Siy Cong Bieng. The family was involved in rice and abaca trade at the time, and fittingly, the security provided for the loan was rice. Siuliong & Co was an import-export partnership backed by Guillermo A. Cu Unjieng, one of Manila's most prominent businessmen. The firm was the Chinese firm listed as "most valued customer" of HSBC. *Commercial Directory of Manila* Wong, 41-42.

[13] Yu Biao Sontua was associated with P90,000 in loans.

Philippines lent directly to Chinese clients without the mediation of compradors, the practice central to lending to local firms in China, as Chapter One noted.[14]

The prominence of Chinese-owned businesses in IBC's loan portfolio complicates assumptions about two independent banking systems differentiated by racial designation.[15] It was common practice in the Philippines at the time for Chinese merchants to provide financial services for employees, family members, and community members. Popular stereotypes cast Chinese merchants as usurers engaged in illegal financial activities, and the Philippine public tended to become suspicious of the Chinese business community in times of economic difficulty.[16] Guillermo Cu Unjieng, founder of a company that borrowed from IBC, was known to provide financial services such as foreign exchange, loans, and remittances, though the terms of these loans are unclear.[17] In 1910, IBC also lent to the Hongkong & Manila Yuen Sheng Company, a banking agency which managed branches throughout Asia.[18]

Shortly after the branch's opening, IBC was embroiled in a lending scandal that provides additional evidence of the effects of its lending beyond US and European borrowers. IBC lent heavily to a local pawn shop, Casa Commission—a decision that ensnarled IBC in years of contentious litigation and saddled the bank with substantial losses. When the pawn shop went bankrupt 1904, it owed IBC more than P400,000 by one estimate—a significant sum given that the bank's whole loan portfolio the previous year was only P500,000.[19] IBC's New York executives fired the Manila branch manager over the loan, and IBC became involved in a lawsuit to recover the

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[14] On bankers' observations of table manners in China, see: De Menocal, 1961.
[15] According to Yoshiko Nagano, the "nationwide networks of major banks and the regional networks of Filipino or Chinese local merchants and usurers … seem to have been completely distinct from each other." Nagano, *State and Finance*, 59. See also Hudson, *Bankers and Empire*, 68.
[16] Lumba, "Monetary Authorities," 55-57.
[17] Wong, 41-42.
[18] Treasury Department. *Annual Report of the Comptroller of the Currency*. Washington: Government Printing Office, 1905. H.A. Cartwright, *Twentieth Century Impressions of British Malaya* (London: Lloyd's Great Britain Publishing Company, 1908), 143.
[19] Gleeck, *American Business and Philippine Economic Development*, 118.

losses, though ultimately the Manila branch had to write off the debt and increase its reserves with gold from New York.[20] Nevertheless, the bank's loans to merchants and pawnbrokers who provided financial services to unbanked Filipinos reveals the interconnections among banking spheres. The evidence suggests that IBC's work would have increased local lenders' capacity to provide credit to urban Filipino workers and farmers.

The finding that foreign banking and local lending were interconnected by no means suggests that they conveyed equal access to opportunity. In fact, the opposite is more likely: by hewing to conventional banking practices and lending to affluent incumbents, IBC's work seemed to increase commercial opportunities among those already able to access credit. Nonetheless, the interconnections highlight the ways in which IBC's lending affected a broader swath of society than simply a small cluster of elite US firms. IBC's loans to large European export firms present another example. Foreign commercial houses had become stand-in financial institutions in some commodity-intensive regions in the Philippines. The established British firm Smith, Bell & Company, for example, frequently advanced funds to farmers by buying crops not yet harvested. The system allowed farmers to access short-term loans for sugarcane, hemp, rice, and tobacco.[21] While the lending helped meet the credit needs of larger farmers, it did not alleviate the plight of rural tenants, who had to negotiate credit extensions with landlords. In many regions, borrowing terms involved a punitive escalation of debt and rendered tenants dependent on landlords for generations.[22]

Lack of archival evidence makes it difficult to know what information bankers considered necessary and sufficient to evaluate the creditworthiness of would-be borrowers. Anecdotal reports

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20 Westcott, 1907. IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905.
21 Smith Bell and Company, 21.
22 Seung Woo Park, "Agrarian Transformation and Colonialism in the Context of Capitalist Development: An Historical-Comparative Study of Korea and the Philippines" (Ph.D., University of Georgia, 1991), 101-04. James S. Allen, "Agrarian Tendencies in the Philippines," *Pacific Affairs* 11, no. 1 (1938). Rigoberto Tiglao, *The Philippine Coconut Industry : Looking into Coconuts* (Manilla: Arc Publication, 1981).

suggest that managers had considerable power in determining loans. As one IBC veteran remembered, "Lending was practically a managerial prerogative."[23] Given the importance of managers' judgment and local knowledge in providing credit, IBC's Manila branch had a strikingly high turnover among its managers in the early years. From 1901 to 1920, the branch averaged one new manager every two years. Such a high churn rate would likely have disrupted long-term lending relationships that stabilized more established British competitors.[24] For example, the Hongkong Bank appointed its first manager in Manila based on his extensive experience in financing sugar trade in Indo-China, and the manager held his position for a decade.[25] After IBC lost money in the Casa Commission bankruptcy, bank executives in New York sought to centralize some decision-making and asked all branch accountants to communicate directly with their managers and with New York headquarters "in case of their disapproval of the character of any transaction or of the persons with whom made."[26] However, given the distance between New York and Manila and the time required to communicate, the attempts at centralization were not enough to shift the responsibility of loan decision-making off the manager.

Evaluating security was a key part of a bank manager's decision-making about credit extensions. Evidence from IBC's loan portfolio reveals that the security it accepted closely mirrored the main exports of the Philippines, such as rice, hemp, and tobacco. More than half of IBC's 1903 portfolio of secured loans were covered by one of these commodities, and in 1910, the portion was similar—roughly 46%. Real estate and promissory notes represented common forms of security in 1910: they accounted for roughly a third of IBC's secured loans, though promissory notes were less significant in its 1903 portfolio. Scant information is available about how IBC evaluated the merits

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[23] Starr, 54.
[24] Gleeck, *American Business and Philippine Economic Development*, 120.
[25] Ybanez, 436. United States Commission to the Philippine Islands Department of State. *Report of the Philippine Commission to the President, Vol. 2*. Charles Denby et al. Washington: Government Printing Office, 1900.
[26] IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905.

of such payment promises from different individuals. The bank also accepted various goods and chattel mortgages for loans. Plate iron, a deed for a ship, and cases of liquor constituted security for various loans in 1903. Examples from 1910 include household furniture and warehouse receipts for gin. When borrowers defaulted, IBC typically became the new owner of the goods. By 1907, IBC had acquired a "considerable" amount of property throughout the archipelago, according to a bank inspector, likely due to defaults.[27] One estimate suggested that IBC became "the largest real estate taxpayer in Manila"—a situation that would have resulted in part from property it acquired from bad debts.[28] The analysis suggests that bankers considered the nature and volume of security to be essential dimensions of loan decision-making; however, the criteria for what constituted "adequate" was not a rigid formula but rather a shifting matrix that depended, among other factors, on the bank's relationship with the client.

IV. Public-Private Portico

Lending activities were an important part of IBC's work in Manila, but they were not its only function. IBC also advanced infrastructure development by participating in financing syndicates for large projects. In particular, railroad financing would have been an obvious area of investing and development for IBC and its railroad-dominated board. Of the 38 names listed as members of IBC's board of directors in 1903, half served on railway boards, led railroad reorganization trusts, or owned significant stakes in railroads (see *Figure 2-6*).[29]

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[27] Westcott, 1907.
[28] Gleeck, *American Business and Philippine Economic Development*, 120.
[29] Data source for Figure 3: "International Banking Corporation: Board of Directors." 1903. *The Manual of Statistics: Railroads, Grain and Produce*, vol. 22, The Manual of Statistics (New York: Financial News Association, 1901).

Figure 2-6: Sample of IBC Board Members with Significant Railroad Leadership, 1903
James W. Alexander
Jules S. Bache
George Crocker
Eugene Delano
Edwin Gould
Edward H. Harriman
Thomas H. Hubbard
John B. Jackson
Luther Kountze
John J. McCook
Henry P. McIntosh
Henry Clay Pierce
William A. Read
William Salomon
Robert A.C. Smith
Alfred Vanderbilt

Even more striking is the scope and breadth of IBC board members' influence in American railways: the 19 board members who participated in railway leadership were involved in the boards of a cumulative total of at least 30 different railway lines—in addition to serving on boards of mining, telegraph, shipping, and banking corporations (see *Figure 2-7*). Fittingly based on this leadership, IBC joined a syndicate for railroad construction in the Philippines in 1906. By then, several of the bank's railroad-affiliated founders had left the board, including Edwin Gould and Alfred Vanderbilt. Nonetheless, more than one third of the bank's 1906 board members held prominent leadership positions in railway lines.[30] The consortium IBC joined in the Philippines—the Philippine Railway Corporation—won a project to develop lines in the Visayas, a cluster of islands south of Manila. The project brought IBC president Thomas Hubbard together with both the Chief and the Assistant Chief of the Bureau of Insular Affairs as board members of the line.[31]

Figure 2-7: IBC Board Members' Influence on the Boards of Railway Firms (1901)[32]	
Railroad or Streetcar Firm	
Allegheny Valley Railway	Louisville, Henderson & St. Louis Railway
Austin & Northwestern Railroad Co.	Manhattan Railway Co
Baltimore & Ohio Railroad (4 IBC board members: Read, Harriman, Pierce, Salomon)	Mexican International Railroad Co

[30] *Moody's Manual of Corporation Securities*.
[31] May, 163-66; The Philippine Railway Company – Board of Directors. Jun 29, 1907. RG 350, Box 726, Folder 15058. National Archive.
[32]This chart utilizes 1901 board directorship positions from Moody's *Manual of Statistics*, which has been digitized. IBC board member data from a 1903 filing with State Department. This selection of the bank's leadership provides a better representation of the perspectives and individuals leading IBC than earlier samplings due to high turnover of board composition in its first 18 months. "International Banking Corporation: Board of Directors." 1903. *The Manual of Statistics: Railroads, Grain and Produce*, 22.

Baltimore & Ohio Southwestern Railroad Co	Minneapolis & St. Louis Railroad Co
Chicago & Alton Railway Co	Missouri Pacific Railway
Chicago Union Traction Co	Ohio Southern Railroad
Colorado & Southern Pacific Railway	Oregon & California Railroad Co (2 IBC Board Members: Crocker, Hubbard)
Connecticut Railway & Lighting Co	Oregon Railroad & Navigation Co
Delaware & Hudson Co	Oregon Short Line Railroad
Detroit & Lima Northern Railway	Southern Pacific Company
Detroit & Mackinac Railroad Co	St. Louis Southwestern Railway
Houston & Texas Central Railroad	Texas & Pacific Railway
Illinois Central Railroad	Union Pacific Railroad (2 IBC Board Members: Harriman, Hyde)
Iowa Central Railway Co	Wabash Railroad Co (2 IBC Board Members: Gould, Hubbard)
Kansas City Southern Railway Co	Wheeling & Lake Erie Railroad (2 IBC Board Members: Delano, McIntosh)

The imperial interconnections between banks and state power in railway development have been examined by several historians. To Colin Moore, public-private partnerships on such infrastructure projects represent an "alternative means of state development."[33] Peter Hudson characterizes IBC's participation in the syndicate as a "project of US colonial control in the Philippines."[34] These descriptions provide useful initial insights, but they tell us little about the impacts and formats of imperial power. A finer-grained analysis of the inner workings of the railway and its financing reveals that its designers sampled broadly from the playbook of European and US imperial techniques. Further, their particular combination of scripts culminated in a complete failure for private investors and the US government, in addition to doing little to aid Philippine transport. Planners mapped the rail lines using statistical records from Spanish priests to identify the locations of natural resources. They calibrated potential combinations of passenger versus freight traffic after studying British colonial railroad models in Sudan and India. And they added a healthy infusion of US managerial science in attempting to optimize the diet of workers for maximum productivity.

[33] Moore, 31.
[34] Hudson, *Bankers and Empire*, 69.

Figure 2-8: Workers Grading Land for Construction of Philippine Railway (The Railroad Gazette, 1907)

The caloric ratio—60% rice, 20% beef, 10% fish, and 10% vegetables—was "better calculated to forestall fatigue than anything to which the average of the men had hitherto been accustomed."[35] A celebratory article in the *Railway Gazette* announced that railway builders made a bold choice in selecting laborers: rather than opting for imported Chinese workers under deportation bonds, the firm opted for local Filipino workers (see *Figure 2-8*).[36] The strategy presented challenges: "some patience was required" for managers to convince workers to use tools instead of the "native trait to use the hands and feet for working earth." Ultimately, the article concluded: "the use of Filipino labor is proving an unqualified success."[37]

Enthusiasm marked the early years of railway construction, but the project soon faltered. Neither freight nor passenger traffic increased as projected, and interest payments on the bonds came due.[38] The syndicate's contract held the insular government responsible for the interest payments on the company's guaranteed bonds, if the company could not afford to do so itself. By 1913, the railway's "discouraging" performance, according to BIA Chief Frank McIntyre, left the US

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35 "Philippine Railroad Building with Filipino Builders," *The Railroad Gazette* 43, no. 11 (1907): 300.
36 Ibid., 299.
37 Ibid.
38 May, 164.

government saddled with the 4% interest payments.[39] The railway's owners suggested in 1914 that the government purchase all the company's stock and acquire full control of the line.[40] Both the Governor-General and BIA leaders balked at the deal, due to the paltry revenues of the line and the implications of assuming "moral responsibility for successful operation of road."[41] The result was that owners—including IBC—were stuck holding the bonds for the failing railway.

IBC bankers devised a strategy for repurposing the dubious assets: they offered the bonds back to the government to serve as the security required for IBC maintaining its fiscal-agent status. The following year, in 1915, IBC tried to use them as security for receiving Panama Canal Zone funds. IBC offered bonds of the Philippine Railway Company with a face value of $151,000, but Washington officials quickly noted that their market value was little more than half that amount.[42] When confronted with the discrepancy, IBC offered an additional $49,000 of Philippine Railway bonds.[43] Administrators of the Panama Canal Zone accepted this offer, but three years later, IBC had to substitute official US Government bonds—Third Liberty Loan bonds worth $120,000—to provide adequate security.[44] Ultimately, IBC, which had since been acquired by National City Bank,

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39 Frank McIntyre. Letter to Hon. J. Hampton Moore, Representative in Congress. Jan 24, 1914. RG 350, Box 711, Folder 14221. National Archive.

40 Letter to Hon. Frances Burton Harrison, Governor-General of the Philippine Islands. Feb 27, 1914. RG 350, Box 711, Folder 14221. National Archive.

41 Ibid.

42 A.L. Flint. Letter to the International Banking Corporation. Apr. 24, 1915. Safekeeping Documents 1 (1904-1926), Item #335: Panama Canal Zone (1910-1926). Citi; Boggs, 1915.

43 H.T.S. Green. Letter to Chief of Office, the Panama Canal. Apr. 26, 1915. Safekeeping Documents 1 (1904-1926), Item #335: Panama Canal Zone (1910-1926). Citi.

44 Certificate of Deposit of Bonds by the International Banking Corporation. Jun 5, 1918. #335, Safekeeping Documents, Panama Canal, 1910-1926. Citi; Certificate of Deposit of Bonds by the International Banking Corporation. May 5, 1915. #335, Safekeeping Documents, Panama Canal, 1910-1926. Citi. In a similar case several years later, IBC had to provide security for serving as a government depository in London in 1917, for disbursing funds to Army and Navy. The bank borrowed $1 million in Treasury Certificates from National City Bank, which had at the time acquired the majority share of IBC, in order to deposit the security with the Federal Reserve Bank of New York. IBC Executive Committee, "Executive Committee Meeting Minutes." 1914-1918.

wrote down the Philippine bonds with a face value of $271,000 to $1 in 1926, and the railway went into receivership.[45]

Despite the railway's failures, the structure of its board underscores a continuing pattern in IBC's on-the-ground operations in the Philippines. By participating in the investing syndicate, the bank functioned as a portico enabling a steady churn of people and money moving in revolving-door fashion between government and business. Both the chief and the assistant chief of the Bureau of Insular Affairs served on the railway's board alongside IBC President General Thomas Hubbard and fellow IBC board member William Salomon, Chairman of the railway.[46] Cornelius Vanderbilt served on the railway's board, and his son Alfred was an early IBC board member. The structural connections would have provided a conduit for relationship building and information exchange, though little remains in the way of records about the nature of those meetings.

Common military and business backgrounds also created affinities between commercial and political spheres. IBC's board included many former generals and military veterans. IBC president Thomas Hubbard had served in the Union Army as a Maine Volunteer and rose to the level of General.[47] It is unclear what exactly caused BIA Chief Clarence Edwards to respect General Hubbard so loyally, but shared military background likely did not hurt the bond. Edwards, who served in a number of battles in the Philippines and became a colonel in 1902, repeatedly asserted his trust in Hubbard to other War Department officials, despite warning signs about IBC's performance. One warning was IBC's inability to provide assets that met the government's criteria for adequate security to receive government deposits, as previously noted. Another warning involved an auditor's report to the Bureau of Insular Affairs in 1908 that the bank's profits were

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45 Assistant Cashier. [Letter to] the National City Bank of New York. Dec 31, 1926. Item #337, IBC, F.E.D. – General (1926-1930). Citi. "Philippine Railway Faces Receivership: Manila Government Is Reported Planning to Force Insolvency as Bonds Mature, Unpaid," *New York Times*, Jul 1, 1937.
46 "The Philippine Railway Company – Board of Directors." 1907.
47 Burrage, 23-44.

"ridiculously" small compared to its capital and that its activities resembled speculation more than "legitimate banking."[48] In the face of these critiques, Edwards reasserted his trust of IBC and its management, which "in character and integrity leaves nothing to be desired." He continued, "the best security for deposits is the strength of the bank and the efficiency of its management."[49] Shared military backgrounds, in addition to collaboration as board members on projects such as the Philippine Railway, likely contributed to this affirmation of support.

Common military backgrounds would have smoothed relationships not only in Washington, but also on the ground in Manila, given the role of veterans in city business. Former military personnel dominated US business activities in Manila in the early years of the insular government.[50] Military experience in the Philippines also dotted the resumés of IBC managers and executives. General Charles Whittier joined IBC's board in early 1903 after he served on the US military delegation that received the formal surrender of the Spanish in Manila and later worked as the collector of the Port of Manila.[51] Captain Charles Palmer, a West Point graduate, had previously worked as the Superintendent of Transport for U.S. forces in the Philippines before becoming an early advisor for the IBC Manila branch.[52] An early manager of the Manila branch, Major P.G. Eastwick, had served as a US battalion commander in the Philippines and went on to hold board seats on several other Manila firms.[53]

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48 Bureau of Insular Affairs, 1908.
49 Edwards, "Memorandum for the Secretary of War, in the Matter of Securities for Deposits with the International Banking Corporation." 1910.
50 Gleeck, *The Manila Americans (1901-1964)*, 66.
51 Henry Hooker Van Meter, *The Truth About the Philippines, from Official Records and Authentic Sources ... A Reference Review* (Chicago: Liberty League, 1900). James H. Rodgers. Directors' Minutes. May 21, 1908. RG 7, Annual Directors Meeting Minutes. Citi.
52 IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905; "Col. Charles D. Palmer," *New York Times*, Oct 5 1940;
53 IBC Executive Committee, "Executive Committee Meeting Minutes." 1902-1905; "Col. Charles D. Palmer," *New York Times*, Oct 5, 1940; Marrion Wilcox, *Harper's History of the War in the Philippines* (New York: Harper & Brothers, 1900). Gleeck, *American Business and Philippine Economic Development*, Introduction. *The Manila Americans (1901-1964)*, 83.

Connections among IBC bankers and US elites in Manila deepened in both formal and informal settings. During non-business hours, veterans, colonial administrators, and businessmen could retreat to private Manila social clubs. Institutions such as the Elks Club—the "most important of the pre-war American clubs"—enabled likeminded business and government leaders to relax, dine, drink, and converse away from Filipino citizens.[54] Particularly during the early years of US rule, racial exclusion was a hallmark of most social clubs. While several institutions opened to Filipino and US members during World War I, most discriminated against non-white members, and some continued to do so until the start of World War II.[55] Segregated social institutions were not an innovation of US colonial rule. British and other European clubs had catered to white, Manila-based elites long before the arrival of the US military. Under US administration, the clubs continued to function as sites for fostering imperial connections and Anglo-American solidarities based on whiteness. As historian Paul Kramer has noted, institutions such as Manila's English Club maintained considerable social prestige during US colonial rule and later competed for the same pool of potential members with new clubs that catered to US citizens, such as the Army-Navy Club and University Club.[56]

IBC helped finance some of these spaces for intermingling—and it did so in tandem with government officials. IBC supported the construction of the Manila Hotel in 1909, a project that captures the essence of its portico functionality. From the outset, the project involved a mix of private financing and public support to finance construction. Investors committed P300,000 and the Philippine Government committed to purchasing a bond issue of twice that amount.[57] The hotel's

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[54] *The Manila Americans (1901-1964)*, 66-67.

[55] Ibid., 63. See also: Lou Gopal. "Los Tamaraos Polo Club." 2015. Apr 17, 2019. http://www.lougopal.com/manila/?p=3000.

[56] Kramer, "Empires, Exceptions, and Anglo-Saxons: Race and Rule between the British and United States Empires, 1880–1910," 1346.

[57] "The New Manila Hotel," *Far Eastern Review* 6, no. 2 (1909): 185; William Cameron Forbes, *The Philippine Islands, Vol 2* (Boston: Houghton Mifflin, 1928).

board brought IBC leaders in direct contact with powerful Manila business interests. IBC manager P.G. Eastwick served on it alongside cigar merchant—and IBC client—Walter Olsen, as well as some of the city's most prominent business leaders, such as directors of Smith, Bell & Company and lawyers for some of the largest US companies operating in the Philippines.[58] The US Secretary of War Jacob Dickinson laid the cornerstone to celebrate the hotel's construction.[59] Once completed in 1912, it became a hot spot for wealthy, primarily white Manila residents. Its popular roof terrace "quickly became a center of social life, rivalling, if not excelling, the Army and Navy Club," a segregated club that catered to US residents, according to historian Lewis Gleeck.[60] The Manila Hotel presented exactly the sort of space where bankers and their clients might have benefited from opportunities to strengthen trust by deepening connections about both business and non-business matters. IBC not only helped finance the framework; it also sustained the infrastructure that enabled both personal relationships and the brokering of business deals between politicians and executives in secluded, sheltered spaces.

V. Exacerbating Imperial Tensions

As US firms claimed an increasing share of IBC's lending in Manila in the 1910s and 1920s, IBC actively supported businesses that championed US imperialism. For example, the bank lent heavily to the American-Philippine Company, a firm founded by US investors in 1912 to develop Philippine natural resources. The company pledged to claim "[Americans'] rightful share of the trade of the Philippine Islands," thereby enshrining US entitlement as a corporate mission in its

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58 "The New Manila Hotel." Committee on Insular Affairs. House of Representatives. *Administration of Philippine Lands, Part 2: Report by the Committee on Insular Affairs of the House of Representatives of Its Investigation of the Interior Department of the Philippine Government Touching the Administration of Philippine Lands and All Matters of Fact and Law Pertaining Therto, in Pursuance of House Resolution No. 795*. Government Printing Office, 1911.

59 Gleeck, *The Manila Americans (1901-1964)*, 85.

60 Ibid., 91. Manuel Luis Quezon III, "The Glory Days," *Philippine Tatler* (2007).

prospectus.[61] American-Philippine Company investors and executives included former government officials such as one-time director of the Philippines prison system, M.L. Stewart, and former Secretary of the Interior Dean Worcester.[62] At an early company dinner, president Edward Fallows committed the company to the same tutelary project that motivated the early US colonial state. The company's founders were not merely seeking personal wealth, Fallows argued. Instead, they wanted to give Filipinos the "greatest incentive for advancement in the arts of civilization,–regular productive and remunerative work [sic]."[63] IBC became a financial supporter of the firm and its affiliated companies throughout the 1910s and 1920s.[64]

Ultimately, IBC's support for US imperial governance in the Philippines engendered resentment and backlash among Filipinos, as two noteworthy cases reveal: the Friar Lands controversy and public hearings against a US investor in Philippine coconut refining. These controversies demonstrate IBC's support for consolidating US businesses' control of Philippine land and resources, as well as the way in which that control contributed to unrest and disenfranchisement of Filipino populations. The Friar Lands controversy grew out of a colonial government attempt to undercut the power of Catholic friars by breaking up the large land holdings that friars had amassed under Spanish rule. The original goal was to divide the plots and sell land back to independent Filipino tenant farmers. In 1902, Congress authorized the Philippine government to issue bonds in order to purchase 400,000 acres of friars' land—a transaction that made the colonial government

[61] "American-Philippine Company [Prospectus, Report #1, Report #2]," (New York: American-Philippine Company, 1912).
[62] The Vegetable Oil Corporation. Jun 6, 1918. Manuel Luis Quezon papers, Reel 8, Bentley Historical Library, University of Michigan. "American-Philippine Co. To Get Dean C. Worcester's Aid," *Wall Street Journal*, Feb 5, 1914.
[63] "American-Philippine Company [Prospectus, Report #1, Report #2]."
[64] "The Vegetable Oil Corporation." 1918; Dean C. Worcester. [Note to Cameron Forbes, Governor-General of the Philippine Islands]. Jun 18, 1913. Dean C. Worcester Papers, 1, Correspondence Jan-Jun 1913. Bentley Historical Library, University of Michigan. Leo H Martin. Report of Examination Made of Manila Branch, International Banking Corporation. May 25, 1922. RG 350, Box 585, Folder 550-250. National Archive.

landlord to more than 150,000 Filipinos.[65] Plans to sell the land to local tenants quickly faltered, due to problems with surveying and land titling.[66] Meanwhile, the interest payments on the bonds came due, and the anticipated land sales that would have covered the interest payments were not forthcoming. By 1909, as financial pressures mounted, the colonial government increased the size of plots eligible for sale.

Not surprisingly, US companies emerged, ready to pounce on the opportunities for consolidating land ownership and benefiting from the newly favorable tariff policies. Investors associated with the Havemeyer family's American Sugar Refining Company—often called the "Sugar Trust"—purchased a 58,000-acre plot in Mindoro known as the San José estate, which included 15 miles of railway track, 100 homes for workers, and 10 homes for foremen.[67] IBC supported the transaction in several ways. First, it served as the physical money mover for the US colonial government by transferring gold from the War Department to the friar estates' owners.[68] The bank also lent to the new US buyers: Horace Havemeyer, son of American Sugar Refining Company's founder; a Havemeyer cousin; and another US sugar planter. The US buyers became so indebted to IBC and other institutions that they mortgaged the property to consolidate their debts and gain access to a P600,000 line of credit from IBC.[69]

The Havemeyer purchase sparked opposition among pro-independence Filipino activists and anti-imperialists in the United States. The sale came on the heels of a 1909 overhaul of the tariff system for Philippine goods in the Payne Aldrich Act, which allowed free entry to US markets for major Philippine exports, such as tobacco and sugar. The legislation, which some viewed as a

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[65] Ventura, "From Small Farms to Progressive Plantations," 466; José P. Apostol, *The Economic Policy of the Philippine Government: Ownership and Operation of Business* (Manila: University of the Philippines, 1927), 8.
[66] Ventura, "From Small Farms to Progressive Plantations," 467-71.
[67] The Mindoro Company: Charles J. Welch and Horace Havemeyer First Mortgage. Apr 24, 1914. #335, Safekeeping Documents, Rothschild, Archie Wilson, et al. Citi. Frank Hindman Golay, *Face of Empire : United States - Philippine Relations, 1898-1946* (Madison: University of Wisconsin-Madison, Center for Southeast Asian Studies, 1998), 134.
[68] "Last Payment to Friars," *Boston Daily Globe*, Oct 21, 1905.
[69] "The Mindoro Company: Charles J. Welch and Horace Havemeyer First Mortgage." 1914.

potential windfall to Philippine planters, also posed threats to Philippine sovereignty. First, the bill required free entry of US goods into Philippine markets, thereby stripping the archipelago of needed revenue and autonomy in determining access to its markets. In addition, it promised to reorient Philippine agriculture to the demands of US companies and consumers—a fate that would leave the archipelago dependent on the United States as an export market.[70] Politician Pablo Ocampo predicted that the bill would unleash an "avalanche of American monopolies which I see hovering over our heads."[71] The Havemeyer purchase seemed like a perfect realization of Ocampo's fears.

The controversy also sparked antagonism between pro- and anti-imperial factions in the United States. At the start of the US rule, Philippine Commission regulations had barred US businesses from acquiring large tracts of land in the Philippines in order to minimize corporate consolidation, but in 1908, US colonial officials identified a loophole in the policies that paved the way for the Havemeyer purchase and other similar acquisitions.[72] When a 1909 news story exposed that the Sugar Trust had penetrated the Philippines, US public outcry and political pressure prompted a lengthy congressional inquiry that revealed a number of questionable business dealings by colonial officials in the Philippines.[73] The inquiry unearthed the finding that at least seven colonial officials had acquired significant land holdings or mining rights in the Philippines while they were shaping the policies that governed the terms of access to those resources.[74] It is unclear whether IBC played a role in financing the acquisitions or development of those properties. However, the Philippine Governor-General at the time, William Cameron Forbes, was a vocal defender of the private business conducted by his staff and was himself an IBC client.[75] Bureau of Insular Affairs Chief Clarence Edwards had advised Forbes that IBC was "anxious for business" related to the

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70 Stanley, Ch. 6.
71 As quoted in: ibid., 151.
72 Golay, 135.
73 Stanley, 158.
74 Golay, 137-38.
75 H.H., 1910; Golay, 138-39.

Havemeyer purchase and expressed optimism that, as long as US businesses were investing in the Philippines, "I hope they will use American banking facilities."[76] Edwards' comments highlight the privileged relationship that IBC—the only US banking facilities in the archipelago at the time—enjoyed with the colonial administration.

The presence of American banking facilities seemed at first like a boon to US colonial aspirations in the Philippines: the bank could support the insular government's financial needs, provide credit and trade financing to nurture young US businesses, and help fund large-scale infrastructure construction. But as the Friar Land controversy revealed, the bank's amplification of US political goals often engendered resentment and exposed flaws in the imperial agenda. A second instance in which IBC intensified pro-independence politics involved public hearings in 1918 of an upstart US investor in coconut oil refining, Carl Hamilton. Hamilton's business was a crucible of colonial interests: Hamilton became the head of the American-Philippine Company, an IBC client and a champion of US colonial rule.[77] Hamilton reorganized the business to capitalize on a growing market in exporting coconut oil. The company hired a former government official who wrote the book, literally, on US investing in coconut oil: Dean Worcester, one-time Secretary of the Interior and author of the government published *Coconut Growing in the Philippine Islands* (1911).[78] Worcester resigned from government service in 1913 following policy changes in Washington that supported greater Filipino sovereignty—an agenda he stridently rejected.

Worcester and Hamilton patched together a coconut oil refining business that exploited colonial privilege at every juncture possible. To launch the coconut business, Worcester convinced a government friend to retrieve the state-sponsored engineering report on which Worcester based his

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76 "Administration of Philippine Lands, Part 2: Report by the Committee on Insular Affairs of the House of Representatives of Its Investigation of the Interior Department of the Philippine Government Touching the Administration of Philippine Lands and All Matters of Fact and Law Pertaining Therto, in Pursuance of House Resolution No. 795," 1286.
77 "American-Philippine Company [Prospectus, Report #1, Report #2]."
78 Worcester, *Coconut Growing*.

study. Worcester then hired that same engineer to join his new business, along with a chemist who formerly worked for the Bureau of Government Laboratories.[79] The business sourced some of its coconuts from San Ramon, a prison that doubled as a labor camp. Established by the Spanish in the 1870s, San Ramon primarily held Muslim dissidents, and Spanish authorities had designed the prison as an agricultural work camp because "the Moros must be dealt with differently from a people of a more advanced moral status." US administrators continued the same carceral logic and even expanded operations by planting an additional 75,000 coconut trees for the Muslim-majority inmates to harvest.[80] Hamilton and Worcester's business hired the former superintendent of the San Ramon Penal Colony, J.B. Cooley, to manage the Philippine Desiccated Coconut Corporation, a coconut grower affiliated with the firm's refining operations.[81] Worcester was so impressed with San Ramon's productivity that he used it as a model to create a private coconut plantation nearby, which hired former prisoners, whom Worcester praised for being "real workers."[82] Public records, the experience of public servants, and prison labor formed some of the basic inputs that helped grow the Philippine Refining Corporation.

Coconut oil refining soon became a boom business in the Philippines, due largely to war-time economic conditions. In 1914, the United States imported fewer coconut products per day than a single biscuit manufacturer in England.[83] But the flow of exports changed during World War I, as Western consumers purchased more dried coconut and coconut oil to make butter substitutes amid

[79] Rodney J. Sullivan, *Exemplar of Americanism : The Philippine Career of Dean C. Worcester* (Quezon City, Philippines: New Day Publishers, 1992), 194-95.
[80] Michael Vincent Caceres, "Colonial Penal De San Ramon: Images of the Oldest Existing National Penitentiary in the Philippines (Circa 1870)," *Liceo Journal of Higher Education Research* 5, no. 1 (2007): 139-43.
[81] Resil B. Mojares, "Worcester in Cebu: Filipino Response to American Business 1915-1924," *Philippine Quarterly of Culture and Society* 13, no. 1 (1985). "The Philippine Desiccated Coconut Corporation," *Confectioners Journal* 48 (1922).
[82] Dean C. Worcester. Letter to George Worcester. Apr 22, 1923. Dean C. Worcester Papers, Folder 57. Thetford Historical Society. (Capitalization in original.) "The Philippine Desiccated Coconut Corporation." Sullivan, 211-12.
[83] "To Make Cocoanut Oil: An American Plant to Be Put up in the Philippines," *New York Times*, Feb 13, 1914.

war-related dairy and meat shortages.[84] An even more significant driver in increased coconut consumption came from chemists' discovery that coconuts could be useful in making explosives due to their high percentage of naturally occurring glycerin. Britain found coconut to be such an important commodity during the war that it imposed high export duties on copra and oil from British colonies.[85] For the United States, the Philippines presented the best option for sourcing glycerin from coconuts.

Not all the investment in coconut oil came from US financiers like Hamilton. The newly established Philippine National Bank was chartered in 1916 in part to support Filipino investment in sectors such as coconut and sugar. After the failures of the Agricultural Bank, the Philippine National Bank was chartered to hold public deposits and increase the availability of credit for agriculture and industrial development.[86] After the bank's creation, the government transferred its deposits out of private banks such as IBC and into the coffers of the Philippine National Bank. From 1916 to 1921, the state-owned bank loaned P25 million—approximately a fifth of its total assets in 1921—in public funds to develop coconut refineries.[87] The primary beneficiaries of the National Bank's loans were Filipinos, but a number of well-connected US firms found alternative strategies to capitalize on the boom.[88] Carl Hamilton's Philippine Refining Corporation rode this surge in investing and exporting: by 1918, his Visayas mill became the largest and most profitable coconut oil producer in the archipelago.[89]

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84 Department of Commerce. *Trade in Philippine Copra and Coconut Oil*. Everett D. Gothwaite. Washington: Government Printing Office, 1925. On the decreased availability of animal fats, see also: "The Vegetable Oil Corporation." 1918.
85 "The Vegetable Oil Corporation." 1918.
86 Nagano, *State and Finance*, 93-101.
87 Evett D. Hester. Probable Direct Effects on Philippine-American Commerce Resulting from the Withdrawal of Free Trade Relations. 1931. Frank Murphy Papers, Reel 104, Bentley Historical Library, University of Michigan. See also Nagano, *State and Finance*, 147-51.
88 *State and Finance*, 144.
89 Sullivan, 201.

IBC played a central role in financing Hamilton's success. It is unclear when exactly IBC began lending to the Philippine Refining Corporation, but the support likely began in the mid 1910s and grew out of the relationship between Hamilton and IBC board member and railroad tycoon Edward Harriman. Carl Hamilton had befriended the tycoon's son at Yale, where they both attended college. Hamilton parlayed the connection into access to investors. Even before traveling to the Philippines, he had convinced Harriman and several of his friends to invest in coconut oil refining—an obscure industry, thousands of miles away, amid an economic downturn.[90] IBC provided financial support that allowed Hamilton's business to grow aggressively. In 1916, IBC loaned Hamilton money in order to help him fulfill large contracts with US clients such as Procter & Gamble.[91] After the war ended, prices for coconut oil fell from $0.20 per pound to $0.07, and the sudden change left many investors scrambling to repay debts.[92] At first, Hamilton benefited from the reduction in competition because he could continue to rely on the goodwill of bankers to borrow money. From a wartime high of 41 coconut oil mills in the Philippines, bankruptcies and closures left only seven operating by 1924. The closures disproportionately affected Filipinos. Filipinos controlled more than 75% of mills before the collapse, but afterwards, European and US firms owned the majority of the seven remaining mills. Of those seven, Hamilton's Philippine Refining Corporation had the highest output.[93]

The company's conspicuous growth attracted backlash in Manila, both before and after the crash. In particular, competitors accused Hamilton of dominating access to tankers necessary to export coconut oil in bulk.[94] The advantages that Hamilton received as a result of the bulk shipping

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90 "Hamilton, Visayan Oil Man, Has Had Remarkable Career," *The Cablenews-American*, Sep 8, 1918.
91 IBC Executive Committee, "Executive Committee Meeting Minutes." 1914-1918.
92 Gothwaite, 76-78.
93 Ibid., 73-78.
94 Hamilton had negotiated an agreement with Standard Oil to lease tankers sailing from China back to the United States as a way to ship coconut oil, but he denied competitors access to the same rates, according to his detractors. Dean C. Worcester. Letter to Jane Worcester. Jul 31, 1917. Dean C. Worcester Papers, Folder 59. Thetford Historical Society;

agreements he had brokered provoked anger from smaller refiners, who had to use expensive, inefficient barrels to ship their oil. Their concerns helped precipitate a 1918 Philippine Senate probe led by prominent politician Manuel Quezon to investigate unfair business practices.[95] The inquiry exposed that Hamilton had inflated the capitalization of the business and misrepresented its value to lenders and investors. The trial gained such attention that newspaper editorials named the company's dubious practices as "Hamiltonization."[96] While the Senate investigation did not spell ruin for Hamilton's business, IBC and other creditors became increasingly impatient with Hamilton's firm and its inability to generate revenues after the post-war contraction. By the early 1920s, not even IBC would continue supporting Hamilton's operations. His indebtedness to IBC had grown to P3 million, and his business's survival depended on the leniency of lenders.[97] Ultimately, Hamilton's foundering business fell into the hands of another British corporate power: Lever Brothers, the multinational soap maker, which negotiated Hamilton's exit in exchange for control of the troubled business.[98]

IBC formed part of the imperial apparatus that reoriented Philippine agriculture in favor of US investors and consolidated Anglo-American control. Understanding the full effects of this power structure requires considering its ramifications for a range of players involved in coconut production, including Filipino growers. While the "wild-cat" phase of coconut mill construction

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Letter to Catherine Worcester. Sep 1, 1918. Dean C. Worcester Papers, Folder 52. Thetford Historical Society; "Hamilton, Visayan Oil Man, Has Had Remarkable Career."

[95] See for example: "Inside Doings of Oil Men Revealed," *The Cablenews-American*, Oct 26, 1918. "Hamilton Grilled by Senator Solons," *The Cablenews-American*, Oct 25, 1918. "Quezon Flays Hamilton in Sensational Closing Speech; Deplores Using of General Aguinaldo," *The Cablenews-American*, Oct 27, 1918.

[96] Vicente Bunuan. No Politics Involved in Inquiry Says Quezon. Oct 29, 1918. 1876-1981 Duveen Brothers Records, Series IV - Oversize materials from Series II, Reel 161-162. The Getty Research Institute, Los Angeles. "Hamiltonization Is Looked Into," *The Cablenews-American*, Oct 24, 1918.

[97] Martin, 1922.

[98] After the deal, Hamilton received a nominal title and association with the company because Philippine Refining Company executives expressed concern about disrupting Hamilton's connection to investors. See: "Lever's Living," *The Shanghai Times*, Aug 13, 1920. Dean C. Worcester. Letter to Jane Worcester. Apr 4, 1922. Dean C. Worcester Papers, Folder 62. Thetford Historical Society. F.A. Countway. Precis of Mr. Countway's Report on the Philippine Refining Corporation. Dec 10, 1921. GB1752.UNI/RM/OC/2/2/83/2, Philippines Visit Reports. Unilever Archives.

represented a windfall to mill owners, tenant farmers did not gain access to proportionate riches, and in the long term, rural, low-income Filipinos bore the brunt of the economic dislocations that followed.[99] The 1918 census revealed a 9% decline in small, independent farms as compared to their ownership in 1903; meanwhile, the number of squatter-cultivated farms increased.[100] Franchise requirements for voting translated this loss of property into an inability to gain political power. Prior to 1912, less than 4% of the population was eligible to vote. According to historian Carl Lambé, voting requirements such as the literacy test were relaxed in subsequent decades and the poll tax was eventually eliminated. But even with the loosened requirements, less than 10% of the population voted in congressional elections throughout the 1910s and 1920s.[101]

The layering of provincial politics with land reform policies, tariff regimes, and export agricultural systems converged to harden the constraints facing tenants, rather than create opportunities for mobility. One regional study of the coconut bubble in the Bicol region of the Philippines found that price spikes and crashes had muted effects, due to agricultural diversification in the region. Farmers tended to cultivate multiple products, such as abaca, so the bottoming out of the market did not devastate livelihoods.[102] Nonetheless, the export production hierarchy "rewarded the most economically and politically compliant elements of the local elite and discouraged both real entrepreneurs and real radicals," according to historian Norman Owen.[103] IBC supported the export production hierarchy both in its European-dominated formats in the early years of US rule and later, during the ascendance of US commercial control. The bank channeled government connections and deposits into financial opportunities for an established set of European, Chinese, and US elites, thereby deepening existing inequalities and creating new power imbalances.

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99 Hester, 1931.
100 Ventura, "From Small Farms to Progressive Plantations," 473.
101 Park, 80-81; Carl Herman Landé, *Leaders, Factions, and Parties : The Structure of Philippine Politics* (New Haven: Southeast Asia Studies, Yale University, 1965), 28-29.
102 Owen.
103 Ibid., 252.

Amid the downturn of the early 1920s, IBC retreated into a different kind of US enclave in Manila: its new temporary office on the fourth floor of the city's Masonic Temple.[104] The bank had outgrown its horse-stable beginnings, but construction on a new building had stalled. A 1920 government audit found the location unsatisfactory. Its quarters "are not convenient to the public and are not appropriately situated for a banking concern."[105] Despite the shabby accommodations, the auditor praised IBC's credit records as "well maintained and in most cases sufficient information was on hand regarding borrowers." One wonders as to the content of these files given that, in the same year, the bank wrote off more than P1.6 million in bad debts—roughly 10% of its total loan portfolio—and had another P1.6 million in overdue loans.[106] Perhaps the Masonic Temple office was an upgrade over the stables, but without government deposits—which had since been transferred to the Philippine National Bank in 1916—IBC needed a new anchor of institutional stability that would prove sturdier than that of an imperial money mover. Serving as empire's banker had been a lucrative gig until political winds shifted, when suddenly IBC found itself buffeted by economic turmoil and without its government deposits as cushioning. It would find a new anchor in its corporate parent, the National City Bank, and in the new US government bureaucracy that both regulated and legitimized overseas banking: the Federal Reserve. While the institutional frame shifted, the bank's portico functionality and reliance on personal connections proved enduring, as Chapter Three explains.

[104] "International Banking Corporation [Advertisement]," *The American Chamber of Commerce Journal* 1, no. 5 (1921).
[105] Martin, 1922.
[106] Ibid.

3 – Reframing the Foreign Field

When the Russian Revolution broke out in 1917, National City Bank's St. Petersburg branch had been open less than a year.[1] New York executives were trying to get a foothold in finance in Russia, and the timing seemed right after the retreat of German banks during World War I.[2] Among the first staffers of the branch was John Fuller, who had just completed a National City Bank training program to learn overseas banking. Fuller, an Indiana native, traveled to Russia by way of a three-week steamer voyage—a trip lasting half as long as his entire banking education. He found Petrograd to be a bustling city with foul streetcars. In an October 1917 journal entry, Fuller noted: "The excitement seems to be coming at last. The latest rumor has it that the slaughter of the Americans is to begin tomorrow by the Bolshevicks [sic]."[3] Fuller's life continued relatively normally until December, despite the rumors of impending slaughter. Several days after Christmas, he wrote to his family in Indiana that Bolshevik soldiers had stormed the bank "with bayonets fixed and demanded that the bank be closed – or rather announced that the bank was closed."[4] Soldiers arrested the bank's manager.

Fuller's bosses in Petrograd sent a message back to New York to share the news, and one of the central points was, strikingly, an apology: the branch would have to pause its work gathering credit information. "Due to conditions prevailing, it is quite impossible for us to obtain any credit information, as the Banks are not answering any of our letters…. It is impossible to gauge the credit standing of any firm or individual under the present conditions." The branch advised New York to "[t]emporarily discontinue accepting from outsiders names [sic] for investigation in Russia."[5] At first

[1] "Foreign Business of the National City Bank of New York."
[2] Harold van Cleveland and Thomas F. Huertas, *Citibank, 1812-1970* (Cambridge: Harvard University Press, 1985), 81.
[3] John Fuller. Journal - Russia. 1917-1919. John L.H. Fuller Papers, Box 1, Folder 8. Indiana Historical Society.
[4] Letter to Hector Fuller. Dec 29, 1917. John L.H. Fuller Papers, Box 1, Folder 2. Indiana Historical Society.
[5] "Circular," ed. National City Bank of New York. Petrograd Branch (1918).

glance, it seems curious that, during the tumult of revolution, forced shutdown, and the imprisonment of staff, the branch would prioritize warning headquarters that it could no longer continue collecting credit information about Russian firms. Why not assure New York about the wellbeing of staff, the security of deposits, or some other message?

A more thorough analysis of the bank's work reveals that prioritizing credit information was not just a throw-away comment in a Petrograd memo; instead, it speaks to the centrality of credit information to the bank's international expansion. This chapter explores how and why credit information became important to overseas branches, and it connects National City Bank's emphasis on credit information with fundamental changes to the US financial system. The Federal Reserve Act of 1913 overhauled the nation's financial system, and its most obvious impact on international banking was to permit national banks to open branches overseas—an activity that had been barred under the 1863 National Banking Act. Equally important, the Act also allowed banks to buy and sell a new financial instrument related to international trade: a banker's acceptance. The market for bankers' acceptances created new opportunities for US banks to profit from financing overseas trade.[6] Moreover, the Federal Reserve did not just create the market and then retreat to the sidelines to let the private sector take over. As the banker's acceptance market failed to attract outside investors, the Federal Reserve System poured billions of dollars into supporting it throughout the 1910s and 1920s. The chapter shows that Federal Reserve's creation of, and ongoing investments in, the bankers' acceptance market shaped the early work of overseas bankers. By connecting these two forces—the banker's acceptance market and the work of overseas branches to gather credit information—the chapter posits that bankers' informational goals were not independent from the

[6] A note on terminology: the primary and secondary literatures about bankers' acceptances use diverse grammatical constructions in terms of whether "bankers" is plural or singular and how the possessive is noted. For the purposes of clarity and grammatical consistency, this study refers to a singular bankers' acceptance; plural bankers' acceptances; and the bankers' acceptance market, as the activity of trading acceptances.

changing structure of the US financial system. Instead, the Federal Reserve System created and supported a market that necessitated information about international businesses, and this system incentivized banks to create new ways to gather and share credit information.

The creation of the banker's acceptance market and the passage of the Federal Reserve Act diminished the attractiveness of the model of international expansion that had propelled the International Banking Corporation. As Chapters One and Two revealed, information acquisition was relatively low on the priority list of IBC's early goals. Instead, the bank's founders and early directors sought to profit from US overseas colonialism, in terms of seeking government contracts, financing state-supported infrastructure, and financing trade for companies that also extolled US imperialism. However, information acquisition rarely appeared as a priority for board members or executives. Further, IBC's model of international expansion faced an uncertain future in the face of mounting US political opposition to overseas colonial occupation. This chapter considers the role of the Federal Reserve in creating new space for US banks to expand the nation's commerce and underwrite the information collection that would support increasing US control. As National City Bank acquired a controlling interest in IBC in 1915, the combined banking apparatus fused IBC's hand-in-hand-with-Uncle-Sam approach to National City's more bureaucratized, scientized approach to imperial power.

The argument advances scholarship about the history of multinational banks. The literature on banking history is particularly nuanced in examining the transnational growth of European banking.[7] Historians have identified product differentiation, information imperfections, economies

[7] Works in this field include: Geoffrey Jones, ed. *Banks as Multinationals* (London; New York: Routledge, 1990); *British Multinational Banking, 1830-1990*. Joslin; Charles A. Jones, "British Financial Institutions in Argentina, 1860-1914" (University of Cambridge, 1973); Peter Hertner, "German Banks Abroad before 1914," in *Banks as Multinationals*, ed. Geoffrey Jones (London; New York: Routledge, 1990); Mark Casson, "Evolution of Multinational Banks: A Theoretical Perspective," ibid.; Baster. See also: Neil C. Quigley, "The Bank of Nova Scotia in the Caribbean, 1889-1940," *The Business History Review* 63, no. 4 (1989); "Bank Credit and the Structure of the Canadian Space Economy C. 1890-1935" (Ph.D., University of Toronto (Canada), 1986); Stefano Battilossi, "The Determinants of Multinational Banking During

of scale, and government support as among the leading causes that motivated banks to branch abroad.[8] Literature about US multinational banks has produced valuable insights about overseas expansion in the early twentieth century, but lack of access to archival records has constrained historians' ability to investigate exactly how US banks operated on the ground. As a result, the studies have tended to focus on executive-level decision-making and metropolitan connections.[9] In addition, the studies have tended to depict the Federal Reserve Act as relevant for removing a barrier against branching, rather than as an ongoing force that influenced bankers' work overseas. This chapter focuses on bankers' on-the-ground work to understand the relationship between the structural changes in the US financial system and bankers' impacts abroad. By examining the middle managers and overseas staff behind banks' internationalization in tandem with foundational changes in the US financial system, it offers a more complete picture of both the power and limitations of information as a strategy for international expansion.

The study also connects banking history with dynamic new scholarship about the political economy of financial information. The rise of "big data" in recent decades and growing concerns about the social implications of information technology have motivated a vigorous scholarship about the history of corporate and governmental information practices. This literature builds on traditions of science and technology studies, as well as political economy analysis, and has generated powerful insights about the history of slaveowners' accounting practices, the insurance business, and the history of thrift practices, for example.[10] Several recent conferences have drawn together

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the First Globalization, 1870–1914," in *Working Papers* (Vienna: Oesterreichische Nationalbank (Austrian Central Bank), 2006). Moazzin.

[8] Jones, "Banks as Multinationals," 1.

[9] See, for example: Carl P. Parrini, *Heir to Empire : United States Economic Diplomacy, 1916-1923* (Pittsburgh: University of Pittsburgh Press, 1991 [1969]). Cleveland and Huertas; Thomas F. Huertas, "U.S. Multinational Banking: History and Prospects," in *Banks as Multinationals*, ed. Geoffrey Jones (London; New York: Routledge, 1990); Wilkins, "Banks over Borders: Some Evidence from Their Pre-1914 History." Abrahams. Huertas. Useful contemporaneous histories include: Phelps. A noteworthy departure that focuses on the work of mid-level bank staff is: Hudson, *Bankers and Empire*.

[10] See, for example: Rosenthal, "Slavery's Scientific Management: Masters and Managers."; *Accounting for Slavery : Masters and Management*. Sarah Elizabeth Igo, *The Known Citizen : A History of Privacy in Modern America* (Cambridge: Harvard

historians and other scholars to examine changes in financial information practices.[11] The interdisciplinary approaches have benefited from compelling works by economic sociologists focused on financialization. Scholarship about financialization examines the growing importance of financial, rather than industrial or "productive" forces, in powering the US economy in the second half of the twentieth century. Studies have explored the impact of this shift on economic exchange and social relations, such as shaping deregulation and contributing to the growth of financial modeling, among other topics.[12]

This chapter takes inspiration from both historians' and economic sociologists' examination of financial information and seeks to marry its intellectual agenda with more traditional analysis of firms, financial institutions, and economic systems. Bankers' collection of credit information represented a more complex process than simply marching into a new country, plucking pre-constituted facts out of an existing market, and transposing that information into New York credit files. Instead, bankers had to determine how to sort their new communities into terms that would be legible to their colleagues in New York.[13] Conducting a thick analysis of information practices has a payoff: namely, it reveals that macroeconomic structures—such as systems of trade finance—rely on

University Press, 2018); Colin Koopman, *How We Became Our Data : A Genealogy of the Informational Person* (Chicago: University of Chicago Press, 2019); Daniel Bouk, *How Our Days Became Numbered: Risk and the Rise of the Statistical Individual* (Chicago: University of Chicago Press, 2015); Lauer, *Creditworthiness*.

[11] Atiba Pertilla, "The Transmission of Financial Knowledge in Historical Perspective, 1840–1940" (Washington, DC, 2019). Carol Ressler Lockman. "CFP: Hagley Fall Conference/Seeing Like a Capitalist: Histories of Commercial Surveillance in America." 2018. Jul 23, 2020. Additionally, the recent anthology *American Capitalism: New Histories*, edited by Sven Beckert and Christine Desan, devotes one of its four sections to knowledge practices and capitalism, "'Knowing' and Capitalism." Sven Beckert and Christine Desan, *American Capitalism : New Histories* (New York: Columbia University Press, 2018).

[12] See, for example: Greta R. Krippner, *Capitalizing on Crisis : The Political Origins of the Rise of Finance* (Cambridge: Harvard University Press, 2011); Greta R. Krippner and Anthony S. Alvarez, "Embeddedness and the Intellectual Projects of Economic Sociology," *Annual Review of Sociology* 33 (2007). Donald A. MacKenzie, *An Engine, Not a Camera : How Financial Models Shape Markets* (Cambridge: MIT Press, 2006).

[13] This interpretation of fact creation draws on: Mary S. Morgan, "Travelling Facts," in *How Well Do Facts Travel? The Dissemination of Reliable Knowledge*, ed. Peter Howlett and Mary S. Morgan (Cambridge: Cambridge University Press, 2011). Bruno Latour, "Give Me a Laboratory and I Will Raise the World," in *Science Observed: Perspectives on the Social Study of Science*, ed. K. Knorr-Cetina and Mulkay M. J. (London: Sage Publications, 1983); *Reassembling the Social : An Introduction to Actor-Network-Theory* (Oxford: Oxford University Press, 2005).

ways of knowing and daily exchanges that can be understood by examining the institutions and contexts that produced them.

Finally, the chapter contributes to economic histories of the early twentieth century and interwar period by highlighting the entanglement of the government and private sector in generating economic change. One of the major changes following World War I involved the emergence of the US "super-state" in global politics and commerce.[14] By the end of the war, it had become the world's largest creditor and, in the 1920s, New York emerged as the center of new lending.[15] Certainly, London retained its status as the world's leading financial center, and the British pound "remained the dominant currency in private as well as official international transactions until after World War II." However, as economists Barry Eichengreen and Marc Flandreau demonstrate, the dollar rivaled—and even surpassed—British sterling as a source of trade credit in the 1920s.[16] Scholarship focusing on the increase in US economic power has often depicted political and economic forces as parallel, or even as competitive, explanations for the changing status of the United States. For example, Eichengreen and Flandreau describe two rivaling hypotheses for the dollar-sterling competition during the interwar period. The market-led theory depends on trade and private banks, while the government-led theory depends on the policies of the Federal Reserve, among other institutions, as the drivers of global economic change.[17] Likewise, business historians have often depicted the Federal Reserve System as an "institutional framework" for overseas banking.[18] In these constructs, politicians defined the outer boundaries of action, and private-sector players filled the interior space with commercial meaning. Certainly, many scholars acknowledge that the forces were

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[14] J. Adam Tooze, *The Deluge: The Great War, America and the Remaking of the Global Order, 1916-1931* (New York: Viking, 2015), 6.
[15] Rosenberg, *Financial Missionaries*, 97.
[16] Barry Eichengreen and Marc Flandreau, "The Federal Reserve, the Bank of England, and the Rise of the Dollar as an International Currency, 1914–1939," *Open Economies Review* 23, no. 1 (2012): 82.
[17] Ibid.
[18] Barbara Stallings, *Banker to the Third World : U.S. Portfolio Investment in Latin America, 1900-1986* (Berkeley: University of California Press, 1987), 145.

not mutually exclusive and that economic and political pressures were interrelated.[19] The present chapter investigates the mechanics of that interaction by positing a connection between the Federal Reserve's support of the bankers' acceptance market and banks' operation overseas. The approach challenges the analytical tendency to differentiate private from public-sector efforts to expand US commerce by requiring us to see the interconnections between the two.

The interconnection between public and private sectors stems in part from the realization that money is an inherently political construct and the creation of a new financial instrument such as a banker's acceptance represents a set of commitments about social and political values. Christine Desan's work on the history of money asserts that societies determine and continuously renegotiate the terms about what format money takes, what risks are associated with which formats of money, and under what conditions different types of money can be transmuted into other stores of value. Can a house serve as equity for a cash loan? Under what conditions can stocks be eligible for discounting at the Federal Reserve? These decisions convey power and require constant negotiation.[20] As this chapter reveals, it was not just creation of the Federal Reserve System but the ongoing work of the Federal Reserve in sustaining the banker's acceptance market that changed the profitability and social value of trade finance and overseas banking. The chapter proceeds first by charting the changes in the US financial system associated with the Federal Reserve Act. Second, it argues that credit information was a core objective of National City Bank's expansion and considers how that goal affected its internationalization. Finally, it analyzes the political-economic changes that made credit information more valuable following the Federal Reserve Act than it had been previously.

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[19] For example, Adam Tooze's work asserts the centrality of economic dominance to the "logic of American power" in the early twentieth century and the "multidimensional" nature of that power. Tooze, 7, 15.

[20] Christine Desan, *Making Money : Coin, Currency, and the Coming of Capitalism* (Oxford: Oxford University Press, 2014), Introduction. "The Constitutional Approach to Money: Monetary Design and the Production of the Modern World."

I. Making Markets

Scholars have offered a range of explanations to the question: why did US banks expand overseas? Answers have ranged from emphasizing macroeconomic pressures, such as rising export volumes of US manufacturing, to focusing on political forces, such as the banks' connections with the emerging US "super state," as Tooze argues, in the early twentieth century. These explanations help us understand connections between US banking overseas and larger arcs of geopolitics in the early twentieth century.[21] However, existing studies have tended to overlook the role of information in both motivating and shaping the development of overseas branching.[22] This chapter argues that information collection was central to the post-Federal Reserve era of US multinational banking. Turning our attention to how US bankers created "facts" that populated the "foreign field" as an imagined business landscape—flat, undifferentiated, and ready for US capital—we can understand how they envisioned profiting from it and how their work connected to the growing commercial power of the United States.

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[21] Cleona Lewis and Karl T. Schlotterbeck, *America's Stake in International Investments* (Washington, D.C.: The Brookings Institution, 1938). Phelps. Parrini. Cleveland and Huertas; Huertas; Wilkins, "Banks over Borders: Some Evidence from Their Pre-1914 History." Hudson, *Bankers and Empire*; "The National City Bank of New York and Haiti, 1909-1922."

[22] Notably, both Wilkins and Hudson discuss information as a dimension of banks' overseas work. Wilkins notes that US banks expanded to "take advantage of opportunities and to gain information;" however, the study is an invitation to additional research, rather than an explanation of how these dynamics played out (240). Hudson discusses National City Bank's push to gather information in its banking work. The present analysis extends this claim by arguing the centrality of information to National City Bank's expansion and connecting its information acquisition to the work of the Federal Reserve System. Wilkins, "Banks over Borders: Some Evidence from Their Pre-1914 History." Hudson, *Bankers and Empire*, 134.

Understanding the relevance of credit information requires a brief detour into the mechanics of a banker's acceptance, a seemingly arcane financial instrument in today's era of digital transfers and online ordering. Nonetheless, acceptances were an essential vehicle for conducting international trade in much of the nineteenth century, and understanding them re-animates some of the challenges that traders faced in the early twentieth century. Bankers' acceptances built on the time-honored financial technology of the bill of exchange, which had served as an essential tool in European trade for centuries.[23] The financial instruments emerged because of the complex logistics of long-distance commerce: goods and gold moved on boats, and boats could take weeks or months to cross oceans. Without financial intermediaries, an exporter who put cotton on a boat, for example, would have to wait at least a month for the goods to reach the importer, and then even longer for that buyer to inspect the goods, put gold on another boat, and send it back for payment. Financial intermediaries—usually banks or large merchant houses—helped close the gaps in geography and timing, as well as address mismatches in currency. Banks could arrange with correspondents to credit and debit each other's accounts, often without the laborious process of shipping gold or silver (see *Figure 3-1*[24]). Banks could also rectify timing problems: businesses could take the documentation that proved a buyer's payment promise and present it to a bank or intermediary.[25] The bank would offer the exporting business a discounted portion of the total sale price, keep the paper, and collect

Figure 3-1: Unloading a gold shipment from NCB to its branch in Valparaiso, Chile (No. 8, 1917)

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[23] For a history of bills of exchange, see: Francesca Trivellato, "Credit, Honor, and the Early Modern French Legend of the Jewish Invention of Bills of Exchange," *The Journal of Modern History* 84, no. 2 (2012).
[24] "Gold Shipment to Valparaiso," *No. 8* 12, no. 5 (1917).
[25] Eichengreen and Flandreau, 60.

the full value of the contract at maturity. The process of receiving an advance on a payment promise is known as discounting. Similar to a loan, a discount involves the collection of interest upfront, rather than at predetermined intervals over the course of a loan's maturity.[26]

What distinguished the banker's acceptance from ordinary trading agreements was a bank's guarantee that it would pay the contract upon maturity. A bank stamped its payment promise on the bill, thereby transforming the paper into an asset that could be bought and sold. The exchange allowed the bank's reputation and credit to serve as an added layer of security over that of the client-importer. As long as markets trusted the solvency of the bank, the paper carried value to different investors who valued having money at different maturities. Following the Federal Reserve Act, banks were allowed to buy and sell this particular form of payment promise, and trading the guarantees on secondary markets enabled banks to perform financial alchemy on trade debt: no longer was it an obligation that tied up a bank's loanable funds until maturity. Instead, an acceptance became a commodity from which banks could derive profits.[27] Thus, in a moment analogous to releasing grain from the strictures of burlap sacks, which William Cronon eloquently describes in his depiction of the emergence of futures markets in *Nature's Metropolis*, payment promises linked to international trade could themselves become a financial abstraction bought and sold on secondary markets.[28] The underlying goods involved in the trades melted away, and what remained were slips of paper and reputations of banks.

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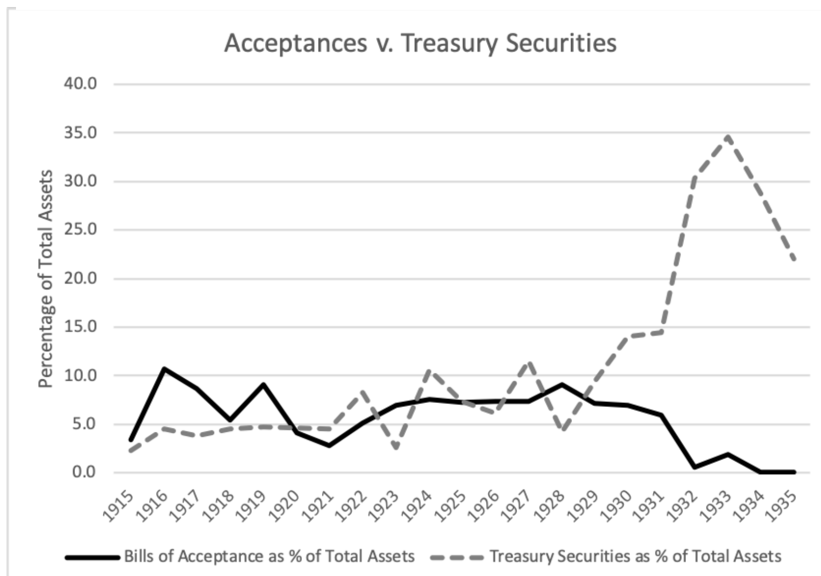
26 For a lucid explanation of the mechanics of bankers' acceptances as a specialized bill of exchange, see: Broz, 37.

27 This was not the first US experience with bankers' acceptances. Acceptances had also existed in the antebellum United States; however, currency volatility during the Civil War caused merchants to insist on cash payments, rather than selling on credit, and regulators barred banks entirely from dealing in the paper. Jon R. Moen and Ellis W. Tallman, "The Call Loan Market in the U.S. Financial System Prior to the Federal Reserve System," *Federal Reserve Bank of Atlanta Working Papers*, no. 2003-43 (2003). Broz, 40-43.

28 William Cronon, *Nature's Metropolis: Chicago and the Great West* (New York: W. W. Norton, 1991), Ch. 2.

The emergence of the bankers' acceptance market begs the question: why did the Federal Reserve Act suddenly authorize banks to accept and trade in such commercial paper when they had previously been barred from it? Voluminous scholarship has examined the historical context that produced the Federal Reserve Act.[29] It is useful to revisit the broad contours of this history, drawing on the existing scholarship, in order to situate the importance of the bankers' acceptance market and to understand on the novel argument regarding the relationship between the market and overseas bank branches. For many scholars, the bankers' acceptance market has been a curious aberration in Federal Reserve history. In the early years of Fed operation, bankers' acceptances played an equal, if not more significant role than US Treasury debt in the Federal Reserve's portfolio of tools to affect the nation's money supply (see *Figure 3-2*).[30] As economist David Marshall has noted, "bankers' acceptances were the primary asset class for the Federal Reserve portfolio until World War I, and acceptances had a roughly equal presence with Treasury securities through the

Figure 3-2: Federal Reserve's Balance Sheet: Treasuries and Acceptances as a Percentage of Total Assets, 1915-1935



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[29] See, in particular, notable recent works: Mary O'Sullivan, *Dividends of Development : Securities Markets in the History of U.S. Capitalism, 1866-1922* (Oxford: Oxford University Press, 2016); Nadav Orian Peer, "Negotiating the Lender-of-Last-Resort: The 1913 Fed Act as a Debate over Credit Distribution," *NYU Journal of Law & Business* 15 (2019); Perry G. Mehrling, *The New Lombard Street : How the Fed Became the Dealer of Last Resort* (Princeton: Princeton University Press, 2011); "Retrospectives: Economists and the Fed: Beginnings," *Journal of Economic Perspectives* 16, no. 4 (2002); Broz.

[30] Data sources: Mark Carlson and Burcu Duygan-Bump, "The Tools and Transmission of Federal Reserve Monetary Policy in the 1920s," in *FEDS Notes* (Washington: Board of Governors of the Federal Reserve System, 2016). *Historical Statistics of the United States, Colonial Times to 1970*. Bureau of the Census. Washington, D.C.: U.S. Dept. of Commerce, Bureau of the Census, 1975.

1920s."[31] After the Great Depression, the Federal Reserve's Open Market Operations narrowed almost exclusively to buying and selling Treasuries, and the detour in non-Treasury assets represented an outlier in the institution's history.[32]

Bankers' acceptances have enjoyed a modest uptick in scholarly attention in the aftermath of the 2008 financial crisis. As quantitative easing policies led the Federal Reserve to acquire non-traditional assets such as mortgage-backed securities, scholars have increasingly identified prior moments when the Federal Reserve invested in assets other than US Treasuries.[33] Enter bankers' acceptances: in the early days of the Federal Reserve, founders of the central bank believed that government debt was not an appropriate mechanism for tightening and loosening the nation's money supply, and bankers' acceptances represented a more attractive alternative. Much of the scholarly attention to bankers' acceptances has focused on their utility as a tool for setting monetary policy and the markets' connections between European and US central banking systems.[34] This chapter shifts the study of bankers' acceptances to examine a different and profoundly under-explored angle: their connection to private banks' profits and information gathering. Doing so highlights the interconnections between the political apparatus of money—and, in particular, the

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31 David Marshall, "Origins of the Use of Treasury Debt in Open Market Operations: Lessons for the Present," *Economic Perspective (Federal Reserve Bank of Chicago)* 26, no. 1 (2002): 27.
32 On the Federal Reserve's shift from commercial debt to Treasury debt, see: Mehrling, *The New Lombard Street*, 31-37.
33 For example, the legal authority on which the Federal Reserve pursued the emergency course of action following the 2008 crisis has been debated. In particular, the Fed's creation of "special purpose vehicles" to acquire distressed assets and relieve failing financial institutions, such as Bear Sterns, had raised questions about the limits of powers granted to the Federal Reserve under Section 13 of the Federal Reserve Act. See, for example: Alexander Mehra, "Legal Authority in Unusual and Exigent Circumstances: The Federal Reserve and the Financial Crisis," *University of Pennsylvania Journal of Business Law* 13, no. 1 (2010).
34 Mark Carlson and Burcu Duygan-Bump, "'Unconventional' Monetary Policy as Conventional Monetary Policy : A Perspective from the U.S. In the 1920s," in *Finance and Economics Discussion Series* (Board of Governors of the Federal Reserve System, 2018). "The Tools and Transmission of Federal Reserve Monetary Policy in the 1920s." Mary O'Sullivan, "Past Meets Present in Policymaking: The Federal Reserve Act and the U.S. Moneymarket, 1913-1929," *UPIER Working Papers* 6, no. 18/4 (2018). Accominotti. Marc Christopher Adam, "Liquidating Bankers' Acceptances: International Crisis, Doctrinal Conflict and American Exceptionalism in the Federal Reserve 1913-1932," in *Diskussionsbeiträge* (Free University Berlin, School of Business & Economics, 2020). An important exception in pre-financial crisis analysis of the market is: J. Peter Ferderer, "Institutional Innovation and the Creation of Liquid Financial Markets: The Case of Bankers' Acceptances, 1914-1934," *The Journal of Economic History* 63, no. 3 (2003).

government systems that enabled the new financial instrument of bankers' acceptances—and the daily work of bankers overseas as they met would-be clients and navigated new social orders.

The creation of the banker's acceptance market grew out of a chance alignment of interests amid debates about creating the Federal Reserve and, in particular, reformers' focus on increasing "productive" rather than "speculative" credit. Pressure to reform banking had been building from different corners of US society for decades, and the Panic of 1907 galvanized popular support for change.[35] In particular, New York City's call loan market drew blame for transmitting a single bank failure—the collapse of New York-based Knickerbocker Trust—into a large-scale financial panic.[36] Influential banker Paul Warburg, who became one of the main architects of the Federal Reserve, argued that the collapse happened in part because New York banks lent their short-term reserves for trading on the stock market. The call market—the place where such lending occurred—allowed stock buyers to pay a 20% down payment for a stock position, borrow the remaining sum, and use stocks as collateral for the loan. The market became known as the "call loan market" or "call market" because creditors could terminate—or "call"—the loans within a day, or even at will. In practice, loans were renewed 95% of the time, and in fact, many of the loans were actually structured as fixed-time loans.[37] Nonetheless, financiers perceived the market as liquid, so it provided an attractive outlet for large, New York banks to earn interest on excess deposits.

The market became increasingly and precariously interconnected in the late nineteenth century, as interior US banks transferred their reserves to New York, thereby channeling more

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35 Regarding financial instability in the late 1800s and early 1900s and pressures to reform banking, see: Allan H. Meltzer, *A History of the Federal Reserve: Volume 1, 1913-1951* (Chicago: University of Chicago Press, 2003), 9; Peer, 5. For a diverse range of perspectives on the origins of the Federal Reserve System, see also: Meltzer. Broz; Roger Lowenstein, *America's Bank : The Epic Struggle to Create the Federal Reserve* (New York: Penguin, 2015). M. Elizabeth Sanders, *Roots of Reform : Farmers, Workers, and the American State, 1877-1917*, American Politics and Political Economy (Chicago: University of Chicago Press, 1999).
36 Ellis W. Tallman and Jon R. Moen, "The Transmission of the Financial Crisis in 1907: An Empirical Investigation," *Federal Reserve Bank of Cleveland Working Papers*, no. 14-09 (2014); O'Sullivan, *Dividends of Development : Securities Markets in the History of U.S. Capitalism, 1866-1922*.
37 Moen and Tallman.

money into the market. As trust companies also began investing in the call market, financial institutions became increasingly interdependent due to their shared involvement in—and exposure to—the call market. The market connected participants to a common vulnerability: a dependence on the price of stocks. Stocks provided the security for most of the loans, so if stock prices collapsed, the collateral held by a bank would lose value. When the 1907 panic prompted equity prices to crash, borrowers couldn't repay their debts. Banks were left with worthless stock, and the deposits of interior banks were tangled up in New York losses.[38] To Paul Warburg, the problem was that the whole system was unstable: banks invested "unemployed money" in the call market, but that market was inherently vulnerable.[39] National City Bank President Frank Vanderlip joined Warburg and other financiers in championing reforms that would replace the call market with the banker's acceptance market as a more stable alternative—grounded in direct economic production, rather than speculation on the price of stocks—for earning interest on short-term deposits.[40]

New York financiers and internationally-minded businesses saw in the acceptance market the potential to boost foreign trade, even though at the time, only a few companies and banks had substantial overseas interests.[41] Policymakers initially specified that bankers' acceptances were designed specifically for foreign, rather than domestic, trade in order to offset the challenges inherent to trading abroad, such as lack of credit information about foreign buyers and high transaction fees associated with relying on British banks.[42] National City's Frank Vanderlip became a

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[38] Tallman and Moen. O'Sullivan, "Past Meets Present." *Dividends of Development : Securities Markets in the History of U.S. Capitalism, 1866-1922*.
[39] Paul M. Warburg, *The Federal Reserve System, Its Origin and Growth; Reflections and Recollections, Vol 2* (New York: Macmillan Co., 1930), 200.
[40] For a helpful discussion about the origins of the bankers' acceptance market and Paul Warburg's influence, see: O'Sullivan, *Dividends of Development : Securities Markets in the History of U.S. Capitalism, 1866-1922*, Ch. 6. O'Sullivan demonstrates that Warburg's support for the market grew out of his focus on increasing the stability of the US financial system more so than boosting the United States' position in the global economy.
[41] Broz, 46. See also: Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914*.
[42] Carosso and Sylla, 71. Broz, 47. Within three years after Federal Reserve Act, the Federal Reserve relaxed the rules for eligibility of acceptances and enabled greater use of acceptances for financing domestic trade. However, the majority of the uses of acceptances centered on international financing. See: H. Parker Willis, *The Federal Reserve System : Legislation, Organization and Operation* (New York: Ronald Press, 1923), 995-1007. Bankers' Acceptances: Role of Bankers'

leading proponent of the acceptance market, as the bank's self-interest was tangled up in trade promotion. The board of directors of National City Bank connected leaders of some of the nation's most internationally active companies, such as Amour & Company, General Electric, W.R. Grace, American Sugar Refining, and International Harvester.[43] The bank, which was known derisively as the "Standard Oil Bank," boasted extensive connections with corporate elites and prominent exporters.[44] William Rockefeller was the bank's largest shareholder before 1918, and two of Rockefeller's sons married two daughters of National City Bank Chairman James Stillman.[45] In the early 1900s, National City Bank kept approximately $6 million in deposits with other banks around the world, from Deutsche Bank to the Hongkong and Shanghai Bank, so that it could easily finance transactions around the world.[46] By 1902, the bank already boasted such an extensive international network that it was rumored to be able to "pay out any sum of money in any city in the world within 24 hours" because of its overseas connections.[47] The bank's already international orientation made it a vocal advocate of financial reforms that would lend even greater federal support to international trade finance.

National City Bank's interests differed sharply from those of the Democratic politicians who denounced the "Money Trust" after the 1907 panic, but the banker's acceptance market represented

Acceptances. Jun. 9, 1954. Box 616550, Folder 440L: Acceptances 1962-1918. Federal Reserve Bank of New York. "Bankers' Acceptances," *Federal Reserve Bank of New York Quarterly Review* 6, no. 2 (1981). American Acceptance Council, *Facts and Figures Relating to the American Money Market* (New York: American Acceptance Council, 1931), 11-19.

43 Carosso and Sylla, 68. Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge: Harvard University Press, 1974), 21.

44 The moniker came from a popular exposé published in *Everybody's Magazine* in 1904 about Amalgamated Copper. The author, a former Amalgamated employee, denounced the power of a "set of colossal corporations which unmeasured success and continued immunity from punishment have bred an insolent disregard of law, of common morality, and of public and private right, together with grim determination to hold on to, at all hazards, the great possessions they have gulped or captured." Thomas William Lawson, *Frenzied Finance: The Story of Amalgamated* (New York: Ridgway-Thayer Co., 1904). National City Bank plays a role in Lawson's story as the "Standard Oil Bank" (12).

45 Robert Stanley Mayer, "The Influence of Frank A. Vanderlip and the National City Bank on American Commerce and Foreign Policy, 1910-1920" (Rutgers University, 1968), 33.

46 Srinivas B. Prasad, "The Metamorphosis of City and Chase as Multinational Banks," *Business and Economic History* 28, no. 2 (1999): 204.

47 Carosso and Sylla, 68.

a point of unusual alignment between the two sides.[48] Many US politicians viewed call loans as vehicles for stock speculation and depicted the call market as a tool for corporate behemoths to enrich New York elites. Democratic politicians sought a broad set of reforms that would orient the financial system away from corporate securities and speculation and would focus instead on Main Street, as legal historian Nadav Orian Peer has noted.[49] Much of the reform debates focused on the Federal Reserve's authority as a lender of last resort and the requirements for assets that would secure such loans. Bankers' acceptances represented a small subset of the overall debates about commercial paper and what types of assets would be eligible for serving as security for Federal Reserve loans. Nonetheless, the market for bankers' acceptances had profound implications for how the Federal Reserve would operate in its first 15 years. Acceptances aligned with the interests of Democratic politicians because they seemed less like a Wall Street financial abstraction and more like a tool for increasing the trade of actual goods. Financial reforms that emphasized the concrete, short-term form of debt would be more likely to benefit real people in small towns and rural communities outside New York City.

In the economic thinking of the day, financing "real" trades meant that bankers' acceptances provided "productive" rather than "speculative" credit. Speculation was anathema to the mission of the Federal Reserve, and Reserve Banks refused to accept "speculative" assets for discount.[50] By contrast, "productive" credit provided a way to improve the nation's economic condition. The logic was linked to the "real bills" doctrine, a popular belief among prominent economic thinkers. The doctrine held that bankers' acceptances would not cause inflation because they increased the credit supply solely to finance short-term commercial activities. Short-term commercial credit "could not

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[48] For a rich discussion of the perspective of Democratic politicians in debates about the Federal Reserve, see: Peer, 21-23. For more context on the "money trust," see: O'Sullivan, *Dividends of Development : Securities Markets in the History of U.S. Capitalism, 1866-1922*, 276-92.
[49] Peer, 7.
[50] Mehrling, *The New Lombard Street*, 33-34.

be issued in excessive amounts and could not be inflationary" because, by definition, acceptances facilitated actual commercial activity, which was exactly the kind of elasticity the system needed.[51] Market boosters like Paul Warburg used evocative rhetoric to highlight the benefits of "productive" credit such as acceptances. A promissory note simply sat on the holder's books as a "dead instrument and a nonliquid asset," in Warburg's terms.[52] By contrast, the new market in bankers' acceptances gave life to payment obligations and transformed "unemployed" or "idle" money into economic productivity, according to Warburg and other acceptance enthusiasts.[53]

The bankers' acceptance market also carried nationalistic allure by promising to bolster the nation's position in world trade. By the turn of the century, many US policymakers and trade experts believed that the national affiliation of a bank affected its loyalties, and that European banks provided preferential treatment to the businesses of their fellow citizens. German banks in South America displayed samples of German goods in their branches, and British banks often financed infrastructure projects for British firms.[54] In 1908, Congress created the National Monetary Commission to study the central banking systems of European financial powers, and one of its projects was to investigate foreign branching of British and German banks. The Commission found that overseas branches played a major role in promoting the manufacturing, consulting, and export interests of the banks' home country.[55] As US businesses increasingly looked to foreign trade opportunities and to compete with European manufacturers around the turn of the century, many US traders and politicians grew suspicious of London's power. They resented the commissions and exchange fees that siphoned off their profits. Relying on British banks required US traders to

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[51] Ann-Marie Meulendyke, *U.S. Monetary Policy and Financial Markets* (Federal Reserve Bank of New York, 1998), 24; Marshall, 45-48; Meltzer, 70-73.
[52] Warburg, 186.
[53] Ibid., 196.
[54] Baster, 6 and 153; Jones.
[55] Parrini, 24-25.

disclose the terms of their deals, which some US businesses saw as a competitive disadvantage.[56] In order for US businesses to compete with British dominance, US trade lobbyists sought a market for acceptances denominated in US dollars, not British pounds. Thus, the bankers' acceptance market emerged from a convergence of debates about financial reform and brought into alignment a diverse set of interests—Wall Street financiers, Democratic politicians, economic nationalists, and the "internationalist minority," among others.[57] Support for the market was "a matter of curiously unanimous consent," according to W. Randolph Burgess.[58]

The upshot for banks was that the acceptance market dramatically increased their ability to finance foreign trade without constraining liquidity. Initially, banks were authorized to issue acceptances worth half the bank's total capital and surplus, though the limit was soon raised to 100% of the bank's capitalization.[59] The limits were so high in part because acceptances were seen as a safe financial tool that would not encumber a bank's reserves. In accepting a bill, banks were not required to advance funds; instead, they guaranteed future payment of a trade contract as an extra layer of security on top of the original promises between trading partners.[60] The transaction of accepting a bill resulted in no short-term lock-up of funds. It created a contingent liability to pay if the underlying parties could not. By definition, acceptances carried three layers of security: the

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[56] Jones, 260. Baster, 153.

[57] Carosso and Sylla, 71.

[58] W. Randolph Burgess, *The Reserve Banks and the Money Market* (New York; London: Harper & Brothers, 1946 [1927]), 157.

[59] Initially, banks were allowed to allocate up to 50% of their paid-in capital to acceptances, but the limit was raised to 100%. Eichengreen and Flandreau, 77; "Bankers' Acceptances: Role of Bankers' Acceptances." 1954.

[60] A major question that is unresolved in the scholarly literature involves what kind of liability bankers' acceptances created, particularly in terms of balance sheet accounting. Conceptually, such a payment promise could function as an "off-balance sheet liability." However, in practice, many banks created new line-items in their balance sheets following the Federal Reserve Act that sought to capture exposure risk exposure involved in bankers' acceptances. For National City Bank, the new categories of acceptance-related liabilities received a number of different names in 1910s and 1920s: "Liabilities as Acceptor, Endorser or Maker on Acceptances of Foreign Bills," "Acceptances Executed for Customers," and "Other Bank Acceptances and Foreign Bills Sold With Our Endorsement." These categories did not always have identical, corresponding entries on the Asset side of the balance sheet. In addition, different banks seemed to have different accounting practices for reporting their liabilities as guarantors of bankers' acceptances. Greater study will be needed to understand the financial reporting mechanisms that accompanied the new market and how these techniques affected financial dynamics of the 1920s. See: National City Bank of New York. Statement of Condition. Sept 12, 1914. Condensed Statement of Condition. Dec 31, 1915. Statement of Condition. Dec 31, 1917.

bank's acceptance, the promises of the parties engaged in the transaction, and the further security of the goods themselves. As a result, bankers and traders referred to acceptance as "self-liquidating"—a term that implied no space separated the financial instrument from the realization of its payment.[61] "Acceptance credits may be extended even where the bank has *no funds* to loan," as a 1920s promotional bulletin about the acceptance market explained.[62] The new market played especially well to the strengths of National City Bank, whose president, Frank Vanderlip, had lobbied vigorously for the creation of the bankers' acceptance market in the first place.

II. Expanding Abroad to Compete at Home: National City's Internationalization

Uniquely situated to benefit from the financial reforms, National City Bank became the primary mover in US bank expansion. The bank, originally created from a reorganization of the dissolved First Bank of the United States in 1811, had become the country's largest, most powerful, and most internationally connected by the early 1900s.[63] By 1916, after National City acquired a controlling interest in the International Banking Corporation, all but two of the more than 40 overseas US banks were affiliated with National City.[64] By 1920, a wider range of banks had expanded, but National City still constituted roughly 45% of the more the 180 overseas branches and offices.[65] The number of US branches contracted after the postwar downturn of the early 1920s,

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61 See, for example: Beverly Dabney Harris, "The Encouragement of Trade Acceptances as a Form of Liquid Credit," (Chicago: The National City Bank of New York, 1916); Morton H. Fry, *Bankers Acceptances as an Investment* (New York: American Acceptance Council, 1928); American Acceptance Council, *Bankers Acceptances, Principles and Practices, Second Edition* (New York: American Acceptance Council, 1929). For a thoughtful exploration of the limits of "self-liquidating" paper, see: Adam.
62 American Acceptance Council, *Bankers Acceptances, Principles and Practices, Second Edition*, 21. Italics in original.
63 Mayer, 32.
64 Parrini, 113.
65 Ibid., 117.

but by 1929, National City Bank still operated more than 80% of the more than 100 total US bank branches overseas.[66]

From the outset, information was a central priority of National City's international expansion, and this chapter posits that the information's value stemmed from the creation of the banker's acceptance market. Credit information provided evidence to potential trading partners about the safety of doing business with an unknown entity. The information was not a pre-requisite for engaging in overseas trade: indeed, known trading partners could exchange goods and money with each other, financed with or without bankers' acceptances, and never need financial information on the other party. However, as new firms became increasingly attuned to overseas trading opportunities, the Federal Reserve System afforded large-scale structural support for trade finance. Having financial information about would-be trading partners was a way for banks to increase their support for such trade. Evidence for this assertion comes from three main sources: National City executives' comments, changes in the bank's internal organization, and the creation of new positions and responsibilities for overseas branches. These sources reveal that National City Bank sought to expand internationally in part so that it could provide an information clearinghouse that would connect its US clients with trading partners across new geographies. The aspiration would not have made sense in the pre-Federal Reserve era, but the new structure of the financial system gave the bank even more power to finance trade and profit from overseas commerce.

First, executives' comments reveal that National City's goal in opening overseas branches had little to do with business development among clients or communities outside the United States. Instead, overseas branches would give the bank a competitive edge in recruiting domestic customers. Executives believed that the bank's ability to provide trade-related services—such as credit information about overseas buyers—would distinguish National City Bank among its competitors,

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[66] Eichengreen and Flandreau, 73. (Data from Table 2, Lewis' statistics from 1929.)

who lacked an international infrastructure to support foreign trade. In 1914, bank President Frank Vanderlip explained to Chairman James Stillman that Federal Reserve Act created a unique opportunity for National City Bank to provide "some sort of superior service," involving trade facilitation. The bank could provide credit information and on-the-ground support for clients' overseas markets: "We could offer [US businesses] credit information and represent them in other ways which I am certain would attract a large number of accounts to us."[67] The number of new US accounts that the bank could solicit would be lucrative enough to offset the risks and potential losses of creating an overseas network, Vanderlip believed. "I do not expect much profit out of it," Vanderlip wrote to Stillman about overseas branching—as if to manage his boss's expectations. "Indeed, I shall not be surprised if there is something less than any profit, but I hope to get a very considerable return by offering facilities that other banks cannot offer to exporters, and thus attract their attention to the City Bank."[68] To Vanderlip, the "foreign field" mattered less in terms of providing access to any overseas location; instead, it was a vehicle for increasing bank profits from US customers.

Coaxing US businesses to trust overseas strangers with their goods or money would take work—and information. Vanderlip envisioned that credit information would provide the foundation on which commercial trust would be built, and bank commissions would be earned. Executives even chose the locations of its first branches in part as a result of their ability to amass credit information. Vanderlip had communicated with US Steel President James Farrell about opening international bank branches, and Farrell offered access to US Steel's credit files in Buenos Aires and Rio if National City would open branches there.[69] The big draw of international expansion, according to

[67] [Letter to James Stillman]. Jun 5,Frank A. Vanderlip papers, B-1-5, Columbia RBML.
[68] Vanderlip as quoted by Huertas, 250-51.
[69] Cleveland and Huertas, 77; Abrahams, 23; Vanderlip, 1914.

Vanderlip's pitch to James Stillman, was the credit information the bank could access. And indeed, National City Bank selected Buenos Aires as the site of its first overseas branch.

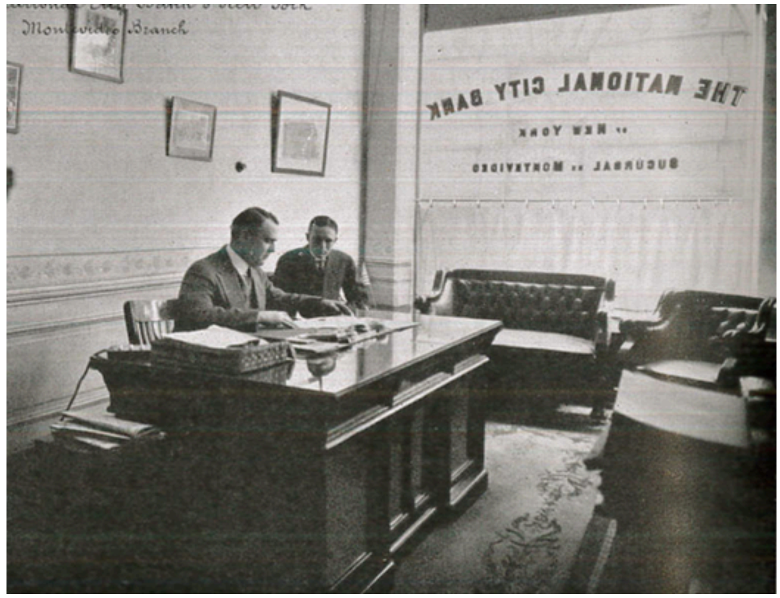
A second source of evidence supporting the bank's information focus comes from its internal reorganization after the passage of the Federal Reserve Act, including an expanded credit division and new staff positions focused on overseas information gathering. The Bank amassed a credit library for its clients and advertised access to international information as a way to attract customers. "The National City Bank has a large credit information department in which reports are collected on many thousands of firms. Only a small portion of the information gathered is of direct use to the bank," as one observer noted.[70] An internal memorandum from 1916 celebrated the volume of credit information collected from overseas branches: "The credit men attached to the various branches are sending by each steamer from 40 to 100 credit reports."[71] The Bank canvassed its customers about their experiences with South American businesses and kept records about dishonored drafts in order to supplement the reports.[72]

New staffing supported the bank's information campaign. Executives created a new executive position: Office of Statistician, and poached an official from the Treasury Department's Bureau of Statistics to fill the post. The statistician created regular reports for the bank.[73] The bank also created a new category of employees at branch offices—"commercial representatives"—to

[70] Leonard Minty, "Where American Banks Lead," *No. 8* 17, no. 7-8 (1922): 3.
[71] Memorandum. Box E-39, Folder: Foreign Trade Department. Columbia RBML. See also: Hudson, *Bankers and Empire*, 134.
[72] "Memorandum." 1916.
[73] "Oscar Phelps Austin," *No. 8* 12, no. 2 (1917).

specialize in making connections with "reputable and responsible" local merchants, as well as to compile statistics about the regions where they worked (see *Figure 3-3*).[74] Bank executives envisioned that these commercial liaisons would serve as data-gatherers and connection-brokers overseas.

Figure 3-3: NCB's Montevideo Branch, Commercial Representative (right) with Branch Manager (No. 8, 1916)



National City Bank measured the early success of branch work partly in terms of the volume of reports and connections generated. The bank published multiple types of reports and updates—weekly and bimonthly—as well as a monthly magazine, *The Americas*, to offer clients data about trade issues ranging from export volumes to new customs regulations.[75] By early 1916, the Bank's Foreign Trade Department found that "300 American firms have been put in touch with business men in South America, and probably half that number have formed permanent business connections…. We have given these companies the benefit of our South American research work and have received a surprisingly large number of new accounts through it."[76] Internally, National City Bank sought to quantify how valuable this information was to clients: memos documented the number of subscribers to *The Americas* and boasted about the deluge of requests for information it received. The Foreign Trade Department tallied how many US business it connected to overseas trade opportunities, as well as

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[74] "The Development of Our Export Trade," *Bankers Home Magazine* 12, no. 1.; Suggestions as to Organization & Scope of Foreign Services. Frank A. Vanderlip papers, Box E-39, Folder: Foreign Trade Department. Columbia RBML. "A New Era in Banking," *No. 8* 9, no. 7-10. Photograph: W.F. Voorhies, "The Wool Industry in Uruguay," *Number Eight* 11, no. 1 (1916).
[75] "The Foreign Branch Service," *The Americas* 1, no. 1. Higgins.
[76] "Memorandum." 1916.

how many potential clients it recruited due to its information campaigns.[77] Executives even considered publishing credit-rating books, much like that of mercantile agencies such as Dun and Bradstreet, to make its internal reports available to clients—though it ultimately opted not to do so.[78]

Externally, National City touted its information services to both clients and potential clients. An article in *The Americas* boasted about the catalog of business contacts amassed in just one year by the Buenos Aires branch, as well as the bank's "systematized information" and credit library with reports on 7,000 "leading South American concerns."[79] *The Americas* advertised a range of different information services that overseas branches could provide, such as foreign demand for products ranging

Figure 3-4: NCB's Promotion of Foreign Information (The Americas, 1916)

[77] Ibid.
[78] "Suggestions as to Organization & Scope of Foreign Services."
[79] "What Has Been Done in a Year," *The Americas* 1, no. 11 (1915).

from soap to riveting machines to canning machinery (see *Figure 3-4*).[80] Having an overseas branch was not the only path to getting credit information about overseas firms. US banks that lacked National City's overseas network could—and did—engage extensively in trade finance and the creation of bankers' acceptances by relying on correspondents. However, even the Department of Commerce noted in the 1920s that "credit information obtained from foreign correspondents is often incomplete and in many cases unreliable."[81] The Federal Reserve Board agreed and concluded that there was a "general belief that credit data given by American banks are by far more reliable and valuable than information furnished by foreign banks."[82] National City Bank could claim a competitive advantage over other banks for the quality of its information and its ability to provide on-the-ground support.

On-the-ground support, in the view of National City, enabled overseas branches to serve as a sort of concierge service to traveling US businessmen. A US salesman could walk off a steamship, head to a National City Bank branch, and find more than a banker; he would find the "personal friend of American travelers abroad," promised bank executives.[83] Bank branches were often a first stop for traveling businesspeople because, there, a traveler could present a letter of credit and introduction and obtain local currency. National City Bank sought to make its overseas branches more than just a source of cash provision: it offered hotel recommendations, business contacts, and train schedules, if necessary. The Buenos Aires branch even received press attention for helping US businessmen find the right barber shop: "A newly-arrived New York business man stepped into the Buenos Aires Branch the other day to learn where he could find a real barber shop with American chairs…. They gave him a name and a street number. 'Well, I'll be hanged!'"[84] Such stories added a

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80 "Current Information from Foreign Markets," *The Americas* 2, no. 10 (1916).
81 , 43.
82 Ibid., 51.
83 "Tying the World to New York," *New York Tribune*, Jan 12, 1919.
84 "NCB Will Get You a Haircut in Buenos Aires," *No. 8* 15, no. 9.

hometown, colloquial dimension to the otherwise daunting practice of engaging in international trade—sending valuable goods to unknown destinations thousands of miles away. They furthered executives' goal of presenting overseas branches as sites of connection, long-term presence, and proof that business contacts thousands of miles away were knowable and reachable. They helped make the world of overseas trade known, mapped, and accessible.

National City Bank was not the only bank to open branches overseas and advertise its support for foreign trade. Examining the alternative strategies and approaches of other banks underscores the distinctiveness of National City Bank's view of the "foreign field" and the value it expected to derive from information gathering. A rival in international expansion was the Guaranty Trust Company of New York, a New York-chartered financial institution that had become a leader in international business in the late nineteenth century. The bank was one of the first to open a permanent office in London in 1897, and it established a formalized Foreign Department in its New York headquarters before 1900.[85] Guaranty Trust shared some commonalities with the International Banking Corporation, which was itself changing as it became part of National City Bank's international apparatus. Both were founded in the crucible of Gilded Age life-insurance wealth: Guaranty Trust grew out of the interests of Metropolitan Life Insurance, while IBC's early years were shaped by Equitable Life Assurance executives.[86] Both competed for the banking spoils of overseas colonization: Guaranty Trust vied for, but ultimately lost to IBC, the designation of US agent to collect the Boxer Indemnity payment.[87] However, it succeeded in Manila: Guaranty Trust was named US fiscal agent for the Philippines alongside IBC, before shuttering its Asian branches in 1904.[88] Both banks boasted powerful—and loosely interconnected—boards. Prominent railroad

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85 Guaranty Trust Company of New York, *One Hundred Years of Banking Service, 1839-1939*, 26.
86 IBC's board was dominated by leaders of Equitable Life Assurance, while Guaranty Trust was held by interests associated with Mutual Life Insurance. Ibid., 24.
87 "Banking News of New York City," *The New York Financier*, Jan. 6, 1902.
88 "Balance of Funds, Manila." 1903. Guaranty Trust Company of New York, "[Announcement of Withdrawal]." 1904.

magnate Edward Harriman sat on Guaranty Trust's board in 1901 and joined IBC's board in 1902.[89] Frederick Vanderbilt sat on Guaranty Trust's board while his nephew Alfred briefly served on that of IBC.[90]

Guaranty Trust followed a different geographic strategy from that of IBC. Rather than attempt to build an extensive, multicontinental network quickly, Guaranty Trust withdrew its business in Asia after little more than two years. Its remaining branches focused on Europe and particularly on financing cotton shipments during and after World War I. According to an internal bank history, Guaranty Trust financed as much as one quarter of the nation's total cotton exports in the late 1910s and early 1920s (see *Figure 3-5*).[91] In addition to a London office, it opened branches in Liverpool, Paris, and Brussels after the passage of the Federal Reserve Act.[92] In Latin America, Guaranty Trust worked through affiliates—primarily the Mercantile Bank of the Americas, a consortium controlled by JP Morgan and other prominent banking interests.[93] Initially, Guaranty Trust's strategy resembled that of IBC: both leveraged board connections and government deposits to profit from burgeoning US trade and imperial expansion. In addition to its brief stint as Manila fiscal agent, the bank continued to serve as the banking agent of the insular government of the

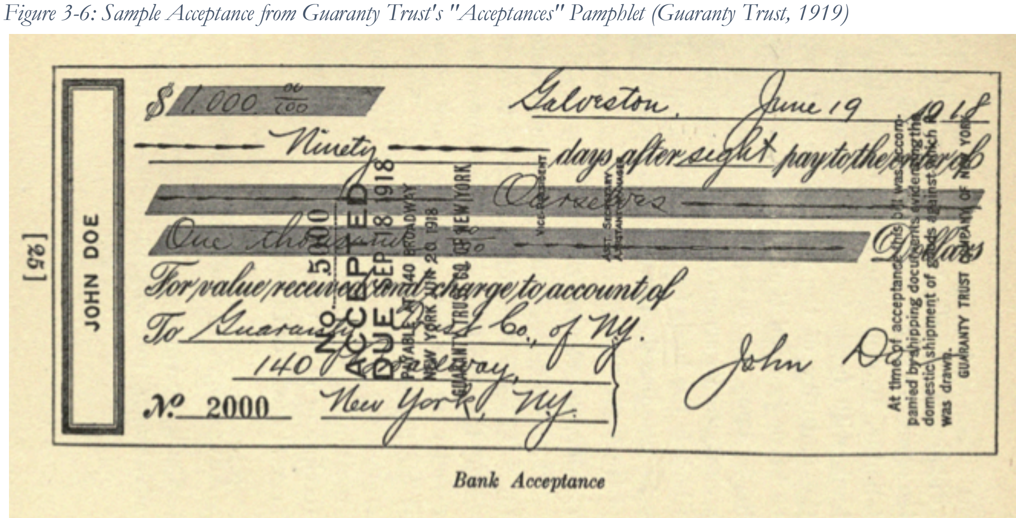
Figure 3-5: From a Guaranty Trust Export Pamphlet: "Shipping Cotton from a Southern Port" (Guaranty Trust, 1921)

[89] *The Manual of Statistics: Railroads, Grain and Produce*, 22.
[90] Guaranty Trust Company of New York, *One Hundred Years of Banking Service, 1839-1939*. "International Banking Corporation [Advertisement]." "International Banking Corporation: Board of Directors." 1903.
[91] Guaranty Trust Company of New York, *One Hundred Years of Banking Service, 1839-1939*, 34. Image: *Our New Place in World Trade* (New York: Guaranty Trust Company of New York, 1921), 19.
[92] *One Hundred Years of Banking Service, 1839-1939*.
[93] D.G. M. Mercantile Bank of the Americas. Jul 17, 1920. RG 59, Box 7592, Folder 811.516/313. National Archives.

Philippines in New York, in addition to serving as the depository for several Philippines-related bond issues.[94] The bank was also named a government depository in Paris during World War I.[95]

Following the Federal Reserve Act, Guaranty Trust joined National City Bank in emphasizing the information services it could provide for clients. A 1919 article in the *Bankers Home Magazine* noted that the Foreign Credit Division of Guaranty Trust had records on 60,000 foreign firms. Much of the information—said to contain both the “moral and financial rating” of firms—came from the bank’s international correspondents, but some came from Guaranty Trust’s own international branches.[96] Indeed, Guaranty Trust’s acceptance business rivaled that of National City Bank in the 1920s in terms of the volume of acceptances generated. Lack of standardized accounting practices make it difficult to compare precise sums of acceptances generated; however, National City Bank and Guaranty Trust tended to represent the top two banks in the rankings of acceptance creation throughout the 1920s.[97] Much like National City, the Guaranty Trust Company also promoted the usage of bankers’ acceptances among its clients. The bank published numerous educational pamphlets about how to use acceptances.[98] The materials included samples of acceptances and

Figure 3-6: Sample Acceptance from Guaranty Trust's "Acceptances" Pamphlet (Guaranty Trust, 1919)



94 "Philippine Bond Issue," *Wall Street Journal*, Aug 25, 1904. "Philippine Currency Act," *The Washington Post*, Apr 2, 1903.
95 Guaranty Trust Company of New York, *One Hundred Years of Banking Service, 1839-1939*, 33.
96 "The Foreign Trade Bureau," *Bankers Home Magazine* 12, no. 8.
97 See, for example: "Honor Roll of Accepting Banks," *Acceptance Bulletin of the American Acceptance Council* 5, no. 1 (1923). "The 'First Forty'," *Acceptance Bulletin* 10, no. 1 (1928). "The First Forty in 1929," *Acceptance Bulletin* 12, no. 1 (1930).
98 Guaranty Trust Company of New York, *Acceptances* ([New York]: Guaranty Trust Company of New York, 1919). York Guaranty Trust Company of New, *Acceptances* (New York: Guaranty Trust Company of New York, 1920).

anecdotal examples of how a seller like "John Doe" in Galveston, Texas, might use an acceptance to move his merchandise (see *Figure 3-6*).[99] The firm also invited customers to access its information services, such as "very complete files on most of the important firms in the Latin-American countries," by working with the bank's International Trade Service and Publicity Department.[100] While the strategies of National City Bank and Guaranty Trust shared a similar orientation to information and trade finance, the biggest difference between the two institutions involved size and scale of impact. Whereas National City Bank had $75 million in capital stock in 1927, Guaranty Trust's capital stock was less than half of that at $30 million.[101] Given the expense of creating and maintaining an international network of branches, Guaranty Trust deepened relationships with affiliates and correspondents rather than opening branches as aggressively as National City Bank.

One of Guaranty Trust's affiliates in Latin America was another early bank that opened branches overseas early—the Mercantile Bank of the Americas. MBA's model of international expansion differed from that of National City Bank's information focus, and assessing its approach provides a useful contrast for understanding the distinctiveness of the post-Federal Reserve Act banking context. MBA was a short-lived experiment in how not to engage in multinational banking. Largely controlled by JP Morgan, the bank represented a consortium of powerful banking interests, including Guaranty Trust Company and Brown Brothers & Company.[102] By 1918, MBA had established 8 affiliates in Latin America, as well as several European branches.[103] Historian Peter Hudson argues that MBA's work in the Caribbean in the late 1910s followed a pattern of "concentration, cartelization, coordination, and collusion."[104] The approach was also a rapid and

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[99] Guaranty Trust Company of New York, *Acceptances*, 24.
[100] *Essentials of Trading with Latin America* (New York: Guaranty Trust Company of New York, 1920).
[101] *Moody's Manual of Investments, American and Foreign: Banks, Insurance Companies, Investment Trusts, Real Estate, Finance and Credit Companies.*, (New York: Moody's Investors Service, 1928), 601, 2151.
[102] M., 1920.
[103] Parrini, 114. Durrell, 1940.
[104] Hudson, *Bankers and Empire*, 152.

decisive failure. Many of its branches and affiliates in Latin America were linked to unpopular authoritarian governments supported by the United States.[105] MBA aligned itself with the advancement of dollar diplomacy but complained to US government officials of local antagonism in places such as Colombia, where the government had a "marked hostility toward us."[106] Even State Department officials worried about the MBA's public relations problems overseas: "its policy has not always made it popular in the countries in which it has operated." MBA "aroused the dislike of local commercial interests," internal memos concluded.[107] The bank lost heavily when the Cuban sugar market crashed in the early 1920s and folded after less than five years of overseas branch operation.[108] Executives sold off different branches of the bank in the early 1920s to banks such as National City Bank and the Royal Bank of Canada.[109] Of its $27 million assets, only $5 million was collectable.[110]

The American and Foreign Banking Corporation (AFBC) followed a similar arc to that of MBA, with its short-lived piggybacking on US imperial advances.[111] Organized in 1917 under leadership of Chase National Bank, the bank operated 19 branches by 1920, most of which were in Latin America. While little information is readily available about the day-to-day work conducted by AFBC branches, the bank was also imperiled by the collapse of sugar prices in the early 1920s. It closed all of its Latin American branches except two in Panama and one in Cuba, and Chase Manhattan Bank later acquired the remaining branches.[112] AFBC's and MBA's strategies seemed to

105 Ibid., Ch. 5.
106 Phanor J. Eder. Letter to Minister Hoffman Philip, American Legation, Bogotá. May 19, 1919. RG 59, Box 7591, Folder 811.516. National Archive.
107 M., 1920.
108 Hudson, *Bankers and Empire*, 170-75.
109 Ibid., 173.
110 Durrell, 1940. Hudson reports that the official losses to investors were $20 million, but some people estimated the losses to be as high as $80 million. Hudson, *Bankers and Empire*, 175.
111 Stallings, 67.
112 Ibid., 69. Gino Cattani and Adrian Tschoegl, "An Evolutionary View of Internationalization: Chase Manhattan Bank, 1917 to 1996," (Wharton School Center for Financial Institutions, University of Pennsylvania, 2002), 15. Hudson, *Bankers and Empire*, 235.

focus on the tactics of loaning funds to overseas governments and financing commodity production and trade, such as making large loans to Cuban sugar interests.

Even the International Banking Corporation, which expanded overseas before the Federal Reserve opened the field to national banks, expanded overseas for reasons other than information collection. As Chapter One noted, an early debate among IBC board members included whether IBC should even operate as an international bank at all when its charter would allow for it to serve simply as a flexible holding company for a range of financial assets.[113] An internal history of IBC commissioned by National City Bank noted that the board members with life insurance interests who initially served on IBC's board wanted to use the bank's charter not for developing international branches at all, but rather to purchase domestic bank stock and foreign assets that would allow them to diversify foreign exchange risks.[114] IBC's Executive Committee ultimately rejected this path in 1903, and representatives of both Equitable Life Assurance and Metropolitan Life resigned over the next several years.[115] Nonetheless, ambivalence about IBC's strategy suggests that its leaders lacked a unified vision of what an overseas network could accomplish. In addition, much of the profits from IBC's early activities came not from trade finance or event foreign investments, but from the day-to-day work of foreign exchange. Lack of archival data about individual branches makes it difficult to quantify the relative importance of different sources of revenue. However, several anecdotal accounts reveal that the foreign exchange business was the "bread-and-butter of most branches."[116] One of IBC's first hires was a foreign exchange expert from Deutsche Bank, Bernhard Duis, whom others credited with the bank's profitable exchange business.[117] There were some exceptions among the individual branches' sources of profits: the

113 Cochran, [1945].
114 Ibid.
115 Ibid.
116 Starr, 55.
117 Citicorp, 13.

Hong Kong branch of IBC specialized in remittances, for example.[118] And the Singapore branch was the only one for which "earnings on ordinary lending were significant," noted one IBC executive. The rubber boom and demand for "lending against overdrafts" made the branch exceptional.[119] Nonetheless, most branches earned little in the way of profits from local loans.

From this overview of National City's competitors in international expansion, several conclusions emerge. National City Bank was unrivaled in terms of the scale and scope of its internationalization, and the acquisition of information was a central part of its agenda. The only bank that came close to competing with National City was Guaranty Trust, and its internationalization strategy after the passage of the Federal Reserve Act underscored some of National City Bank's emphasis on information. Other banks that expanded overseas tended to focus on particular markets or particular opportunities to profit from government connections. These operations were mostly short-lived and then were swallowed into the larger operations of established incumbents. With this foundation of understanding about National City Bank's strategy, it is worth considering what bankers meant by information and how the bankers' acceptance market affected that understanding of information.

III. More Portable, Less Personal: Changing Formats of Overseas Credit Information

National City Bank's version of information had several features that distinguished it from information systems that undergirded European overseas banks. Certainly, established multinational banks based in countries such as Britain and Germany boasted elaborate information systems, but their information typically did not take shape as a credit file accessible to clients. As a British banker

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118 Ibid., 109.
119 Starr, 55.

observed in his 1922 comparison of the two nations' systems, "No centralized credit department exists in the English bank: credit information is carried exclusively in the head of the local manager and the bank's records."[120] The mechanisms for collecting information tended to depend on close family connections and long-term relationships in specific regions.[121] In particular, British colonial banks often relied on well-connected local boards of directors, and they tended to work with a regular set of clients, many of whom were investors in the bank.[122] Instead of pursuing a broadly international network like National City Bank, British banks tended to specialize in countries or regions, and the specialization was often anchored by family relationships.[123] As British banking historian Geoffrey Jones has noted, British banks "made very effective use of socialization strategies to control their overseas branches."[124]

Even when information collection was paper-bound and filed in cabinets, that information was not designed for customers' use. Multinational Canadian banks serve as a helpful contrast to National City in terms of demonstrating banks' changing information practices. Large Canadian multinationals such as the Bank of Nova Scotia and the Royal Bank of Canada were steeped in British banking traditions and simultaneously oriented to US markets and clients. By the mid-1920s, two-thirds of the overseas branches of Canadian banks were located in the Caribbean, and their primary work involved financing trade with the United States, rather than with Canada.[125] Credit evaluations by the branches of large Canadian banks in the early 1900s relied heavily on the personal judgments of general managers, who were expected to socialize with businessmen and use their own intuitions about creditworthiness.[126] Some bank protocols involved inscribing these judgements in

120 Minty.
121 For a longer history of the role of information intermediaries in British merchant banks, see: Liedtke. Llorca-Jaña. Perkins, "Financing Antebellum Importers: The Role of Brown Bros. & Co. In Baltimore."
122 Jones, "Competitive Advantages in British Multinational Banking since 1890," 46. Cottrell, 26.
123 Jones, *British Multinational Banking, 1830-1990*, 374.
124 Ibid.
125 Quigley, "The Bank of Nova Scotia," 797.
126 "Bank Credit."

paper records. The Royal Bank of Canada's 1908 rulebook directed managers to maintain "character files" on clients, which included "assessments of the integrity, personal habits, and social standing of each person," notes historian Neil Quigley.[127] Following the Federal Reserve Act, the Royal Bank of Canada began to look to US guidelines about balance sheets in order to standardize information collection.[128] But these files were designed to be private bank records, not tools to serve customers.

Further, the information architecture of London's discount market depended heavily on human intermediaries. Discount houses played an essential role in connecting different players in London's discount market, as the bankers' acceptance market was known in Britain. Discount houses carried large portfolios of acceptances and matched sellers with buyers. From a distance, the work of discount houses resembles straightforward arbitrage, but in practice, the firms performed essential social and informational functions that built trust and ensured the coherence of the market of acceptances. As one US observer explained, the brokers were the key to understanding the British system: bills "are carried about through the streets by men in silk hats. Once you know that, your whole picture of the London discount market lights up and the place takes on an air of reality."[129] Brokers—the "men in silk hats"—knew the reputations and payment histories of merchants and financiers around the world. They made rounds each morning to "visit all the banks and merchant bankers to ascertain how much money they want to call or lend."[130] Banks paid them a premium for their services: brokers knew who could be trusted among those generating bills, and they learned what commodities were desired where.[131] Information flowed both ways in brokers' meetings: "Being a professional beggar, the bill broker must interest or amuse his patrons, and, above all, if

[127] Ibid., 252.
[128] Ibid., 257.
[129] Stewart McKee, "The Movement of a Bill in London," *Acceptance Bulletin* 10, no. 8 (1928): 5.
[130] Sir Ernest Maes Harvey, "Battle Royale between 'Dollar' and 'Sterling'," ibid.7, no. 6 (1925).
[131] McKee, 7.

there is any service he can render a bank by giving information as to the standing of a particular firm or trade or by supplying early news of any important financial business."[132]

By contrast, the information that National City staff sent on steamers to New York represented a different way to know customers and markets. Portability and depersonalization were two key features of National City-style information. Unlike the credit information held in the head of a British bank manager, National City Bank's facts about overseas corporations had to be transcribed and rendered in paper format so that they could be transported. The information also had to be legible to US readers. It couldn't rely so heavily on personal relationships and context that readers outside its Latin American or Asian context would find it unintelligible. Notably, information did *not* have to be numeric: National City bankers did not emphasize quantitative analysis or valuations of assets as metrics that clients could use to evaluate would-be trading partners. Nor did the information have to be explicitly commensurable: the credit system did not invent a common unit of analysis or category by which to measure international business. More important than any particular item within a credit file seemed to be the existence of the file in the first place, as if the record provided assurance that the overseas business or person had been identified and cataloged in National City's burgeoning commercial cartography project. Expanding that information could increase not only global trade but also the banks' profits associated with that trade.

IV. The Difference the Fed Made

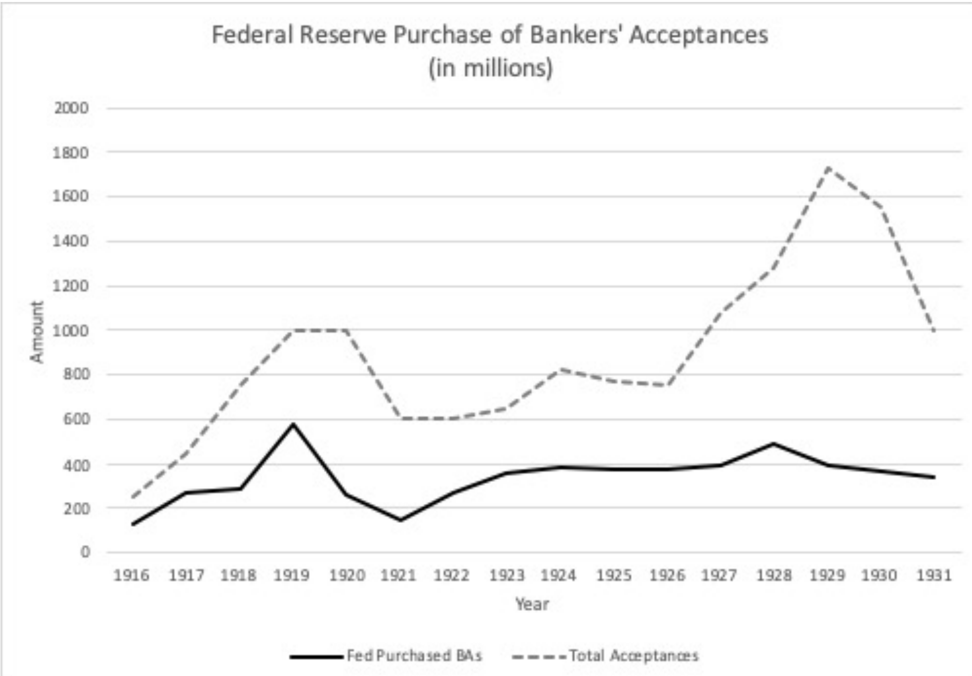
Whereas the London discount market relied on an established network of players, the US system lacked the diverse participants and structural links that undergirded the British bills market.

[132] Harvey, 6.

In lieu of that ecosystem, the US acceptance market depended on the state. The acceptance market technically came into existence in 1914, but the first discount house did not emerge until 1918.[133] In the meantime, the Federal Reserve Bank of New York took on the role of supporting the market, and the Federal Reserve Board urged other Reserve Banks around the country to similarly do their share.[134] From 1915 to 1930, the Federal Reserve purchased more than $5 billion in acceptances for its own accounts and contributed even more support by allocating the deposits of other central banks to the acceptance market (see *Figure 3-7*).[135] The Federal Reserve Bank of New York represented the primary buyer, channeling both its funds and the deposits of foreign correspondents into the acceptance market such that, by the late 1920s, purchases of the Federal Reserve Bank of New York alone constituted 50% of total volume of acceptances, according to historian Mary O'Sullivan.[136] The resulting system was not a self-sustaining market, but one dependent on the Federal Reserve.

133 American Acceptance Council, *Facts and Figures Relating to the American Money Market*.
134 Federal Reserve Board Washington. Copy of Letter to a Federal Reserve Agent Regarding Endorsement. Nov 14, 1917. Box 171545, Folder 440: Jan-Dec 1917. Federal Reserve Bank of New York.
135 Carlson and Duygan-Bump, "The Tools and Transmission of Federal Reserve Monetary Policy in the 1920s." Bureau of the Census, 1042. Beckhart; "The Monthly Review," *Acceptance Bulletin* 13, no. 12 (1931). Similar graph also appears in Eichengreen and Flandreau, 65. Fig. 1 does not include acceptance held by the Fed on behalf of the accounts of foreign correspondents. Data represents annual figures only, reported in December and does not account for seasonal variations.
136 O'Sullivan, "Past Meets Present," 36-40. Eichengreen and Flandreau also note that the Fed allocated funds from foreign central banks—and particularly the Bank of France—toward the acceptance market. Eichengreen and Flandreau, 78.

Figure 3-7: Federal Reserve Purchasing of Acceptances, 1916-1931



The Federal Reserve established the basic framework for the eligibility of bills, and its support created national buttressing for its operation. Acceptance enthusiasts depicted the market's operation as self-evident and safe and described the paper as "self-liquidating," to emphasize that a bill would always yield its full value upon maturity.[137] In practice, however, even participants in the market found the rules confusing at times. For instance, not everyone knew which bills the Fed would buy or when. For a bill to be eligible for discounting at the Federal Reserve, it had to be considered "prime." The Deputy Governor of the Richmond Reserve Bank requested a list of banks the whose bills were considered "prime" from the New York Reserve Bank, which had become the center of acceptance trading.[138] The New York Deputy Governor replied that there was not a written list of prime banks because "[t]hey are so well known that to work from a list seems unnecessary." Further, a "list prepared by us might be misconstrued as an appraisal by this bank of

[137] See, for example: Harris; Fry; American Acceptance Council, *Bankers Acceptances, Principles and Practices, Second Edition*. For a thoughtful exploration of the limits of "self-liquidating" paper, see: Adam.
[138] Charles Peple. Letter to Mr. E.R. Kenzel, Deputy Governor, Federal Reserve Bank of New York. Feb. 26, 1929. 171546, 440 - Acceptances 1927-1929. Federal Reserve Bank of New York.

the comparative marketability and credit of the respective names."[139] As the reply suggests, the functionality of the bankers' acceptance market depended on norms and implicit guidelines that outsiders found opaque and unhelpful. The result was that buying activity was concentrated almost exclusively in New York and fell on the shoulders of the Federal Reserve Bank of New York and a handful of insiders.[140]

The centralization effectively meant that reforms intended to create a market for democratizing finance became, increasingly, the domain of New York financiers. Brokers in the bankers' acceptance market did not concern themselves with the transactions described in the acceptances they bought and sold, as a 1931 Senate hearing revealed: "We only study the credit of the acceptor," said an executive of a brokerage firm.[141] The emphasis on the accepting bank's reputation contributed to the consolidation of the market around large, elite New York banks. According to the broker, "the accepting banks that appear in the discount market are a very high type of name. There is comparatively very little business done in the smaller institutions."[142]

Name recognition and reputation were central features of the bankers' acceptance market, both in terms of the Federal Reserve's definition of "prime" bills and brokers' day-to-day buying activities. This feature of the market helps explain why, in little more than a decade, the business of issuing acceptances narrowed from more than 500 banks to only 175 by 1926. Indeed, 50 of the largest, predominantly New York-based banks were responsible for 80% of the total acceptance business.[143] The statistics reveal that reforms initiated to shift power away from speculative New York financial markets in favor of "real" goods narrowed, within the span of little more than a

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139 E.R. Kenzel. Letter to Charles Peple, Deputy Governor, Federal Reserve Bank of Richmond. Feb 27, 1929. Box 171546, Folder 440 - Acceptances 1927-1929. Federal Reserve Bank of New York.
140 O'Sullivan, "Past Meets Present," 40.
141 Committee on Banking and Currency. US Senate. *Operation of the National and Federal Reserve Banking Systems : Hearings before a Subcommittee of the Committee on Banking and Currency, United States Senate, Seventy-First Congress, Third Session, Pursuant to S. Res. 71*. Washington: 1931.
142 Ibid., 557.
143 "Are the Banks Making Good Use of Their Acceptance Privilege?," *Acceptance Bulletin* 9, no. 3 (1927).

decade, to a market of abstractions dominated by New York elites and large banks. Ironically, the same market that helped galvanize National City Bank's pursuit of credit information overseas had been culled to a small set of "prime," and largely East Coast banks, and in this market, theirs was the only credit information that mattered.

A range of different government bureaucracies also lent their support to the bankers' acceptance market and to the promotion of US banks overseas. The State Department sent letters and educational materials to its consular offices to encourage the use of bankers' acceptances in overseas markets. In 1916, the Director of Consular Service at the State Department wrote to all US consuls to explain how bankers' acceptances functioned and to urge them to push acceptances in international trading: "It is desired that consular officers employ suitable means to bring these facts, informally and as convenient opportunity presents, to the attention of the local bankers and business men in their districts."[144] The following year, the Department mailed surveys to all Consulate-Generals around the world to gather data about the viability of opening new US bank branches. The surveys requested details about local banking laws, practices for handling bills of exchange, and "public opinion toward Americans and prospect of US bank," among other questions.[145] The State Department coordinated its information-gathering with the Commerce Department's Bureau of Foreign and Domestic Commerce. Once it received consuls' responses to State Department questionnaires, the Commerce Department evaluated opportunities and alerted US banks about the prospects of opening more foreign branches.[146] In 1924, the US Consul in Karachi determined that a US bank was needed in the region, so the Commerce Department contacted the International Banking Corporation—then owned by National City Bank—about the opportunity. IBC politely

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144 Wilbur Carr. Facilities Offered by American Banks for Financing International Trade. Mar 8, 1916. RG 59, Box 7592, Folder 811.516/431. National Archives.
145 Secretary of State. Special Instructions No. 505 – field for American Banks. Feb 16, 1917. RG 59, Box 7590, Folder 811.516. National Archive.
146 Bureau of Foreign and Domestic Commerce. [Misc. Letters and Reports]. 1924. RG 59, Box 7593, Folder 811.51675-811.51699. National Archives.

declined, citing "insufficient business" between the US and Karachi.[147] Nonetheless, the information relay and public-private lobbying highlight the formal systems and informal channels of influence that entangled bank and state operations.

IV. Porticos and Paperwork

The interplay between public and private sectors of the 1920s represents a departure, in form more than in substance, from the patterns that characterized state-bank relationships in the pre-World War I era. While interdependence is a constant before and after the creation of the Federal Reserve, the shape of that interaction shifted. As Chapter Two revealed, state-bank relationships under US rule in the Philippines in the early 1900s tended to rely on personal connections and face-to-face interactions. By the 1920s, the expansion of bureaucracies such as the Commerce Department and the Federal Reserve created new formats for mutual support. Collaborations depended not only on friend-to-friend exchanges in social clubs or at board meetings, but also on the movement of paper and on systems such as the bankers' acceptance market. Federal Reserve Banks used public funds to purchase roughly $5 billion in acceptances over the course of the 1910s and 1920s in order to sustain the market.[148] The Federal Reserve's support of the market was so significant throughout the 1920s that W. Randolph Burgess of the Federal Reserve Bank of New York believed its commitment to buying acceptances undercut other policy objectives to tighten credit in the late 1920s. The "bill market has at times been so dependent upon the Reserve Banks as to interfere somewhat with the execution of Federal Reserve policy," he

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[147] F.R. Eldridge. Letter to Mr. Carr, Assistant Secretary of State. Nov 17, 1924. RG 59, Box 7592, Folder 811.51644/1. National Archives. For a similar exchange regarding banking in Nassau, see also: S.H. Cross. Letter to Mr. Carr, Assistant Secretary of State. Nov 17, 1925. RG 59, Box 7592, Folder 811.51644/1. National Archives.
[148] Bureau of the Census, 1042. Carlson and Duygan-Bump, "The Tools and Transmission of Federal Reserve Monetary Policy in the 1920s."

explained.[149] This type of support represented a newly institutionalized channel for advancing mutually beneficial goals, such as increasing US trade. While it was not as obvious as interlocking directorates that linked colonial officials with bankers, it provided powerful, depersonalized channels to connect state power with overseas banking. Moreover, the channels were less vulnerable to charges of unfair privileges. They were more amenable to depictions of a scientized, rationalized credit system, and better contoured to support the shifting forms of US imperial power.

Historians and economists who have studied the bankers' acceptance market have typically looked to it as an example of ill-fated financial reform. The Federal Reserve stopped buying acceptances rather abruptly in the early 1930s, and the market largely went dormant without the support of the Federal Reserve.[150] Contemporaries cited two barriers to entry that kept the market from flourishing: complexity and low returns. Many banks found the acceptance market to be too complicated to broach. Generating acceptances required knowledgeable staff to manage intricate paperwork.[151] Banks had to ensure the accuracy not only of the bill itself, but also of certified invoices, bills of lading, and insurance contracts.[152] This paperwork had to be cataloged and tracked, as goods, money, and copies of paperwork moved on boats around the world. Certainly, the hurdles were not insurmountable, but they strained the capacity of some loan departments.[153] Acceptances needed to be sufficiently profitable to entice banks to overcome these barriers, and most banks that could not afford National City Bank's investment in internationalization opted out.

Further, the potential returns from participating in the market were not enticing enough to divert investors from call market lending. Throughout the 1920s, the rates on the acceptance market generally moved in tandem with the yields on long-term Treasury bonds; however, acceptances

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149 Burgess, 178.
150 Eichengreen and Flandreau, 78.
151 D. R. Young, "City Bank Men Debate before American Acceptance Council," *No. 8* 20, no. 12 (1925); Harvey.
152 "The Mechanism of Exchange," *The Americas* 4, no. 2.
153 Young; Harvey.

carried additional tax burdens. Government securities were tax exempt, which effectively rendered acceptances more expensive to hold.[154] In addition, the rates on acceptances tended to fall below what bankers could earn on the call market, which continued to thrive despite reformers' intentions.[155] Average returns for 90-day paper on the call market was 5.44%, versus 4.15% on the New York discount market from 1919 to 1929, according to analysis by Mary O'Sullivan.[156] Thus, bankers' acceptances could be a useful tool for diversifying a bank's assets, but in general the call loan market provided more attractive returns.

Given these considerations, it is more likely that the market benefited National City Bank because it increased commission revenue, rather than yielding returns as an investment tool. Banks typically charged 0.75% to 1.25% commission fees on acceptances, and the American Acceptance Council advised an industry-standard 1% rate as "wholly fair" to account for the bank's risks.[157] Based on this average and based on analysis of National City Bank's acceptance business recorded in its balance sheets, the bank's acceptance business generated an estimated $10 million in revenue over the decade from 1924-1934 (see *Figure 3-8*).[158]

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154 "Bankers' Acceptances: Role of Bankers' Acceptances." 1954; "The Acceptance Market," *Acceptance Bulletin of the American Acceptance Council* 3, no. 4 (1921); Meulendyke, 94.
155 Young. "Operation of the National and Federal Reserve Banking Systems : Hearings before a Subcommittee of the Committee on Banking and Currency, United States Senate, Seventy-First Congress, Third Session, Pursuant to S. Res. 71," 234.
156 O'Sullivan, "Past Meets Present," 31.
157 "Editorial Comment: Commission Rates on Bankers Acceptance Credits," *Acceptance Bulletin* 9, no. 5 (1927). One account from 1925 suggested higher rates of up to 2%. "American Bankers Acceptance an Important Factor in Financing Foreign Trade," *Acceptance Bulletin* 7, no. 10 (1925). But a larger number of sources support the 1927 report that rates averaged 1%. See, for example: "Address of President Paul M. Warburg," *Acceptance Bulletin of the American Acceptance Council* 5, no. 12 (1923). E.R. Kenzel. Letter to Hon. W.J. Bailey, Governor, Federal Reserve Bank of Kansas City. Aug 24, 1929. Box 171546, Folder 440 - Acceptances 1927-1929. Federal Reserve Bank of New York.
158 Data Sources: National City Bank of New York. Statement of Condition. Dec 31, 1924. And subsequent, through 1934. "Editorial Comment: Commission Rates on Bankers Acceptance Credits."

Figure3-8: Estimated Commission Revenue, National City Bank (in millions), 1924-1934

	Dec-1924	Dec-1925	Dec-1926	Dec-1927	Dec-1928	Dec-1929	Dec-1930	Dec-1931	Dec-1932	Dec-1933	Dec-1934
Acceptance Commissions	0.61	0.76	0.63	1.03	1.32	1.65	1.48	1.27	0.66	0.69	0.57
Undivided Profit	10	15	16	21	12	20	25	11	5	5	8
Commission as Percent of Undivided Profits	6.1%	5.1%	3.9%	4.9%	11.0%	8.3%	5.9%	11.5%	13.2%	13.8%	7.1%

Because banks were not required to itemize the sources of their revenue, it is difficult to compare acceptance commissions to other forms of profitable bank work, but the figure pales in comparison the bank's overall assets. By way of reference, the Bank's undivided profits every year before the Depression were at least $10 million, and sometimes as high as $25 million.[159]

Much like the overall market for acceptances, National City Bank's push to enclose credit information seems, in the aggregate, like a failure. For one thing, the Bank misjudged the dynamics of foreign trade. Vanderlip's vision for branching rested on the assumption that a broad swath of US companies would enter the exporting business and that these upstarts would need services that a broadly international bank like National City could provide. However, in reality, a small set of firms such as International Harvester and US Steel continued to dominate the nation's exports. US Steel controlled 90% of steel and iron exports in 1915, and its export operations were so developed that it did not need National City Bank to keep credit files on its customers. The business operated its own network of international branches and monitored such information more effectively in-house.[160] Further, as the market developed, acceptances were most widely used to finance a small range of commodities, such as cotton, rather than manufactures.[161] Whereas Guaranty Trust was well-positioned to benefit from this expansion due to its cotton-shipping experience, National City Bank

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159 *Moody's Manual of Investments, American and Foreign: Banks, Insurance Companies, Investment Trusts, Real Estate, Finance and Credit Companies.*
160 Mayer, 136.
161 O'Sullivan, "Past Meets Present," 34-35. Beckhart, 352-54. "Commodity Classification of Acceptances," *Acceptance Bulletin* 7, no. 8 (1925).

was unable to play the role it had envisioned of ushering in a broad range of new manufacturers to the export business. Thus, the market did not play out according to the vision Vanderlip initially pitched to James Stillman.

Another factor looming on the international trade horizon was, of course, the Great Depression. As the Depression caused global trade and commodity prices to plummet, the crisis prompted Federal Reserve officials to recalibrate strategies. The Board turned to government securities rather than bankers' acceptances as the chosen mechanism for affecting the money supply. Before the collapse, the Fed's purchasing of bankers' acceptances had roughly matched its purchasing of Treasury Securities; however, after 1931, acceptances declined to constitute less than 2% of the Fed's total assets.[162] The Board's prior focus on bankers' acceptances nearly vanished: "it is difficult to find any mention of acceptances in discussions of open market operations" after 1929, noted economist David Marshall.[163]

Even though the market was short-lived in terms of the longer history of the Federal Reserve, the shift in the nation's financial system made space for a new vision of trade and new formats for "knowing" international businesses. Information acquisition had long been a strategy that motivated the multinational expansion of banks; however, to National City Bank, information looked different and served different purposes than its role in previous iterations of overseas banking. Even as US bankers continued to aspire to British banking models, their attempts to implement a British-style bills market was built on different foundations and animated by different practices. The US acceptance market went from a nonexistent entity to a multimillion-dollar market due to the active support of the New York Federal Reserve as well as the private bankers working to fill filing cabinets with paper records available for client access. Bankers like John Fuller represented

162 Bureau of the Census, 1042. Carlson and Duygan-Bump, "The Tools and Transmission of Federal Reserve Monetary Policy in the 1920s."
163 Marshall, 51.

the worker bees who powered the international information acquisition. The focus was so predominant among National City Bank trainees that, even as Petrograd teetered on the brink of war in January 1918, Fuller remained focused on his record keeping. On the same day that Bolshevik leaders met to discuss workers' rights and food shortages, Fuller journaled about the disorganized state of the bank's books.[164] If auditors were to arrive to inspect the branch, "our books would be in a terrible shape to turn over to the home office," he wrote.[165]

Nonetheless, working in National City Bank's "foreign field" had some upsides, in spite of Fuller's concerns; many found it preferable to the most common alternative available to his peers: the battle field. "If we are drafted the supposition is that the bank will get us off," Fuller wrote to his mother.[166] As Chapter Four explores, the training processes created to groom staffers for overseas work shaped young men into data-gatherers and cartographers who could map their new commercial worlds for the benefit of bank and business.

164 For context on Petrograd, see: Lars T. Lih, *Bread and Authority in Russia, 1914-1921* (Berkeley: University of California Press eScholarship Editions, 1990), 125.
165 Fuller, "Journal - Russia." 1917-1919.
166 Letter to Mother. Jul 18, 1917. John L.H. Fuller Papers, Box 1, Folder 1. Indiana Historical Society.

4 – CARTOGRAPHY OF CREDIT

In 1916, 42 young white men from elite US colleges enrolled in a program to become overseas bankers, and their first introduction in the world of banking beyond New York City was a class entitled "Commercial Geography." The course was part of a six-week program to prepare them to work in National City Bank's overseas branches. Much of the curriculum would focus on to day-to-day banking operations by teaching them skills like banking arithmetic, business English, and proper usage of pneumatic tubes, for example.[1] But Oscar Austin's course was different: his class would teach them about the world beyond the confines of a US bank. Austin had previously worked for the Treasury Department, but National City Bank lured him away by creating a new division for him to lead: office of the statistician.[2] In addition to generating reports, Austin taught the students about the global economy and the commerce they would encounter in their new overseas lives.

What did the curriculum for commercial geography entail? On the first day, Austin gave the students a thumbnail sketch of the "History of World Commerce." It compressed 4,000 years of economic activity into a one-hour lecture. Students learned that global commerce had more than doubled since the turn of the twentieth century and that banks were among the drivers of growth. Trade had helped the world become more integrated and productive, thanks to modern transportation, communication technologies, banks, and other factors. Subsequent lectures depicted a world ready for more: more commerce, more banking, more communication, and more shipping. Religion, skin colors, language barriers, and cultural practices received virtually no mention in Austin's depiction of commercial geography. Instead, he described the world as a vast expanse of economic potential with regions that varied in terms of climate, terrain, and commodity production. Environmental variation meant that some regions produced agricultural goods while others focused

[1] National City Bank of New York, *Number Eight, Educational Edition*, vol. 11 (1916).
[2] "Oscar Phelps Austin."

on manufacturing, for example, and those environmental differences explained the range of regional specializations. The course impressed upon students a commodity-based map of the world they would enter. The people who inhabited that map warranted only passing mention.[3]

The curriculum raises a question in understanding the norms and practices of US banking overseas: if collecting credit information was central to the bank's overseas branches, as Chapter Three asserted, why was there no further instruction about the different business contexts where bankers would work? Why didn't bankers care about culture, customs, and regional practices for evaluating trust? This chapter explores the seeming omission by examining changing practices in credit evaluations, as well as the educational content of the Bank's training program. A closer investigation reveals that bankers expected universal standards of economic exchange to undergird global business practices. They believed they could rely on the same market principles to navigate business whether working in Montevideo, Manila, or Manhattan. A new variable in early twentieth-century finance was that credit evaluations moved into the ambit of commercial practices that could be scientized and universalized. As the scale and scope of commerce increased, credit managers no longer needed face-to-face relationships with borrowers; instead, the right paperwork and ratio calculations could serve as proxies—or even improvements upon—previous methods of establishing trust through personal relationships.

The second new variable that affected overseas bankers' work involved the creation of the bankers' acceptance market and the new demands it created for information. The willingness of the Federal Reserve to purchase acceptances established a backdrop of assurance that trade finance, when executed according to the Federal Reserve's specifications, could generate profits for banks.

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[3] "Commercial Geography: The Examination," *No. 8* 11, no. 3 (1916). Descriptions of the 1916 class come from the 1916 "Educational Edition" of National City Bank's in-house magazine, *No. 8*, volume 11, number 3. Specific contents of Oscar Austin's Commercial Geography course come from: Oscar P. Austin, *Commercial Geography: History of World Commerce* (New York: National City Bank, 1916).

The twin threads of changing credit practices and the expanding scope of trade finance allowed bankers to use credit information to create commensurability and a sense of commonality in culture, even where risk, uncertainty, and misunderstandings peppered the landscape.

This chapter captures the way in which the Federal Reserve System reframed overseas branch banking and did so by strengthening, rather than replacing, the underlying information architecture on which it was built. Personal knowledge served as the bedrock for trust in overseas banking both before and after the creation of the Federal Reserve. For IBC, personal connections provided a route to securing government business and enlarging the bank's client base in Manila, as Chapter Two revealed. The landscape for overseas banking looked different after the Federal Reserve Act removed barriers prohibiting national banks from operating abroad; however, as this chapter's review of National City Bank's training program demonstrates, the structure of the banking education still prepared young men to navigate US-style social hierarchies and to replicate New York approaches toward respectability and service. Views about class, gender, and racial designation were shaped by acculturation, and they affected not only how overseas bankers understood creditworthiness but also who they viewed as potentially bankable in the first place. These assessments became embedded in a new system of trade finance which itself was becoming more technical, scientized, and bureaucratic. This chapter explains that the new systems for expanding and streamlining trade finance overlay rather than replaced ad hoc, friend-to-friend ways of knowing that sustained bankers' work on the ground.

This analysis of changing overseas credit information makes two contributions to the scholarly literature. First, it draws our attention to the government's role in altering credit systems in the United States. Several recent studies have offered nuanced depictions of the transformation in credit information in the last two centuries of US business history. Scholars have described the shift from credit grounded in face-to-face relationships in the nineteenth-century to a compressed numeric credit score by the 1960s. These histories have tended to emphasize the role of private companies such as RG Dun and the Fair Isaac Corporation in reshaping practices for gathering and sharing credit information.[4] The scholarship does not neglect the state; Congress and the judicial system factor into many of the accounts, and government agencies establish the parameters for private-sector action.[5] However, state institutions are rarely protagonists of this scholarship. The works tend to depict the state as charting the outer boundaries for action, while private-sector actors shaped daily commercial realities. Studying the international movement of credit practices requires us to see the importance of the Federal Reserve System as an active participant in changing credit norms. By widening the geographic lens, it is possible to see the entanglement of public and private forces in shaping trade expansion and giving meaning to financial information systems.

The study also contributes to understanding the history of white-collar work and professionalization in the early twentieth century. In particular, it considers bankers' training as a way of conditioning professional vision and shaping bankers' interactions with overseas communities. The approach builds on recent studies about changes in the US workplace in the early twentieth century and the cultures associated with professions like real estate, social work, and clerical employment.[6] The studies investigate what expectations accompanied particular types of

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[4] Lauer, *Creditworthiness*. "From Rumor to Written Record: Credit Reporting and the Invention of Financial Identity in Nineteenth-Century America."; "The Good Consumer: Credit Reporting and the Invention of Financial Identity in the United States, 1840-1940" (Ph.D., University of Pennsylvania, 2008). Olegario, "Credit Reporting Agencies: A Historical Perspective."; *A Culture of Credit*. Sandage. Carruthers, "From Uncertainty toward Risk: The Case of Credit Ratings." Lipartito.
[5] See in particular: Sandage. Lauer, *Creditworthiness*.
[6] See, for example: Daniel J. Walkowitz, *Working with Class: Social Workers and the Politics of Middle-Class Identity* (Chapel Hill: University of North Carolina Press, 1999); Jeffrey M. Hornstein, *A Nation of Realtors: A Cultural History of the Twentieth-Century American Middle Class* (Durham: Duke University Press, 2005); Elizabeth Lunbeck, *The Psychiatric Persuasion: Knowledge, Gender, and Power in Modern America* (Princeton: Princeton University Press, 1994); Olivier Zunz, *Making America Corporate, 1870-1920* (Chicago: University of Chicago Press, 1990). Michael Zakim, "Paperwork," *Raritan* 33, no. 4 (2014); Walter A. Friedman, *Birth of a Salesman : The Transformation of Selling in America* (Cambridge: Harvard University Press, 2004); Michael Zakim, *Ready-Made Democracy : A History of Men's Dress in the American Republic, 1760-1860* (Chicago: University of Chicago Press, 2003). Walter A. Friedman, *Fortune Tellers : The Story of America's First Economic Forecasters* (Princeton: Princeton University Press, 2014). Michael Zakim and Gary Kornblith, eds., *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America* (Chicago: University of Chicago Press, 2012).

work and what knowledge was included, either formally or informally, in preparing and credentialing workers. Scholarship in this field has added texture and depth to our understanding of the varieties of US cultures of capitalism in the early twentieth century; however, its main insights have tended to focus on work within US borders.[7] Studying the training for overseas bankers helps us put categories of expertise and ways of knowing in transnational motion. In so doing, the chapter shows the cultural expectations and beliefs that animated the work of the early cohorts of US overseas bankers and the limits of those structures of knowledge when stretched in new contexts.

I. Changing US Credit Practices

Practices for gathering and evaluating credit information changed dramatically in the late nineteenth and early twentieth century as the scale and scope of US business increased. Throughout the 1800s, bankers tended to rely on a shorthand formula for evaluating credit: the "three C's" of character, capital, and capacity, as the approach was commonly known among lenders and merchants. The personal and professional connections of directors were often the most decisive factor in shaping bankers' interpretations of a person's reputation (character), worth (capital), and business prospects (capacity). But financial upheaval in the late nineteenth century prompted many banks to shift the locus of loan decision making from board members to salaried staff. In particular, the Panic of 1893 precipitated changes in banks' credit practices.[8] Whereas executive boards traditionally wielded considerable power in making credit determinations, after the Panic, bank staff—who increasingly consisted of salaried professionals—took greater control of loan practices.[9] Large banks created their own credit departments, and within those departments, staff systematized

[7] A noteworthy exception in analyzing professionalization processes in transnational contexts includes: Martin.
[8] Lamoreaux, Ch 4.
[9] Ibid.

the collection of information about borrowers and monitored lending practices across larger and more dispersed customer bases.[10]

Changing credit practices within banks were linked to the growing professionalization of "credit men" as a new category of worker in the United States. Following the financial panics of the late nineteenth century, a group of bankers, manufacturers, and distributors organized the National Association of Credit Men in 1896. The association claimed the mantle for creating standards of credit evaluations and ensuring that credit went to "worthy" recipients. Its approach blended "modern corporate notions of efficiency and standardization" with moralistic ideals about vice and weakness, as historian David Smith has argued.[11] Credit men steeped in this ethos found employment not only in banks and commercial credit reporting agencies but increasingly with distributors and in retail businesses as well.[12] The new credit professionals celebrated their ability to combine multiple sources of data—interviews, financial statements, media accounts, legal sources, and other inputs—to develop holistic judgments about would-be borrowers. The complexity of information sources justified the high stature of the profession, they claimed. "There are no fixed rules for extending credits," noted one credit man in 1906. Instead, the rules "are unquestionably founded upon an intuitive science, and it has always been my opinion that the credit man is a scientist."[13] Likewise, a *Journal of the American Bankers Association* article argued in 1913 that the "science of credit" required the "science of psychology, economics, sociology and finance," alongside a keen understanding of "world-old human nature."[14]

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[10] See, for example: Rötheli, 310-14.
[11] David Sellers Smith, "The Elimination of the Unworthy: Credit Men and Small Retailers in Progressive Era Capitalism," *The Journal of the Gilded Age and Progressive Era* 9, no. 2 (2010): 199.
[12] Lauer, "The Good Consumer: Credit Reporting and the Invention of Financial Identity in the United States, 1840-1940," 120. *Creditworthiness*, 88-91.
[13] O.W. Wade, "Commercialism as a Science," *Bulletin of the National Association of Credit Men* 6, no. 11 (1906): 28.
[14] Freas B. Snyder, "Loans and Discounts," *Journal of the American Bankers Association* 6, no. 3 (1913): 235.

Ambivalence existed among credit men about how best to align their work with high-status technical fields, such as medicine and economics, without reducing their work to rote processes. On the one hand, they stressed similarities with rigorous empirical science. On the other hand, they insisted on the intuitive, creative, and subjective dimensions of credit work, as if to fend off claims that their human judgments could be replaced by ratio calculations. The trade journals and speeches by credit men from the early twentieth century tend to embrace both "scientific" and intuitive approaches, and some credit professionals depicted this dualism as the epitome of credit work's challenges.[15] The professional manual, *The Bank Credit Investigator*, stressed than an ideal bank credit man would have training in the "theory of business enterprise, analysis of statements, and credit department methods generally." But his ability to connect with people was at least as important as technical know-how: credit men needed to have a "pleasing personality–the kind of man who is able to make friends easily."[16] The complexity of the work and the delicate balance between science and intuition justified the need for trained experts.

As the scale of US trade expanded in the late nineteenth century, US firms became increasingly interested in both protecting their own information and acquiring information that would help them compete internationally. The United States' share of the total volume of global exports grew markedly from 1872 to 1913, increasing from 14% to 22%.[17] Throughout much of the nineteenth century, US exports primarily consisted of raw materials, which US exporters typically sold by using European banking intermediaries. The commodities rarely competed with European products, and US traders saw little reason to suspect that their interests were being compromised in relying on European bankers. But manufactures claimed a growing share of US exports in the late

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[15] See, for example: C.W. Snow, "Credit and Its Functions," ibid.5, no. 11. Rötheli.
[16] Russell Prudden, *The Bank Credit Investigator* (New York: The Bankers Publishing Company, 1922), 13-14.
[17] Broz, 91.

1800s and early 1900s, rising from 2% to 14% between 1872 and 1913.[18] Meanwhile, Britain's claim to dominance in manufacturing exports was sliding: the nation's share of manufactured goods fell from 56% to 32% during the same time period.[19] The shift brought US goods into direct competition with European exporters and caused many US businesses and policymakers to call for alternatives to relying on European banks. Trade groups such as the National Association of Manufacturers lobbied for the creation of overseas US bank branches that could finance international trade and relieve US manufacturers' "undue dependence" on London banks.[20] Whereas British banks were once seen as essential conduits for conducting global trade, US businesses and policymakers became increasingly skeptical about the loyalties of European financial institutions and concerned about sharing US trade information with those who could harm the competitiveness of the nation's exports.[21]

Amid this expanding business landscape, the Federal Reserve System sought to standardize financial information practices in the banking system. Shortly after its formation, the Federal Reserve Board issued rulings about what kinds of commercial paper were eligible for discount and what specifications would demonstrate eligibility.[22] The regulations were not specific to bankers' acceptances; instead, they applied to short-term commercial paper that banks could discount with the Federal Reserve. Nonetheless, the rules shed light on the basic standards the Federal Reserve established for credit information. Initially, the Federal Reserve stipulated that, in order for commercial paper to be eligible for discount, banks must have "a sworn financial statement" from borrowers that indicated the borrower's ownership of sufficient "quick assets" to secure loans.[23] As

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[18] Ibid., 98.
[19] Ibid.
[20] Albert Kleckner Steigerwalt, *The National Association of Manufactures, 1895-1914: A Study in Business Leadership.* (Ann Arbor: University of Michigan, 1964), 53. Phelps, 48.
[21] Parrini, 102-03.
[22] Willis, 984.
[23] Charles O. Hardy, *Credit Policies of the Federal Reserve System* (Washington, D.C.: Brookings Institution, 1932), 266.

the guidelines reveal, their purpose in requesting financial statements had little to do with the Federal Reserve's desire to police individual loans; instead, its focus involved safeguarding the financial system against speculation. Requesting financial statements helped ensure that the underlying transactions for which the Federal Reserve provided credit were linked to productive, not speculative, commercial activities. The information banks provided had to be "sufficient to satisfy the [Reserve] bank as to the nature and quality of the paper," the regulation noted.[24] When financiers sought clarification about the information requirements, the Board clarified that "satisfactory" was a question of form, not of substance: "ultimate responsibility in purchasing these acceptances must rest with the banks."[25]

The Federal Reserve wanted no role in evaluating the quality of credit; instead, its duty was to ensure "that the bank takes adequate precaution" in its internal credit evaluation practices.[26] Even though the Federal Reserve did not insert itself into banks' credit evaluations, the requirements met a "great storm of protest" from bankers, and within a matter of months, the Board relaxed the information requirements in December 1915.[27] The revised policy backtracked by recommending—rather than requiring—that member banks "maintain a file which shall contain original signed statements of the financial condition of borrowers."[28]

One challenge related to financial statements involved the lack of uniformity in accounting practices. What were "quick assets"? What counted as a firm's "inventory"? No consensus existed among banks, borrowers, or credit professionals regarding what information was necessary and sufficient to constitute a financial statement. The financial statement was a relatively new

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[24] Federal Reserve Board. *Circulars and Regulations*. Washington: Government Printing Office, 1916.
[25] Federal Reserve Board. *Informal Rulings of the Board: Responsibility on Acceptances*. Washington: Government Printing Office, 1916.
[26] Ibid.
[27] Hardy, 267-68.
[28] William Martin, "The Improvement of Credit Department Methods in Member and Reserve Banks," *Bulletin of the National Association of Credit Men* 16, no. 4 (1916): 282.

information technology that had become popular after the financial panics of the 1890s and had become more routine by the 1910s.[29] Typically, financial statements relied on borrowers to self-report their financial standing, and there were no consistent guidelines about auditing. Not everyone found financial statements to be a superior tool for evaluating borrowers. Credit men acknowledged that they were vulnerable to misrepresentations. Dishonest borrowers could easily lie on financial statements, but even more dangerous, according to credit men, was "the deceived borrower—the one who is himself misinformed as to his condition," observed one text.[30] British businesses in the early 1910s tended not to collect financial statements because such personal statements were not audited and thus frequently conflicted with more reliable sources of information. Relying on un-audited statements merely created "suspicion to the British trained business man," according to a British author, writing in the *Bulletin of the National Association of Credit Men*.[31] The Federal Reserve inserted itself into debates about standardizing financial statements in 1917 by publishing standards for evaluating assets and liabilities and creating more uniformity in balance-sheet reporting.[32] Its recommendations answered, in painstaking detail, questions such as how auditors should verify entries such as "cash." Procedures included counting cash on hand "after banking hours on the last day of the fiscal period to be covered by the audit," comparing amounts reported as deposited in banks, and reconciling totals with the amounts shown by the cashbook.[33]

In addition to the lack of standardization, another challenge related to information gathering involved the complexity of collecting financial information on an international scale. One of the early debates at the Federal Reserve Board regarding the bankers' acceptance market came from

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[29] See, for example: Frank Mortimer, "Some Elements of Credit," *No. 8* 8, no. 7 (1918): 19.
[30] William H. Kniffin, "Deductions of a Credit Man in Analyzing Business Statements," *Journal of the American Bankers Association* 7, no. 8 (1915): 625.
[31] "English and American Mercantile Agency Methods [Response]," *Bulletin of the National Association of Credit Men* 11, no. 5 (1911): 306.
[32] Federal Reserve Board. *Approved Methods for the Preparation of Balance Sheet Statements*. Washington: Government Printing Office, 1918.
[33] Ibid., 7.

objections raised by banks about filing their own financial statements with the Federal Reserve when discounting acceptances. The Board sought to limit its acceptance purchases to banks that had disclosed their standing, but private banks balked about revealing "data which had never before been thrown open to 'outsiders.'"[34] The opposition from banks themselves to providing financial statements reveals the degree to which deference to board leadership and resistance to disclosing financial information dominated business norms at the time. In addition, in many parts of the world, requesting financial reports and statements of condition seemed like an affront to the reputation of a business because the inquiry implied that bankers mistrusted its integrity. "Foreign buyers, especially in Latin America and the Far East, sometimes regard such a request as a personal insult and as reason to sever further business relations," noted a 1922 article in the *Federal Reserve Bulletin*.[35] The Board accepted that, at times, banks would be unable to obtain financial statements for trading partners involved in a bankers' acceptance. In those cases, the financial statement of the accepting bank, rather than the parties involved in the underlying trade, could satisfy the documentary requirements.[36]

Relaxing the information requirements for discounting acceptances took some pressure off banks, but it did not solve the problem of US businesses' demand for credit information about foreign firms. The Federal Reserve conducted a survey of US firms engaged in foreign trade to identify common practices and sources of information about overseas partners. Survey respondents cited the difficulties not only of gathering information but also of keeping information current. A consensus emerged that one of the few trustworthy sources of data came from US banks: "We consider the most reliable information received is that secured from American overseas banks or

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[34] Willis, 987.
[35] Federal Reserve Board. *Foreign Credit Information*. Washington: Government Printing Office, 1922.
[36] Federal Reserve Board. *Informal Rulings of the Board*. Washington: Government Printing Office, 1922.

foreign branches of American banks," said one respondent.[37] The *Bulletin* also published a sample form with questions that firms typically asked about foreign businesses. Businesses often requested "copies of financial statements if same are made and issued." However, merchants, bankers, and businesses alike acknowledged the rarity of such information. According to the *Bulletin*, desirable information included:

1. Customer's name and full address
2. Their standing individually and as a firm or corporation
3. How long established
4. Report from the bank with whom they do business
5. Their estimated or stated financial worth in and out of business[38]

It is difficult to gauge the norms among businesses and bankers regarding completeness: how much did bankers or businesses care about thorough information? The dearth of archival sources about banks' credit reports impedes our ability to probe this question in depth. However, a sample credit report from National City Bank from the time period sheds a bit of light on these questions. The report contained categories such as: location, description of business, lines of goods handled, and "Other lines they would be interested in." None of the categories necessitated quantitative financial information. In fact, a completed report for an Argentine importing business contained no valuations whatsoever. In the "Remarks" section, a National City Bank employee commented: "Business seems to be well managed. They are said to be very strong with several branches of Government, particularly with the City Fire Department."[39]

Could the observation that a business "seems to be well managed" have been enough to engender trust with a US trading partner? Would it matter to the US exporter that the existence of a report about the firm suggested it had a connection to National City Bank's Buenos Aires branch?

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[37] "Foreign Credit Information," 798.
[38] Ibid., 797-98.
[39] Credit Report No. 499: Casteran Hnos & Cia. n.d. Frank A. Vanderlip papers, E-29, Columbia University Rare Books & Manuscript Library.

One important consideration in answering these questions involves the realization that, in the context of bankers' acceptances, the credit information that National City Bank made available to its clients was typically not linked to the bank's own lending. Instead, it was an ancillary service the bank provided to clients to help them expand their own trade. Indeed, the very structure of bankers' acceptances placed responsibility for evaluating a trading partner's creditworthiness with the client. Should a deal fail, the bank's client would be liable to the bank for the trading partner's failure. As the fine print of acceptance paperwork revealed, the bank provided credit information as "a matter of courtesy" to customers. If the importer refused to pay for the goods once they arrived at their final destination, the bank would simply recollect the funds that had been advanced to the exporter, who was also the bank's client.[40] Paperwork required clients to agree that banks were not responsible for problems associated with the trade and that the client would be obligated to pay upon "non-performance" of the agreement.[41] Many US manufacturers resented shouldering these financial burdens: at the 1919 Foreign Trade Convention in Chicago, a locomotive manufacturer expressed frustration that "a bank charges you for discounting a draft and then has the hardihood to say to you that if the foreigner whose credit it has recommended does not pay you must return the money."[42] National City Bank defended its policy by countering that its provision of credit information "does not take even an implied moral responsibility for the foreign consignee's taking, and paying for, whatever an exporter ships."[43] Instead, Bank officials explained that most disputes generally arose from misunderstandings. In fact, the Bank offered up its own trade representatives, attached to overseas branches, to facilitate the resolution of such disputes.

[40] *Practical Bank Operation* (New York: Ronald Press Company), 240.
[41] "The Creation of Acceptance Credits–Part II," *Acceptance Bulletin of the American Acceptance Council* 4, no. 10.
[42] "The Question of Whether Credit Insurance Would Pay for Itself," *The Americas* 5, no. 8.
[43] Ibid.

National City Bank depicted the staff of overseas branches as human connections between clients and remote trading partners. Dispute resolution represented one way of reconciling the gaps in knowledge and any disjuncture between a paper credit file and the reality of a trading partner. If US traders had problems with overseas partners, National City Bank offered to mediate on site in order to protect their clients' interests. *The Americas* magazine published frequent articles about how US exporters could mitigate such disputes, such as by taking greater care in packing goods for shipping.[44] Damaged inventory was a common cause of disputes, but National City Bank's branches promised to help clients resolve such challenges (see *Figure 4-1*).[45] Further, if conflicts escalated, bankers could connect clients to local lawyers. It advised that legal fees in South America tended to be so high that the bank advised waiving protest over items worth less that $1,000.[46] In Buenos Aires, the bank boasted about its ability to diffuse a conflict between Argentine importers and US businesses. In 1916, the Argentine Industrial Union filed a formal objection with the US Consul-General about the shoddy practices of US exporters. Negligent US exporting practices included a late shipment of drills and a

Figure 4-1: Damaged Boxes of Canned Meat Shipped to Chile (The Americas, 1920)

[44] See, for example: "A Frank Word Concerning Slip-Shod Export Methods," *The Americas* 2, no. 12 (1916). "A United States Manufacturer Explains," *The Americas* 3, no. 3 (1916).

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[46] *Our South American Trade and Its Financing: How to Develop, How to Finance, and How to Hold Trade with South America*, Foreign Commerce Series (New York: National City Bank of New York), 38-41.

batch of stockings that contained 12 different shades of black, among other infractions.[47] National City Bank intervened as a mediator and positioned itself as a defender of well-intentioned US companies. According to the US Consul-General in Buenos Aires, the bank contacted the offending US companies to seek remedies in order to protect "the large class of honest and careful merchants and shippers, whose reputation is unfairly affected by the ill-deeds of other members of the commercial brotherhood."[48] The mediation resulted in both reimbursements and replacements and, according to National City Bank, "the Argentine merchants upon receiving full explanation were entirely satisfied."[49] In its trade journal, *The Americas*, National City scolded US businesses that had committed an "unpardonable aggregate of slip-shod export work" as a warning to other would-be exporters.[50] The promise to support US traders on the ground and to enforce standards of fairness in international trade more broadly represented another way to assure clients that paper files were connected to real people, known by and accessible to US bankers.

Credit libraries became the physical representation of knowing one's customer. The information repositories highlighted the sturdiness and systematic nature of the financing system. National City Bank prided itself on its records room in New York and claimed to have pioneered a new way of collecting and systemizing credit information. According to a 1917 story in *No. 8*, the Bank devised a "special kind of report" to share credit information about foreign businesses with its customers. "[N]ow the bank has a record-room in New York with thousands of these reports ready for use at a moment's notice."[51] National City Bank was not alone in its ambition to create modernized records systems. A 1922 *Bank Credit Investigator* included an entire chapter on "Credit Department Filing Systems." The book detailed the type of filing cabinet: high-grade steel, with

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47 "The Argentine Industrial Union and North American Traders," *Pan American Magazine* 23.
48 Ibid.
49 Some Activities of the National City Bank of New York. RG12, Citibank Book, Argentina–History, 1812-1978. Citi.
50 "A Frank Word Concerning Slip-Shod Export Methods."
51 "Some Activities of the National City Bank of New York." 1917.

sections containing three or four sliding drawers. It described folder types: press-board for "important names," versus standard manila for normal clients. And it called for tabs: color-coded to distinguish type of account. The book even offered protocols for how to borrow files: staffers should insert slips in the filing drawer to indicate the removal of a file. "Nothing is more annoying," the author noted, than not being able to find the right folder.[52]

The changes of information technology within National City Bank—creating and maintaining elaborate, expensive records departments—dovetailed with a larger reorientation and broadening of financial markets to focus on households, not just wealthy firms and individuals. A variety of new tools and services, from Liberty Loan drives to bucket shops, promised to change the way that households could access financial markets.[53] Banks became increasingly focused on marketing efforts and on selling credit in the 1910s and especially 1920s. The sales-oriented mindset represented a departure from nineteenth-century banking norms. In the 1800s, bankers typically saw the allocation of credit as a deliberate process of "selecting among credit applicants and forging long-term relationships with borrowers."[54] In the early twentieth century, large banks like National City began actively soliciting depositors and pitching opportunities for clients to borrow money. Banks established "business departments" to identify new customers, and they used new marketing techniques, such as relying on consumer psychology studies.[55] Notably, retail-oriented efforts tended to be organized within independent divisions of National City Bank's operations. They did not

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[52] Prudden, Ch. 3.
[53] The literature on the "democratization" of banking and finance in the early twentieth century is vast. Particularly notable works for the purpose of this analysis include: Julia C. Ott, *When Wall Street Met Main Street: The Quest for an Investors' Democracy* (Cambridge: Harvard University Press, 2011). Lendol Calder, *Financing the American Dream: A Cultural History of Consumer Credit* (Princeton: Princeton University Press, 1999). Louis Hyman, *Debtor Nation : The History of America in Red Ink* (Princeton: Princeton University Press, 2013). Wadhwani. Rohit Daniel Wadhwani, "Citizen Savers: The Family Economy, Financial Institutions, and Social Policy in the Northeastern United States from the Market Revolution to the Great Depression" (Ph.D., University of Pennsylvania, 2002); Nicholas Osborne, "Little Capitalists: The Social Economy of Saving in the United States, 1816-1914" (Ph.D., Columbia University, 2014).
[54] Tobias Rötheli, "Banking Principles, Bank Competition and the Credit Boom of the 1920s," in *University of Erfurt: Working Paper Series* (2009), 6.
[55] "Innovations," 320.

preclude the elite, clubby interconnections that undergirded banking work throughout the early twentieth century. Instead, they offered a parallel stream for expanding its client base.

The international branch network represented another information technology that would help National City Bank sell credit. As the previous chapter argued, increasing the use of bankers' acceptances demanded a specific kind of information—information that was portable, extractable from its overseas context, and modular. Powering the accumulation of that information were bank workers. Information collection depended on young men from New York to map overseas commercial geographies, create records, and send those records to headquarters. Many of the desirable attributes for credit information also described the platonic ideal of an overseas branch employee: portable, extractable, and modular. Executives envisioned that its branch staffers would be—much like the credit files sailing on steamships—transferable, adaptable to new contexts, but still connected to New York. The selection process and training groomed candidates in this image. The bank sought young men without families; men who could comfortably navigate an overseas American Club, and men who could be put on a steamer and reassigned like modular furniture. By examining the formal curriculum as well as the informal social training that bankers received, it is possible to understand the formal and implicit skills executives envisioned as essential. The analysis sheds light on the human filters that shaped the bank's information gathering: it reveals what and who National City's overseas bankers were taught to see—as well as who they learned to overlook.

II. Training the Credit-Information Creators

Credit represented the "corner-stone of international banking," said Charles Schwedtman, creator of National City Bank's Training Program to prepare young college graduates for overseas branches. "Credit they get morning, noon and night," he said of the program's trainees, "and I hope that they will dream credit as well."[56] Despite this public pronouncement, curiously, the formal curriculum of the training program offered little dedicated time to teach young bankers how to evaluate credit or discern different approaches to credit in different geographic contexts. Instead, a close analysis of the program reveals that ideas about credit were enmeshed with assumptions about economic liberalism, respectability, and manliness. A close study of the training sheds light on how National City Bank sought to pattern the vision of its overseas workers and how executives' understandings of race, class, and gender shaped the education process.

National City Bank's College Training Program was the first formalized educational system focused on making international bankers a professional category in the United States. The program emerged just as business schools and commercial training programs were becoming more popular on the East Coast. While private business colleges had existed throughout the nineteenth century, the programs tended to produce lower-paid clerical workers, and executives tended not to regard the programs as prestigious.[57] In the mid- to late-nineteenth century, greater credentialing and education requirements in fields such as engineering and medicine created new momentum to expand business training at elite colleges.[58] Colleges such as Harvard and New York Universities were just beginning to establish advanced degree programs in business in the early twentieth century, and the training required deviating from the traditional model of humanities education. Defenders of the old liberal arts model resisted the turn toward professionalization as a taint to pure academic pursuits. "Bookkeeping in a university! It was indeed an innovation; it rattled some dry bones," quipped NYU Dean Joseph Johnson about the pushback against the school's commercial programs.[59] As scholars Marion Fourcade and Rakesh Khurana have argued, the rise of business education was not a

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[56] "City Bank Students Get Rigid Training," *New York Times*, Aug 15, 1915.
[57] Daniel, 20.
[58] Lars Engwall, "Business Schools and Consultancies: The Blurring of Boundaries," in *The Oxford Handbook of Management Consulting*, ed. Matthias Kipping and Timothy Clark (Oxford: Oxford University Press, 2012), 365-67. Daniel, 22-23.
[59] Edward Marshall, "A College of Commerce to Train Men for Business," *New York Times*, Nov 23, 1913. ibid.

spontaneous, apolitical innovation. Proponents of business education often depicted the "scientizing" of business disciplines as part of a larger set of moral reforms to help society function more efficiently and to eliminate the outdated, vice-prone "spoils system."[60] A Progressive Era-sense of righteousness and reform motivated many of the early programs.

National City Bank brought elements of the broader educational reform agenda into its inhouse training efforts. In the early 1900s, the bank began offering scattered initiatives and lecture series to professionalize staff. By the 1910s, training expanded to include courses in French, German, and Spanish, as well as penmanship, business English, and mathematics.[61] Bank executives monitored attendance, and by 1915, participation was compulsory for young male employees. For women and men over age 21, it was "strongly urged."[62] Opening branches overseas presented the Bank with a new training problem: how to make an international banker. IBC had, more than a decade prior, resolved this problem by attempting to replicate British practices. Sending trainees to London for a year, IBC executives believed, would surely impart some of the core lessons of overseas work. National City officials took a different approach: bankers coordinated with professors from more than a dozen US universities and established an application process to identify candidates. To qualify, applicants had to be male, unmarried, born in the United States, and enrolled in a participating college. Universities partnering with the National City included most of the Ivy League; several state universities, such as the University of Virginia; and several private, East Coast colleges, such as Bowdoin.[63] The process for identifying those schools remains unclear; however, the Training Program seems to have evolved from a 1916 meeting among business-inclined faculty and

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60 Marion Fourcade and Rakesh Khurana, "From Social Control to Financial Economics: The Linked Ecologies of Economics and Business in Twentieth Century America," *Theory and Society* 42, no. 2 (2013).
61 "Progress of the Educational Work of the City Bank Club," *No. 8* 9, no. 5-6 (1914).
62 Frank Vanderlip, "The Educational Program," ibid.10, no. 8-10 (1915).
63 The College Training Class. 1921. RG 2, NCBNY, College Training Class. Citi. Ferdinand C. Schwedtman, "The Making of Better Trained Men," *The Americas* 2, no. 2 (1915). A Plan for Practical Co-Operation between the Universities and Colleges of the United States and the National City Bank of New York. 1916. SJ Papers Francis A. Barnum, Box 7, Folder 11. Georgetown University Library Booth Family Center for Special Collections.

National City Bank leaders. The meeting, which included professors from Harvard, Yale, Princeton, and Columbia, among other universities, focused on how the United States could address its relative deficiency in foreign trade, as compared to European powers like Britain and Germany.[64]

The Training Program's formal curriculum had little to say about matters of cultural difference, racial categories, or gender; however, a closer investigation of the culture of the training and its day-to-day operations reveals that it relied on notions of white supremacy and Anglo-Saxon solidarity as foundational. Parsing the subtext of lessons and activities reveals an implied distinction between an imagined "us" and "them." "Us" included a sense of racial solidarity with white, Western Europeans, while "them" tended to refer to dark-skinned people colonized by Europeans. Even though National City's formal curriculum looked more like a US-incubated initiative than an imitation of British approaches, many of the cultural assumptions on which it rested borrowed from imagined imperial distinctions of a ruling class of colonizers versus colonized populations.

The us/them binary is clearest in Oscar Austin's commercial geography course. Prior to joining the bank, Austin specialized in studying how imperial governance systems affected colonial economies and populations. He traveled around the world analyzing the differences in British versus Spanish colonial governance, and the resulting 1901 book, *Colonial Administration*, shared his takeaways about how empires could optimize economic outcomes. Austin used racial typologies ambivalently in his writing: his book referred to racial categories frequently in passing, but the categories lacked explicit systematization. For example, the "lowest" in his ranking of Filipino categories were the "Negritos," whom he described as likely descended from "aboriginal

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[64] "A Plan for Practical Co-Operation between the Universities and Colleges of the United States and the National City Bank of New York." 1916. The logic behind the US birth requirement also remains unclear: discussion about the criteria did not appear in public records or internal records of the bank's overseas division. However, the stipulation seems linked to the view among planners that overseas branches offered a patriotic service by advancing US commerce.

inhabitants": its people lived "almost all yet in a state of savagery."[65] The text also assumed that racial types came with innate personality characteristics: Chinese workers had "sober and orderly habits and general physical fitness for hard work."[66] By contrast, natives of the West Indies had no innate "habits of industry and thrift," and those tendencies needed to be cultivated by British governance.[67] Unlike his book, Austin's commercial geography course usually avoided mentioning people at all. Of his twenty lectures for National City Bank trainees, the majority focused on commodities—sugar, coffee, minerals, and manufactures, for example.[68] Climate represented the primary wedge that created space for differences among populations: "Tropical man is not a manufacturer," he noted; however, "temperate zone man" would use the natural resources of tropical man to make manufactures.[69] As Austin and his colleagues saw it, ecological differences shaped the conditions for economic exchange, and those exchanges operated according to the same universal principles, regardless of country or topography.[70]

Within this larger framework of universal market operations, Austin's views rested on a racialized hierarchy of types of people who inhabited different climatological zones—temperate versus tropical inhabitants. Ideas about the inferiority of "tropical" people had helped sustain European imperialism for centuries, and they helped rationalize US colonial officials' approach to agricultural policies in the Philippines, for example.[71] Commercial geography infused traditional ideas about racial hierarchies and topicality with a new orientation toward commodity production,

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[65] Bureau of Statistics Treasury Department. *Colonial Administration, 1800-1900 : Methods of Government and Development Adopted by the Principal Colonizing Nations in Their Control of Tropical and Other Colonies and Dependencies.* Oscar P. Austin. Washington: Government Printing Office, 1901.
[66] Ibid., 1346.
[67] Ibid., 1341.
[68] Austin, *Commercial Geography: History of World Commerce.*
[69] Ibid., Lecture 17, p. 3.
[70] For more about the educational context of commercial or "economic geography," see also: Mona Domosh, "Geoeconomic Imaginations and Economic Geography in the Early Twentieth Century," *Annals of the Association of American Geographers* 103, no. 4 (2013). Trevor J. Barnes, "Inventing Anglo-American Economic Geography, 1889–1960," in *A Companion to Economic Geography*, ed. Eric Sheppard and Trevor J. Barnes (Blackwell Publishing, 2002).
[71] Ventura, "American Empire, Agrarian Reform and the Problem of Tropical Nature in the Philippines, 1898–1916."

statistics, and commerce.[72] The approach, as scholar Mona Domosh has argued, became popular in US commercial education in the early twentieth century. Rather than emphasizing the distant superiority of the United States, the logic of commercial geography depicted the nation as "actively engaged in the world," and the world as a vast expanse of "opportunity for economic exchange, profitability, and civilizational 'progress.'"[73] The United States continued to represent the pinnacle of civilizational progress and, by this logic, the systems and processes it could share had the potential to enlighten parts of the world where trainees would eventually be shipped. The approach suggested that any market an overseas banker encountered would function according to man's "propensity to truck, barter, and exchange"—or, at the very least, the clients he encountered would.[74] Indeed, as bank President Frank Vanderlip's pitch to James Stillman suggested, the orientation of overseas bankers would incline to New York rather than focusing on local populations. As long as National City's trainees could see like a US businessman, they seemingly would have the skills they needed to navigate new contexts and, in fact, could share with these regions the civilizing possibilities of economic connection, according to the logic of commercial geography.

Language differences represented an exception to the larger uniformity of geographic training. Executives acknowledged that, ideally, overseas bankers should speak the language of the

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[72] Several opposing academic trends deserve mentioning, as they run counter to some of the core tenets of commercial geography. By contrast, the field of anthropology offered different approaches to explaining economic exchange in different societies. In the late nineteenth and early twentieth centuries, new anthropological works asserted more nuanced racial taxonomies and diverse explanations for why primitive people failed to behave like *homo economicus*. Explanations ranged from factors such as innate mental dysfunction to evolutionary conditions. Likewise, economics was also experiencing profound transformation during the late nineteenth and early twentieth century. Leading economic experts rejected traditional tenets of laissez-faire and instead advocated new forms of expanded state power in arenas such as business regulation, labor protections, and tax collection. Many of the ideas about economic reform and social progress were laden with cultural and racial judgments about the desirability of types of workers and immigrants. For more on these scholarly moves, see: eath Pearson, "Homo Economicus Goes Native, 1859-1945: The Rise and Fall of Primitive Economics," *History of Political Economy* 32, no. 4 (2000). Thomas C. Leonard, "Eugenics and Economics in the Progressive Era," *Journal of Economic Perspectives* 19, no. 4 (2005); *Illiberal Reformers: Race, Eugenics, and American Economics in the Progressive Era* (Princeton, N.J.: Princeton University Press, 2016).
[73] Domosh, 948.
[74] Adam Smith, Robert L. Heilbroner, and Laurence J. Malone, *The Essential Adam Smith* (New York: W.W. Norton, 1987), 168.

place in which they did business, and promotional materials about the program noted that students received special classes to provide "speaking knowledge of the language of the country to which they were to be sent."[75] The bank hired instructors in Spanish, French, Portuguese, and Russian, and students could attend two classes a week and participate in language tables at lunch.[76] Little information exists as to whether these courses provided instruction beyond grammar and vocabulary; it is possible that nuanced cultural discussions took place during the sessions. Indeed, one comment in an article extolling the educational program claimed that students attended talks about the "customs, habits and manners of foreign people" in the places where they would be sent.[77] However, educational records indicate that such talks would have been piecemeal and would have existed outside regular banking instruction. Further, the process of assigning students to foreign locations did not necessarily hinge on whether a trainee spoke the language of the place. In 1916, program graduates were sent to China, Japan, and the Philippines, and the lack of language instruction for those branches suggests executives' assumption that bankers would operate in largely English-speaking worlds.[78] For example, John Fuller, the Indiana banker in Petrograd, found out he would be sent to Russia after he started the program—four weeks before leaving—and in the remaining time, language instruction was not a priority.[79] Evidence from bankers' memoirs suggests that those sent to Spanish-speaking countries did not necessarily speak the language and that overseas assignments were not linked to language competency.[80] A program graduate in Buenos Aires confessed that his lack of language expertise was a barrier: "I must learn Spanish. It is almost essential to the work that I am doing," but he acknowledged the difficulty of mastery.[81]

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75 "The Training of Men for Foreign Service," *No. 8* 11 no. 3 (1916): 447.
76 "The Luncheon Classes," *No. 8* 11, no. 3 (1916). "The Teachers," *No. 8* 11, no. 3 (1916).
77 "The Training of Men for Foreign Service," 447.
78 Ibid.
79 Fuller, "Journal - Russia." 1917-1919. Other sources suggest that the Petrograd branch relied on an interpreter. 'Freddy' Sikes and His Infant Industry–Foreign Exchange. Jun-Jul, 1917. 2 /NCBNY, Aspersions. Citi.
80 See, for example: From the Firing Line. Jun, 1916. RG 2/NCBNY, Aspersions. Citi.
81 Ibid.

While the formal education program provided only fleeting mentions of cultural differences, the social hierarchies of New York finance operated according to a careful attention to racial, gender, and class differences. The hierarchies became imprinted on trainees through a range of formal and informal mechanisms. For starters, the program's selection criteria virtually ensured that all enrollees would be white males from the middle or upper classes. Executives sought candidates who had "good character:" "Personality is the chief asset," explained President Frank Vanderlip in a 1916 interview regarding the selection of applicants. "By this I don't mean a dominant spirit, but charm—the quality that makes people like a person and feel that he is frank, honest, and friendly."[82] In a letter to Chairman James Stillman, Vanderlip assured his boss that all students came from "good families."[83] Another executive told a meeting of bankers at New York's Plaza Hotel in 1919 that it wanted "clean-cut" trainees.[84] The traits that executives tended to emphasize—personable, coming from good families, and charming—have a reflexive, internally-validating quality. As historian Susie Pak has demonstrated, New York banking in the early twentieth century was a highly insular world, largely headquartered around several blocks in Manhattan's Murray Hill and dependent on connections to a set of elite social clubs and universities.[85] In this world, views about what constituted "good families" were shaped by executives' experiences of privilege and exclusiveness. Photographs of class members depict a homogenous group of young white men in suits—a picture that resembles the bank's own leadership, minus twenty to thirty years in age (see *Figure 4-2*).[86]

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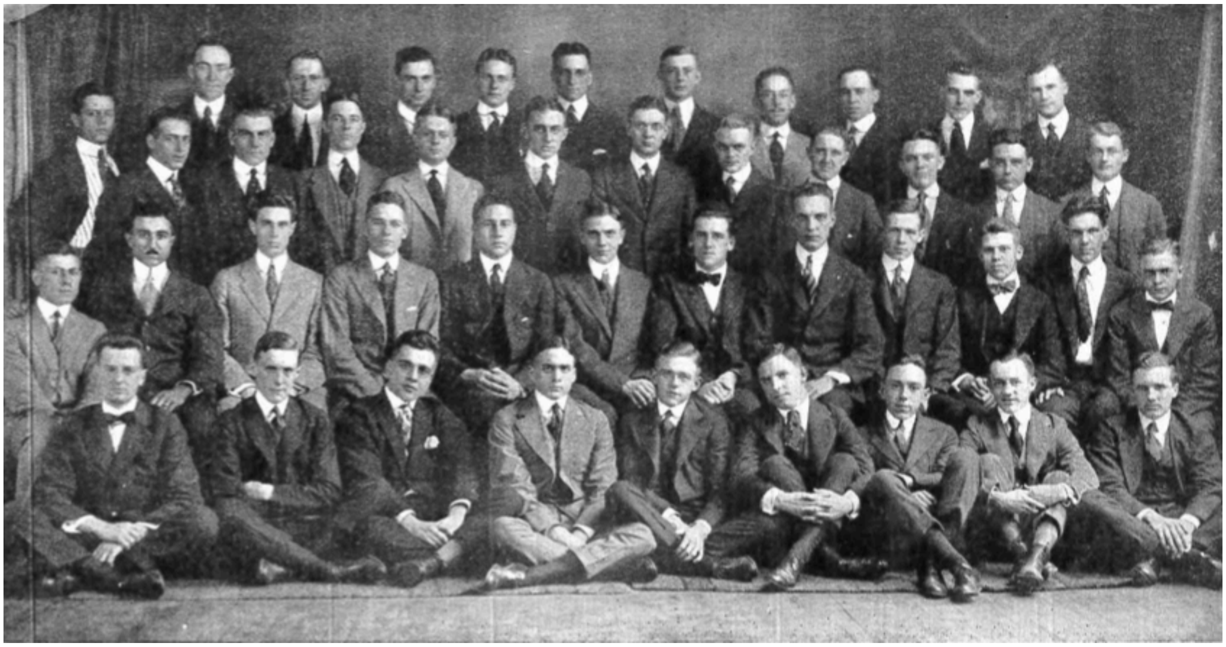
82 "Training Its Men to Do the Work," *Nation's Business*, Sep, 1916.
83 Frank Vanderlip. [Letter to James Stillman]. Jan 22, 1916. Frank A. Vanderlip papers, B-1-7, Columbia RBML.
84 J.A. Carter. [Speech at Plaza Hotel]. Nov 21, 1919. RG 12, NCBNY, Dinner Given by Mr. Vanderlip. Citi.
85 Susie Pak, *Gentlemen Bankers : The World of J.P. Morgan* (Cambridge: Harvard University Press, 2013), Ch. 2.
86 Photograph: "The 1916 College Class [Photograph]," *No. 8* 11, no. 3 (1916).

Figure 4-2: Photo of National City Bank's College Class (No. 8, 1916)



Moreover, the prestigious universities from which the Training Program recruited mirrored the social hierarchies of New York finance. Harvard, Princeton, and Yale, for example, used admissions criteria that rendered it nearly impossible for minority students or those from underprivileged backgrounds to gain entrance. The three schools required applicants to pass Latin entrance exams. Princeton and Yale also required an exam in Greek. The requirements conveyed preference to private-school graduates because only a handful of large, urban public high schools provided Latin and Greek instruction.[87] High tuition costs provided another barrier to entry and resulted in student bodies at Harvard, Princeton and Yale that reflected the "most privileged strata of society"—almost entirely white, Anglo-Saxon, Protestant graduates of expensive private high schools.[88] Many elite schools imposed quotas for the number of Jewish students they would admit, and a number of prominent university presidents espoused strongly anti-immigrant views in the

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[87] Jerome Karabel, *The Chosen : The Hidden History of Admission and Exclusion at Harvard, Yale, and Princeton* (Boston: Houghton Mifflin, 2005), 22-23.
[88] Ibid., 23.

early 1900s.[89] A handful of black students attended Harvard, and the university made concerted efforts to increase representation of poor students in the 1910s. Nonetheless, at all three schools, white, Anglo-Saxon Protestant students tended to dominate social life.[90] In addition, social status affected which students would be connected with good job opportunities and which students were left to forge their own connections. Businesses often solicited job candidates by contacting professors. In 1917, less than 1% of corporate leaders were born to manual-laboring fathers; instead, they were "almost exclusively native-born white men," and they looked for applicants with similar backgrounds as those most likely to succeed.[91] As late as the 1930s, employers' inquiries to Harvard's career placement office involved requests for photographs of students and information about an applicant's father's profession because executives believed that "family background" shaped students' capacity.[92] These formal and informal selection processes ensured that professional hierarchies would largely replicate existing social orders.

The College Training Program modeled these hierarchies by turning racial difference into an extracurricular spectacle. As Peter Hudson has argued, bankers' minstrel shows, blackface performances, and enactments of racial difference formed part of the system of white racial dominance.[93] That system shaped students' preparation for overseas work. National City Bank's minstrel shows, which dated back to 1908, rendered differences in skin color as the source of comedy and other-ing. Racialized differences were also on display during annual parties at President Frank Vanderlip's home. A 1914 article in the Bank's internal magazine described entertainment ranging from a dog-and-monkey show to a German comedian with a false mustache: there was a

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[89] Ibid., 74-85.
[90] Ibid., 23.
[91] Cristina V. Groeger, "A "Good Mixer": University Placement in Corporate America, 1890–1940," *History of Education Quarterly* 58, no. 1 (2018): 43.
[92] Ibid., 53.
[93] Hudson, *Bankers and Empire*, 14-17. "Dark Finance: An Unofficial History of Wall Street, American Empire and the Caribbean, 1889-1925," Ch. 1.

"Mexican looking individual" who shot "ashes of a lighted cigar in [a] young woman's mouth…. Another attraction was a troupe of tumbling Arabs. They did every kind of thrilling stunt imaginable."[94] Certainly, minstrel shows and other theatrics highlighting cultural stereotypes and racial differentiation were not unique to National City Bank at the time, but they were one of the mechanisms by which the bank asserted social hierarchies to young trainees and strengthened a sense of in-group connection and fraternity among the trainees. Connecting that worldview with both on-the-ground practices and the infrastructure of trade finance reveals the structures that connected racialized, gender-based, and class privilege to financial opportunities.

Films provided another technology through which the Bank trained new bankers to see racial and cultural difference. The Training Program curriculum included regular film screenings, which gave students insights into "industries of which they know only by hearsay."[95] Students watched a documentary about cotton production and another about transforming yarn into garments. Their ostensible focus was commodity production, but the films projected a range of racial and cultural lessons. While the films themselves have not been preserved, students' accounts and essays about the screenings demonstrate the lessons they intuited. For example, a film about Peruvian mining taught one student to distinguish "sluggish, dirty and dense Indians of the hot climate" from "fine, cleanly cut Indians of the North," as the student wrote in his exam.[96] One film came directly from Vanderlip's personal library and focused on an "Iroquois Indian pageant." Vanderlip had purchased the movie "so his own children could see what they might do when 'playing Indians.'"[97]

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94 "Nineteen-Fourteen Outing," *No. 8* 9, no. 5-6 (1914): 15, 20.
95 Schwedtman, 8.
96 Timothy Fettin, "An Old Silver Mine in Peru," *No. 8* 11, no. 3 (1916).
97 "Training Its Men to Do the Work."

National City Bank's training program was more than just a classroom learning experience: it taught the young men how to live away from their families. Members of the College Training Program typically lived in a bank-owned house in Brooklyn Heights (see *Figure 4-3*).[98] Executives described this fraternal living situation as a way to enhance students' education: trainees "on their own initiative held a 'round table' every night in which they compared notes of the day's experiences and so made available for all what they had learned individually."[99] One member of the 1916 class described the fraternity life differently: "We, who were the guinea pigs, used to roar with laughter at some of the articles that were written about us. One, I recall, stated that the class sat around after dinner 'discussing banking problems in foreign languages.'"[100]

Clubhouse living transformed the training program from a skill-building workshop into lifestyle-shaping experience that created strong bonds among the trainees. According to National City Bank's internal magazine, *No. 8*, students who lived in the clubhouse "felt a decided need of keeping in close touch with one another while so widely separated." Graduates created their own club, modeled after the bank's social organization, which established a magazine for the trainees. The publication, *Aspersions,* printed "letters from the boys at the front and … the general news of the home office. It is doing a splendid service in holding the men abroad closer to one

Figure 4-3: Interior of National City Bank's Clubhouse (No. 8, 1916)

[98] National City Bank of New York, *Number Eight, Educational Edition*, 11, 117.
[99] "Mobilizing Trained Minds for Commercial Preparedness," *The Americas* 2, no. 8 (1916): 4.
[100] Citicorp, 33.

another," reported National City's employee magazine.[101] The "boys at the front" tended to describe their new cities using the United States as a benchmark. One man wrote about his surprise at finding Petrograd to be a modern city with "tall smokestacks of some factory belching smoke exactly like a train-yard in New York."[102] Another commented on Japan's shoddy infrastructure, as compared to the United States: "Japan has a long distance to go before she reaches our plane in development."[103] The magazine also allowed the men to share mundane concerns. In a 1917 article, one banker complained that his monthly stipend constituted less than one fourth of the costs required to meet the bank's packing list, and he blamed the National City for his inability to afford the 24 collars, 12 handkerchiefs, and 5 pairs of shoes, among other items.[104] The reports underscored their common experiences as overseas bankers and strengthened a sense of unity among "us"—the cohort of New York-trained, affluent, white men—the kind of men who would need two dozen white collars and a dozen handkerchiefs before boarding an international steamer.

Appeals to masculinity represented another theme of the program and its extracurricular activities. The depictions equate manhood with traits such as physical strength, adventurousness, and self-sacrifice. A 1915 *New York Times* article described the College Training Program's daily demands—such as coursework, a foreign-language table during lunch, a full workday, and homework—as "a régime which might make even West Point cadets turn pale."[105] Positioning the training as more rigorous than a military education was not an accidental comparison. The Bank was expanding just as World War I intensified in Europe. Program boosters depicted overseas work as an alternative route for serving the nation. In their characterizations, banking work was as rigorous and courageous. In a 1916 speech to Yale seniors, one executive described the bank's goal as

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[101] "The Training of Men for Foreign Service," 118.
[102] On to Russia. Jan-Feb, 1917. RG 2/NCBNY, Aspersions. Citi.
[103] Japanese Snapshots. Jan-Feb, 1917. RG 2/NCBNY, Aspersions. Citi.
[104] William B. Richardson. The High Cost of Outfitting. 1917. John L.H. Fuller Papers, Box 2, Folder 4. Indiana Historical Society.
[105] "City Bank Students Get Rigid Training."

"training a force of young men who shall be willing to devote their lives to the building up of American trade abroad… young men of character, perseverance and resourcefulness—men of untiring energy, with the tact of diplomats and the broad vision of statesmen."[106] Executives used a magnetic poetry of metaphors to stress the virility needed to become an overseas banker. One article called for applicants who were "pioneers—men of blood and iron… men sired by a bull-dog parent and steeled in the furnace heat."[107] Another called the program a "furnace in which the fire of patriotism, loyalty, co-operation and organization is brought to bear on the quartz of common tasks, to draw from it the pure gold of service."[108] These descriptions stressed the sweaty intensity of the training, as if to dispel any notion that bankers were bean-counting clerks, chained to their desks and immersed in ledgers. Instead, tropes about masculinity and self-sacrifice pervaded characterizations of the program.

Masculine tropes not only dominated bankers' rhetoric: gender-based exclusion was foundational to the way bankers were taught to see the world and understand financial decision-making. Women were among the demographics excluded in the training. Even as women claimed a growing share of banking and white-collar jobs, the Training Program eschewed virtues associated with femininity. Members of the program were expected to be single, and the bank barred overseas staff from marrying until employees' salaries reached a threshold that executives believed was adequate for providing for a family. The bank was not exceptional in instituting marriage policies. The bans were so common among clerks' employment contracts during the time period that New York newspapers debated the "vexed question: should a man marry on less than a thousand a

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106 William S. Kies, *Opportunities for Young Men in the Foreign Field* (New York: The National City Bank of New York, 1916), Address before the Senior Class of Yale University.
107 James H. Carter, "South America as a Field for Young Men," *No. 8* 10, no. 5-7 (1915).
108 Schwedtman, 8.

year?"[109] A 1904 headline in the *Brooklyn Daily Eagle* asked: "Shall Bank Clerks Marry?"[110] The answer for College Training Program enrollees was decidedly not. As a Bank lecturer explained, "In many countries where there is a large native population and there are class distinctions, it is essential that a man have no family responsibilities unless he is in a position to meet them suitably."[111] The comment reveals executives' assumption that a banker's mode of contributing to "family responsibilities" involved his salary, and that living respectably necessitated earning enough to provide for dependents. Further, the expectation would be compounded in places where the banker's class status would be highly visible against existing "class distinctions." Bank executives regarded the social standing of its employees as an overseas reflection on the bank, and they expected young staff to conform to New York social expectations about men as husbands and providers.

The marriage ban had a strategic advantage for the bank: single staffers would be more flexible and easily transferable. British overseas banks had found marriage bans to be similarly useful. The Hongkong & Shanghai Banking Corporation had a "ten-year rule," by which a banker had to work for the bank for ten years before he could obtain executives' permission to marry.[112] One National City Bank executive advised trainees in 1918: "You will do well to keep yourselves foot-loose until you can see you have gained momentum… [A young banker] is likely to be shifted frequently from branch to branch, and this with a family is a difficult and expensive matter."[113] Flexibility and portability conflicted with executives' understandings of married life.

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[109] See, for example: "A Vexed Question: Should a Man Marry on Less Than a Thousand a Year?," *Los Angeles Times*, Mar 9, 1904.
[110] "Shall Bank Clerks Marry?," *The Brooklyn Daily Eagle*, Feb 23, 1904. This citation was referenced and eloquently contextualized in: Atiba Pertilla, "'Shall Bank Clerks Marry?': Gender, Labor, and the Wall Street Workforce, 1890-1915," in *Social Science History Association Conference* (Baltimore, MD2015).
[111] Lawrence Merton Jacobs, "Talk to the College Training Class," *No. 8* 13, no. 9 (1918).
[112] King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918*, 153.
[113] Jacobs, 10.

Additionally, the "foreign field"—a place that held danger and adventure for men—clashed with traditional feminine virtues, such as domesticity. One executive believed that wives ought not accompany husbands overseas because domestic labor was too cheap and accessible overseas. Wives would lack house work, which would cause trouble for bankers' home lives: "In plain words, she hasn't enough dishes to wash!" He warned that a bored wife made for a problematic home: "Idleness of hand and mind quickly leads to discontent and querulousness."[114] Indeed, bankers tended to outsource a considerable share of domestic work overseas. An IBC banker in Peking, China, in early 1900s reported having 11 employees in his home, including 2 rickshaw coolies and a Japanese nursemaid.[115] A Bank of Boston manager in Buenos Aires in the 1920s kept five domestic staff, including a chauffeur and a cook.[116] Whereas the wives of senior bank executives played a crucial role in entertaining and hosting events, the wives of junior staff would lack this focus. Better to spare young bankers the encumbrance overseas, reasoned bank executives.

Like the credit files they created, trainees were hand-picked and molded in the image of New York elites to move seamlessly in and out of expatriate social circles in trading capitals around the world. They should be able to fraternize in Hong Kong British clubs and mingle in Brazil's social life where "rich and handsome" clubs operated according to "severe" membership restrictions,

Figure 4-4: "Ball Scene" in Brazil depicted in NCB's Internal Magazine (No. 8, 1917)

[114] Starr, 57.
[115] Citicorp, 23.
[116] Barker, 1923.

advised an article about Brazilian society in the bank's employee magazine (see *Figure 4-4*).[117] The training program and its acculturation shaped the way the new cohort of US overseas bankers understood social encounters in foreign posts. It animated subjective categories, such as respectability and "good character," with real-life examples and role models. The preparation affected the bank's overseas operations by setting bankers' expectations about their new social worlds and shaping their determinations about who they inscribed in credit files, versus who they chose not to see. Just because the training program lacked an explicit course that focused on cultural differences or lending practices for women or communities of color does not mean that bankers were oblivious to racial difference, gender, or class. Instead, a close reading of both the formal and informal training regimes allows us to discern the range of ways in which bankers learned to see their new contexts and filter communities in search of viable business contacts.

Further, bankers' ways of seeing took on a new power as their determinations about who warranted inscribing in a credit file acquired meaning and financial potential within the expanding system of trade finance. Bankers' insistence on credit as a "science" elided the subjective judgments and role of intuition in assessing borrowers. Files became linked to the larger information apparatus of National City Bank's overseas services. Commercial representatives, weekly reports, and dispute resolution were among the services it offered to help enrich the meaning and sense of connections attached to a single credit file. On the ground, the perspectives that bankers learned in New York trainings shaped their day-to-day interactions with clients and associates. Their judgments included assumptions about what types of people were likely to have good financial judgment and which weren't. In private memoirs and comments from in-group forums like the *Aspersions* journal, generalizations about cultures and classes of people appeared frequently. For example, a banker in Colón, Panama believed that his branch attracted "negro depositors" because of the elegance of the

[117] Photo: Gastão Chaves, "Social Life in Brazil," *No. 8* 12, no. 5 (1917): 41.

bank's building: "that is the reason why we have more savings accounts than any other bank. The negroes like the prepossessing appearance," he observed.[118] His view that architecture, rather than financial strength or competence, would be the basis of a client's decision to trust a bank suggests that he attributed little financial savvy to what he saw as a uniform group of people. The remark fits within a larger framework of professionalization that prepared bankers to sort their new communities into likeminded clients—respectable and inclined to have good financial judgment—and those people who bankers regarded as an unsophisticated and inferior "other." The characterizations informed how they networked and from whom they collected records. Further, the Federal Reserve validated bankers' logic by giving preferential status to the commercial paper that grew out of the trade relationships bankers enabled—the bankers' acceptances. Suddenly, disparate businesses in far-flung locations could be known from the convenience of a New York records room. The standardization of credit information knitted the system together, but, as the next chapter considers, uniformity on paper masked regional differences and the underlying precariousness of the credit system itself.

118 This Is Very Much the Same as Usual. Mar-Apr, 1917. RG 2/NCBNY, Aspersions. Citi.

5 – The Local Turn

Many of the young staffers who graduated from National City Bank's international training program learned their branch assignment only after the training began. John Fuller, who had anticipated the arrival of Bolshevik soldiers on the eve of the Russian Revolution, learned he would be sent to Petrograd two weeks into the six-week program.[1] Bank executives dispensed assignments like lottery tickets to the first class of graduates in 1916: the "lucky ones" learned that they would be sent to Rio de Janeiro, while the rest were assigned to Buenos Aires.[2] If the trainees believed their instructors' claims, they would set out from New York and encounter adventure as they opened the world to US commerce. "We must pave the way for the United States exporter," a lecturer told the students.[3]

Though the trainees set out to make markets, once in place, some seemed surprised to find that markets already existed. A young banker sent to Buenos Aires was impressed that European and local banks were already conducting intricate financial work throughout the country. "Most of us have been surprised at the size of many of the banks here in the Argentine," observed R.D. Kellogg. "[M]any of them have branches all over the Argentine that have been established for years."[4] The fact that a commercial world predated the entry of the United States in overseas banking came as news to the young trainees. Further, once abroad, the young bankers sent home word of an alternative logic of overseas commerce that broke with the geography instruction they had received. They increasingly argued that place mattered, and regional differences required attention.

[1] Fuller, "Journal - Russia." 1917-1919.
[2] General News. Apr, 1916. 2 /NCBNY, Aspersions. Citi.
[3] Carter, 26.
[4] "From the Firing Line." 1916.

Staff working overseas argued that norms and the idiosyncrasies of their overseas communities affected their banking work. Many reported local resistance to providing the kind of credit information that New York sought to gather. An executive with experience working in Latin America returned to New York and emphasized that personal relationships, not financial statements were the foundation of credit in Latin America. "It is not uncommon when requesting a statement from a merchant to be met with an answer to the effect that he has always been able to secure all the credit he needed without giving a statement, and therefore can see no reason for giving one now."[5] In 1917, a National City banker returned from a trip to South American and reported that South Americans tended to reject the collection of credit information "for the reason that native business men are well known to each other through social relations… The personal equation is the ruling factor in commercial intercourse there." Reputation, integrity, and family ties constituted the bedrock of South American credit relations, he said, and to insert themselves into this context, US bankers would need to learn to become friends and slowly gain the confidence of South American customers. "It is often a slow and difficult thing to accomplish."[6]

The first 15 years after the Federal Reserve Act were ones of upheaval and recalibration for US multinational banks. For National City Bank, what began as a mission to serve US clients by centralizing information and expanding trade connections shifted to focus on a different kind of pavement-pounding, data-gathering, and prospect-enlisting effort. No longer were US bankers marching door-to-door to compile credit forms to send away on steamers. By the end of the 1920s, they were canvassing their new communities in search of would-be savers. They focused on small depositors, borrowers, and investors who, decades prior, would have existed beyond the vision of Elks Club elites in Manila or Hong Kong. This chapter traces the pivot in strategy against the

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[5] James Matthews. Credit Conditions in South American Countries: An Address before the Members of Banking IV Class, the National City Bank of New York. 1917. RG 10, Address before Members of the Banking IV Class. Citi.
[6] Ibid.

foundation of economic change in the United States and post-World War I economy. A closer reading of bankers' on-the-ground practices reveals that the mass marketing of banking services overseas existed on a foundation of continued reliance on elite privilege, client relationships, and personal connections to anchor much of the business of National City and International Banking Corporation (IBC) branches. By examining the changing strategies of branches in the 1920s, it is possible to understand the way in which personal knowledge was linked to the scientizing machinery of credit information and overseas finance.

A second major change in branch strategy for the bank involved the decline of the IBC in a new era of increased bank regulation and competition under the Federal Reserve Act. As National City Bank renamed many IBC branches under its flagship brand in the 1920s, it is tempting to see the era of Gilded Age banking norms as coming to an end. However, a closer study of archival sources reveals that IBC continued to serve successfully as a legal structure and a brand identity in the 1920s for minimizing taxation, avoiding regulations, and deflecting anti-American sentiment. By combining the two legal forms, IBC and National City, the fused banking apparatus maximized its financial opportunities while limiting business-constraining regulations. These parallel threads of analysis reveal the degree to which personal connections and elite privilege could be interwoven and obscured within newly bureaucratized, science-oriented financial systems.

The study refines our understanding of bankers' involvement in imposing systems that promoted US dominance—imperial, white supremacist, and financial—on the communities where they operated. During the early twentieth century, US bankers and politicians collaborated frequently to extend US control, particularly in the Western Hemisphere, as well as other sites around the world. In countries such as Haiti and the Dominican Republic, US diplomatic objectives culminated in military occupations and violent intervention. US bankers moved in parallel to build economic structures that perpetuated and exacerbated inequality and social unrest. US interventions included various combinations of financial advising, sovereign loans, and the use of military force in order to impose US political and financial agendas on overseas nations, and in Latin America in particular.[7] In the 1920s, US banks issued $1.5 billion worth of government bonds in Latin America alone.[8] Nuanced historical work has documented the role of US bankers in providing loans to "stabilize" foreign governments and issue bonds throughout the 1920s by working in conjunction with US government officials.[9] As this research has revealed, bankers and policymakers collaborated to create terms for private loans that satisfied the political objectives of the State Department and often compromised nations' sovereignty. The literature about these loans reveals the tenuous cooperation that US bankers and government officials navigated in attempting to impose their agendas on Latin American nations, while they also avoided holding the US government responsible as ultimate guarantor of bank loans. It also highlights the ways in which communities and governments resisted those plans. In many cases, the bonds required countries to cede control of essential state functions, such as setting import duties and collecting customs. The agreements changed decision-making about which groups could access public resources and which groups could not.

This study complements historians' analyses of sovereign lending and state power by examining the parallel activities associated with overseas bank branches, which are peripheral to much of the existing scholarship.[10] Banks such as JP Morgan, Dillon Read, and Brown Brothers participated frequently in major loan issues without operating a formal network of overseas branches. Having a branch in a country was not a prerequisite for structuring loans or issuing bonds.

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[7] Hudson, *Bankers and Empire*; "The National City Bank of New York and Haiti, 1909-1922." Veeser; Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*; *Financial Missionaries.*

[8] Stallings, 72.

[9] Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*; *Financial Missionaries.* Stallings. Parrini. Jeffry Frieden, "The Economics of Intervention: American Overseas Investments and Relations with Underdeveloped Areas, 1890-1950," *Comparative Studies in Society and History* 31, no. 1 (1989).

[10] A notable exception is the work of Peter Hudson about National City Bank's acquisition of the Banque Nationale de la République d'Haïti, as well as other US branch banks in the Caribbean. Hudson, *Bankers and Empire*; "The National City Bank of New York and Haiti, 1909-1922." This study expands the zone of analysis beyond the Caribbean to include Latin America and Asia, by drawing on internal records of IBC and National City Bank.

Instead, bankers collaborated with US government officials to conduct a kind of proxy statecraft, hammered out in metropolitan centers, that typically involved taking control of customs collection in a country and imposing economic restructuring as conditions for bank loans. This chapter broadens the traditional lens of scholarly analysis beyond high diplomacy in state capitals to consider the day-to-day work of bank branches. It reveals that US financiers did more than just to parachute into foreign nations, impose terms, and leave. In many cases, their work had an impact on day-to-day financial practices such as lending and saving, and bankers' presence in the community was constant and long-term. This chapter also shows the ways in which bankers sought to link overseas communities with networks of financial services and relationships, from small savings accounts to sovereign loans, as a way to increase their own profits. Following the day-to-day work of branch banks connects the work of elite decisionmakers to the mundane bank protocols that shaped people's lives. It highlights the pragmatism and ideological flexibility with which bankers sought to maximize business opportunities and understand the "foreign field" as newly differentiated and lucrative territory.

The study also expands our understanding of the interrelation of the public and private sectors in the interwar period. As with IBC's work in the Philippines in the early 1900s, banks could act as a portico to facilitate the shuttling of money and people between public and private sectors. The portico model still has explanatory value for understanding banking in the interwar period; however, the entities that moved back and forth shifted, as did their motivations for moving. Banks operated in numerous countries where the United States government exerted a spectrum of influence, from formal colonialism to veiled coercion to aspirational connections. In this era, the banking portico facilitated new types of threshold-crossings: money moved from highly taxed entities to less taxed, financial power took shape as "American" or "international;" and staff cycled through the branch offices from Buenos Aires to Cuba to London and back. A study of bank branching in the early twentieth century reveals that many of the dynamics associated with late twentieth-century multinational business—offshoring and the use of tax havens, for example—were being chiseled and refined in early twentieth century overseas banking as on-the-ground workers increasingly championed expertise about their local environments.[11]

I. The Information Behemoth

National City Bank's internationalization was, at least in part, motivated by a desire to commodify information about the commercial world outside New York. Bank executives envisioned a globe-spanning network of branches that provided information back to the metropole, but as previous chapters have illustrated, the information campaign did not fare as well as executives had hoped. Becoming an information clearinghouse was harder than they expected. Obstacles included the difficulty of keeping records current, competition from other information providers, problems with the bank's internal loans, and the disappointing performance of the bankers' acceptance market. This chapter assesses National City Bank's shift in strategy after its information-acquisition hopes dimmed. Rather than emphasizing its information services to clients, National City reoriented its focus on internal information-gathering and new lending protocols. The shift from celebrating its commercial omniscience for use by clients to focusing on internally-relevant records collection was not absolute or binary. Instead, the emphasis on clients' access to information receded, while another preoccupation captured bankers' attention—namely, centralization and internal consistency. These subtle shifts underscore tectonic changes in the structure of banking and in losses associated with the economic downturn of the early 1920s.

[11] Ogle, 1433.

One shift that helps explain National City Bank's waning interest in providing clients with an information repository was that other entities, such as the US Commerce Department and mercantile credit-rating agencies, were already offering credit information to US business—and likely doing so more effectively than the bank. Government-sponsored information collection constituted part of the "promotional state," as historian Emily Rosenberg has termed commercially-oriented US statecraft during the period.[12] Since the mid-nineteenth century, US consuls overseas had published fact sheets and reports regarding overseas trade opportunities. These services intensified dramatically in the early twentieth century, becoming more organized, densely staffed, and paper-bound in the 1910s and 1920s. In particular, the Bureau of Foreign and Domestic Commerce—the division of the Department of Commerce tasked with boosting international trade—grew from a bit player in the 1910s to a bureau with a 2,500-person payroll and commercial agents working in 50 offices worldwide by the late 1920s.[13] Under the leadership of Herbert Hoover, demand for the Bureau's services totaled 2.4 million queries per year. Agents prided themselves on having a detailed knowledge of local preferences. According to Hoover, a commercial attaché was a "super-salesman for American trade" by offering tips about foreign customers and advising US businesses on the "standing, commercial rating, and general reliability" of overseas firms.[14] Such work duplicated National City Bank's emphasis on commercial representatives who could serve as a go-between for US firms and their international trading partners.

In addition to the government, National City Bank faced competition from firms such as Dun and Bradstreet, which had established practices for collecting, centralizing, and maintaining current credit information about US and international businesses. RG Dun & Company, as the firm

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[12] Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*.
[13] Ibid., 140-41. See also: Joseph Brandes, *Herbert Hoover and Economic Diplomacy: Department of Commerce Policy, 1921-1928* (Pittsburgh: University of Pittsburgh Press, 1970), 4-13.
[14] Will Irwin, *Herbert Hoover : A Reminiscent Biography* (New York: Century Co., 1928), 266-68. This section of Irwin's book is also referenced in: Brandes, 13.

was formerly known, began operating international offices as early as the 1860s. Throughout the nineteenth century, Dun employees frequently corresponded with international contacts to seek information about overseas firms.[15] The company's archival records reveal numerous requests from US subscribers about international firms in the late nineteenth century, but the company expressed ambivalence regarding the costs and operational challenges of responding to the demands.[16] As the company's executives advised the New Orleans office in 1897, "our contract only calls for domestic reports, and consequently we can very easily get out of reporting foreign concerns." The letter cautioned branches to set low expectations among clients about information quality: "we always tell them in New York that it is very difficult to procure such information, and that such information when procured is more or less of a doubtful character."[17]

As information demands continued to increase in the early 1900s, RG Dun's international efforts expanded.[18] By 1914, the firm could provide "detailed information on almost any company in the world within 48 hours."[19] By 1916, RG Dun had agents working in 83 locations outside the United States.[20] Nonetheless, provision of international information constituted only a small piece of the firm's business through the 1930s. Like National City Bank's expansion strategy, RG Dun used foreign branches primarily to increase its cachet among US clients, rather than to serve overseas markets: "our interests outside of this country give us prestige here and have a broadening effect in many ways which are intangible except with a few of our important domestic clients who do an

[15] Wilson Newman, J. Facts About Dun & Bradstreet, Inc. 1956. Dun & Bradstreet Records – Series IV(A), Box 23, Folder 9. Harvard Business School; Olegario, "Credit Reporting Agencies: A Historical Perspective," 139.

[16] See, for example, Volumes 15-20 from the Harvard Business School collection of Letterbooks in the Dun & Bradstreet Corporation Records, Series II (A).

[17] R.G. Dun & Co. Letter to Messrs R.G. Dun & Co., New Orleans, La. Mar 16, 1897. Dun & Bradstreet Corporation Records II(A), v. 19 Letterbook. Harvard Business School.

[18] See, for example: R.G. Dun. Letter to Joseph Packard, Esq., Baltimore, Md. Jan 18, 1912. Dun & Bradstreet Corporation Records II(A), v. 12 Letterbook. Harvard Business School. [Letter to Banco Del Callao, Lima, Peru]. Aug 13, 1896. Dun & Bradstreet Corporation Records II(A), v. 11 Letterbook. Harvard Business School.

[19] Hartmut Berghoff, "Civilizing Capitalism? The Beginnings of Credit Rating in the United States and Germany," *Bulletin of the German Historical Institute* 45 (2009): 23.

[20] Olegario, *A Culture of Credit*, 190.

export business."[21] Its pursuit of international prestige overlapped with National City Bank's efforts to become an international information clearinghouse.

Another challenge was that financial information was more difficult to obtain in a number of regions than US bankers had anticipated. Staff working overseas increasingly reported that their communities resisted requests to complete financial statements. In 1915, the US consul in Rio observed that the bank bungled its entry to Brazil in part because of the "undignified" behavior of the Commercial Department in attempting to gather credit information: the bank dispatched "young reporters who visit total strangers and innocently ask indiscreet questions."[22] Even a Commerce Department publication about banking opportunities in Latin America stressed the need for bankers to be mindful of cultural norms regarding commercial privacy and respect for family leadership: "If one's ultimate object is to have business dealings with a firm, he must first cultivate the personal friendship of the head of the firm."[23] Deferring to personal relationships complicated bankers' attempts to seek financial statements from a local business because a business owner would resent the inquiry as "an attempt to pry into his purely personal affairs," the publication warned.[24]

The biggest disruption to the bank's information campaign came from its own losses due to bad loans by overseas branches in the early 1920s. National City Bank expanded feverishly in the late 1910s, and the expansion coincided with wartime price increases in many commodities. The bank took on particular exposure to sugar as it opened 23 new offices in Cuba in less than two years (see *Figure 5-1*).[25] At first, the expansion seemed like a windfall: sugar prices increased more than four-

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21 A.D. Whiteside. [Memo]. May 19, 1933. Dun & Bradstreet Records – Series IV(B), Box 37, Folder 1. Harvard Business School.
22 A.L.M. Gottschalk. Concerning the Local Branch of the National City; Letter to the Secretary of State. Jun 22, 1915. RG 59, Box 7590, Folder 811.516. National Archive. (Emphasis in original.)
23 Department of Commerce. *Banking Opportunities in South America*. William H. Lough. Washington: Government Printing Office, 1915.
24 Ibid.
25 Cleveland and Huertas, 106. Photo: "Some of the National City Bank's New Foreign Branches," *The Americas* 5, no. 8 (1919).

fold during the war and its immediate aftermath.[26] The boom became known in Cuba as the "Dance of Millions" for the prosperity—albeit short-lived—that accompanied the spike. National City Bank's investments heightened the uptick, and its involvement contributed to a reconfiguration of Cuba's export economy in the years that followed the late 1920 collapse.[27] As historian Mary Speck has argued, differentiating Cuban from non-Cuban control within the sugar industry is a challenging proposition: Cuban sugar was already a multinational industry before World War I. Many mills combined European and US capital with "local" investment. In addition, mill owners often had hybrid nationalities including Spanish, local, US, and other European parentage and life experiences. Despite these complications, Speck notes that in 1914, before the price run-up, US investors owned 24% of Cuba's sugar mills.[28] By the end of 1921, National City Bank found itself possessing vast sugar estates and mills amounting to $80 million in exposure to Cuban sugar—roughly 80% of the bank's total capital. By one account, National City Bank alone controlled roughly one fifth of Cuba's total sugar production after the crash.[29]

Figure 5-1: New National City Branch in Cardenas, Cuba (The Americas, 1919)

New Branch at Cardenas in Cuba

In addition to Cuban losses by National City, the International Banking Corporation also faced heavy losses associated with sugar loans. In 1917, IBC acquired a bank in Santo Domingo that

[26] Prices reached a high of $0.225 in May 1920, as compared to prewar prices around $0.05 per pound. Bureau of the Census.
[27] Hudson, *Bankers and Empire*, 143.
[28] Mary Speck, "Prosperity, Progress, and Wealth: Cuban Enterprise During the Early Republic, 1902–1927," *Cuban Studies* 36 (2005).
[29] Moore, 172.

collected customs revenue for the US government, as part of the agreement between Dominican and US leaders to restructure Dominican debts.[30] Since the turn of the century, the Dominican Republic had served as a site for exerting US imperial influence through economic means.[31] According to banking veteran Joseph Durrell, when IBC bought Michelena Bank, it overpaid for rotten assets, and those problems worsened as IBC appointed a string of inept managers.[32] Inexperienced bankers took on risky loans in an attempt to capitalize on booming sugar prices in the late 1910s. As the price of sugar fell, borrowers defaulted, and ultimately, IBC wrote off nearly $6 million in losses. The process of auditing the "bad and doubtful" accounts became an object lesson in the fact that "security" presented as collateral for loans often proved less secure than bankers hoped.[33] In one case, IBC held the mortgage on a sugar mill as security for a $250,000 loan. The borrower had valued the property at $313,000—more than enough to cover the bank in case of default—but an auditor subsequently found the figure to be a "gross over valuation, the property in question being worth approximately $100,000."[34] IBC's Dominican loan portfolio was riddled with similarly overvalued accounts.

The losses prompted National City Bank to institute new policies for branches about how to gather and evaluate credit information. The changes were part of a larger overhaul of the bank leadership in the late 1910s after the death of longtime chairman James Stillman and the ousting of president Frank Vanderlip.[35] The new president, Charles Mitchell, implemented new accounting

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30 "Acquires New Branch in Santo Domingo," *New York Tribune*, Apr 2, 1917. Hudson, *Bankers and Empire*, 44-48.
31 Veeser.
32 Durrell, 1940.
33 Memorandum for Mr. G.E. Mitchell, President Re: Dominican Branches of the International Banking Corporation. Dec. 22, 1925. Item #337 – Transfer of Dominican Branches to NCB. Citi; Santo Domingo: Bad & Doubtful Debts Written Down to $1.00. 1926. Item 337/IBC, Dominican Branches. Citi. This memorandum calculates write-downs at roughly $3 million. Given the likelihood that subsequent accounting revealed more losses, the figure of $5.7 million cited by Durrell in 1940 is likely more accurate: Durrell, 1940.
34 Doubtful Accounts – Reserves; Santo Domingo. Mar 24, 1924. Item 337/IBC, Dominican Branches. Citi.
35 Vanderlip had lobbied heavily for the expansion of branches into Russia, but after the branches were nationalized amid the civil war, National City Bank faced losses of up to $33 million in liabilities to depositors and Russian assets it owned. The fiasco prompted infighting among bank leaders, and Vanderlip was asked to resign in 1918. Cleveland and Huertas, 101-12.

procedures and reorganized the reporting structure of overseas branches. The changes helped shift control of bank operations away from its powerful board of directors into the hands of salaried managers. In particular, Mitchell changed the structure of managers' compensation by linking their pay to the bank's performance, and the result incentivized management to exert greater influence on improving the quality of loans.[36]

The 1920s sugar losses encouraged the bank to transform its processes for granting overseas loans. Loan authorizations became centralized under a single, New York-based "Committee for Foreign Loans."[37] The restructuring continued through the 1920s, and by 1930 all regional divisions, such as the "Far East" and the "Caribbean District," were organized under a single Overseas Division. According to the memoir of the division's manager, the reorganization was a "distinct slap in the faces of the operating Vice Presidents of the foreign districts" after New York executives had become "alarmed at the numerous foreign loans that were going sour, particularly in Cuba," said Joseph Durrell.[38] Durrell became part of a committee in New York that managed the division, and an executive was deputized to oversee "large foreign loans & credit."[39] In 1933, the bank published a handbook that codified new protocols for loans and expectations of bank managers. The guide, which was particularly directed at Cuban branches, required careful vetting for the "security" that clients offered for loans. As a direct response to losses such as those in Santo Domingo, the new protocols required branch managers to inspect any property used to secure a loan and determine personally that the "condition is satisfactory and that it amply covers the loan with an adequate margin."[40] The bank accepted as fact that borrowers couldn't be trusted: "Clients are always inclined to over-estimate the value of their properties."[41] The claim is noteworthy for its generalization about

[36] Ibid., 110-12.
[37] Durrell, 1940.
[38] Ibid.
[39] Ibid., 152-53.
[40] Leopoldo Casas, *Branch Management* (Havana, Cuba: The National City Bank of New York, 1933), 11.
[41] Ibid., 54.

the unreliability of its clients and also for the distance it suggested between bankers—who were reliable evaluators of property—and borrowers, who were untrustworthy when it came to valuations in their interests. Whereas the insider lending model of banking relied on a sense of fraternal unity between bankers and borrowers, by the early 1930s, National City Bank's protocols for its Cuban branches suggested a baseline of skepticism, if not outright mistrust, of borrowers, at least in their own estimates of their property.

Another requirement was that branches needed to document lending activity in intricate detail and share this information with New York. Loan applications above a certain threshold required approval from the branch committee, and branch managers had to complete a standardized questionnaire, Form F.565, to furnish the committee with "complete information." Color coding helped organize the information: the blue version of form FF.80.C was to be used if the loan application fell below the discretionary limit for branch lending; white versions of form FF.80.B were necessary for those above. This information, along with copies of correspondence, analysis of financial statements, and other records, needed to be forwarded to New York.[42] The new systems created a bureaucratic infrastructure that pushed all nodes of control to New York where executives could systematize the work of disparate branches.

II. The Persistence of Personal Knowledge

The new processes suggest a regularized, scientized approach to overseas lending; however, a closer look at the day-to-day work of bankers reveals that paperwork and bureaucratization overlay, rather than replaced, the personalized and informal ways in which bankers operated in the early 1900s. The continuity of friend-to-friend banking comes to the fore in a close examination of

[42] Ibid., 26, 70-71.

US bankers' work in Buenos Aires—the first and most profitable hub in National City Bank's overseas expansion. In fact, the profitability of the Buenos Aires branch alone prompted New York executives to reconsider the entire strategy of overseas banking: it demonstrated that focusing on overseas clients—rather than using branches to attract US clients—could be lucrative. As President Frank Vanderlip reported to Bank Chairman James Stillman in 1916, "Buenos Aires [carries] so large a profit that the net result of the whole branch bank operation is better than we had any reason to expect."[43] A close look at operations in Buenos Aires reveals that bankers relied on social connections to create and sustain business, and both National City Bank and its competitors struggled to balance bankers' personal relationships with metropolitan protocols.

The experience of a National City Bank competitor in Buenos Aires, the Bank of Boston, offers a window into the tensions within US overseas branches between systematizing lending and prioritizing personal relationships. The First National Bank of Boston opened its overseas branch in Buenos Aires in 1917 in order to capitalize on mutually advantageous trade flows between Boston and Argentina. The Bank of Boston was "a wool, shoe, and leather bank," as a former staffer observed, and its specialization in those commodities created immediate affinities with Buenos Aires, given Argentina's dominance in wool and hides.[44] The bank's Buenos Aires branch operated with a different structure from that of National City's overseas branches by relying on a local board of directors in addition to its Boston leadership. The Buenos Aires board included prominent Argentines, as well as salaried managers to attract business and vet borrowers. James Barker, a Massachusetts Institute of Technology-trained engineer, went to Buenos Aires in the 1920s to learn banking at the branch, and once there, he discovered that the bank's Argentine board often

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[43] Vanderlip, "[Letter to James Stillman]." 1916.
[44] James M. Barker. Autobiography. 1954. James M. Barker Papers, Box 85, Folder 1588. Newberry Library, Special Collections.

approved loans without heeding the advice of professional managers like himself.[45] Barker complained about the process to Boston executives: loans were frequently approved by the board "against our judgment," and directors authorized lenient repayment terms over managers' objections.[46] The bank's Boston-based executives mediated the dispute by requiring directors and managers to agree on all loan decisions: "no loans are to be made against the advice and consent of the active managers of the bank, neither are any loans to be made when disapproved by the Directors."[47] Even in the case where managers preferred regularized loan-making protocols, the structure of many banks enabled personal friendships to tip the scales of loan authorizations, due to the influence of local boards and allies.

Likewise, personal connections sustained National City Bank's work in Buenos Aires. Its playbook for wooing elite customers, both Argentine and expatriate, resembled the Elks Club-model of networking that had characterized IBC's work in Manila and China in the early 1900s. US businesspeople believed so firmly in the importance of social clubs in Latin America that a manual for traveling US salesmen advised salesmen to learn the club memberships of a potential client and "get put up at them."[48] US bank managers sought to penetrate these club networks, as well as replicate them in their own institutions. Bankers often lived in enclave-style communities wherein club memberships provided an anchor for social life. A typical day for a US bank manager in Buenos Aires might include a luncheon at the Chamber of Commerce and an evening roundtable at the

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[45] Cable to Benkiser, Brookline, Mass. Jun 1, 1921. James M. Barker Papers, Box 52, Folder 1167. Newberry Library, Special Collections. Letter to Mr. Benkiser. Jun 29, 1921. James M. Barker Papers, Box 52, Folder 1167. Newberry Library, Special Collections. William Benkiser. Letter to James Barker. Aug 8, 1921. James M. Barker Papers, Box 52, Folder 1167. Newberry Library, Special Collections.

[46] Barker, "Cable to Benkiser, Brookline, Mass." 1921. "Letter to Mr. Benkiser." 1921.

[47] Daniel Wing. Letter to Messrs. F.C. Cook, John Zimmerman, F.A. Vercelli, Martin O'Campo. Sept 16, 1921. James M. Barker Papers, 52, 1177. Newberry Library, Special Collections.

[48] William E. Aughinbaugh, *Selling Latin America : A Problem in International Salesmanship What to Sell and How to Sell It* (Boston: Small Maynard and Company, 1915), 243.

"American Club."[49] The US community in Buenos Aires frequently referred to itself as the "American Colony," and the American Club served as its epicenter.[50] Not coincidentally, the American Club occupied the second floor above National City Bank after the Bank opened its new building in 1929.[51] The Bank of Boston's manager claimed to have spent so much money on club memberships and dining expenses—to entertain clients, solicit business, and network—that he complained to Boston executives that he needed a raise.[52] Conversely, National City Bank's branch in Rio De Janeiro, Brazil, struggled in its early years, and the US Consul General in Rio attributed part of this failure to bankers' inability to network at the right clubs: "it is perhaps unfortunate that the Bank should have had to employ certain men of German extraction and that its staff should lunch at nearby German restaurants instead of at the Club where most Englishmen and Americans, and some Brazilians congregate daily at lunchtime."[53] Lunching at the wrong club could cost the bank important business.

Another approach that US bankers used to establish themselves and their overseas business involved strategic hiring of both US and local staff. National City Bank hired for its Buenos Aires office Kermit Roosevelt—son of President Theodore Roosevelt and father of Kermit "Kim" Roosevelt Jr., the infamous US intelligence officer.[54] Before joining the bank, Kermit Roosevelt, Senior, toured South America with his father on a hunting expedition in 1913.[55] In nearly every

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[49] James M. Barker. American Club Luncheon Speech. Sept 28, 1928. James M. Barker Papers, Box 93, Folder 1662. Newberry Library, Special Collections.
[50] See, for example: James Wheatley, "The Building up of South American Trade," *Bulletin of the National Association of Credit Men* 13, no. 8 (1913): 500. American Chamber of Commerce Fourth Annual Banquet. Jun 16, 1923. James M. Barker Papers, 87, 1606. Newberry Library, Special Collections.
[51] "Bank Opens Its New Branch Building in Buenos Aires," *No. 8* 24, no. 12 (1929).
[52] Barker, "Letter to Mr. Trafford." 1923.
[53] Gottschalk, 1915.
[54] "Kim" Roosevelt, Kermit Senior's son, is perhaps best known for his role ousting Iranian Prime Minister Muhammad Mossadegh in 1953. Bethany Allen-Ebrahimian, "64 Years Later, CIA Finally Releases Details of Iranian Coup," *Foreign Policy*, Jun 20, 2017.
[55] The trip became the basis for Theodore Roosevelt's popular book about their journey through Brazil's Amazon Basin, *Through the Brazilian Wilderness*, and the subject of the best-selling 2005 book *The River of Doubt* by Candice Millard. Theodore Roosevelt, *Through the Brazilian Wilderness : The Classic Travelogue* (Mineola: Dover Publications, 2017 [1914]); Candice Millard, *The River of Doubt : Theodore Roosevelt's Darkest Journey* (New York: Broadway, 2006).

country they visited, the former President and his son were welcomed by heads of state and business elites with elaborate dinners and fanfare.[56] The following year, Kermit Roosevelt returned to Buenos Aires in a professional capacity—as assistant manager for National City Bank's new branch. Roosevelt parlayed his father's connections into access to the highest strata of the city's social life. His 1915 diary exemplifies the gentleman-banker ideal: January 6 involved tennis with the Tornquists, one of the city's most prominent families. January 8 included polo and lunch at the American Club. Two days later, more tennis with the Tornquists; then, later, dinner with the new US Ambassador to Argentina.[57] When he wasn't playing tennis or swimming at the Tornquists', Roosevelt was meeting—often over dinner or a game of bridge—with Argentine government officials, representatives of Barings Bank, and ministers of other South American nations.[58] It is unclear what, if any, concrete effect Roosevelt's social connections had on the bank's lending, deposits, or profitability; however, his tenure at the branch coincided with the years in which New York executives were most impressed by the branch's success.[59]

Hiring local staff was another strategy that helped ingratiate US bank branches with the elites of its adopted communities. When seeking a lawyer in Buenos Aires, the Bank of Boston retained the Minister of the Interior of Argentina himself.[60] At the Minister's request, the bank also employed a teller widely rumored to be one of his henchman.[61] Beyond Argentina, National City Bank employed the daughter of Panama's President as a clerk in the Panama branch, and the Panama

[56] Expedition to South America 1913. 1913. Kermit Roosevelt and Belle Roosevelt Papers, Box 108, Folder: Expedition to South America 1913. Library of Congress.
[57] Kermit Roosevelt. Diary. 1915. Kermit Roosevelt and Belle Roosevelt Papers, Box 2, Library of Congress.
[58] Carlos Tornquist. Letter to Kermit Roosevelt. Dec 31, 1926. Kermit Roosevelt and Belle Roosevelt Papers, Box 96, Tornquist, Carlos A. Library of Congress.
[59] Vanderlip, "[Letter to James Stillman]." 1916.
[60] Barker, "Autobiography." 1954.
[61] According to branch manager James Barker, the Bank of Boston employed a teller who allegedly assassinated one of the Minister's enemies who had been accused of having an affair with the Minister's wife. Barker wanted to fire the alleged killer, but the Interior Minister called and personally requested that the bank continue employing the man. As Barker said in his unpublished memoir, "I agreed that it was true. We were doing business in the Argentine, not in the United States," Barker reasoned. Working in foreign countries required "a certain flexibility of mind," he rationalized. Ibid., 69-70.

branch manager "prided himself on being [the] confidant and advisor" of the President and Finance Secretary of Panama.[62] Continuous with hiring prominent locals in Latin America, bankers still relied on well-connected locals for conducting business in China by utilizing compradors. IBC's branches in China retained this practice even as many of the branches were rebranded as National City Bank offices.[63]

Thus, even as National City Bank sought to reduce variation in the lending of overseas branches and move its loan decisions to streamlined files, personal connections and status-based club networks still constituted a primary means by which US bankers embedded themselves in their new contexts and developed bank business. Simply focusing on the accretion of paperwork strips away the invisible but essential processes that built the relationships that were themselves the foundation for the paperwork in the first place. Ideally, data about branches' internal lending practices would enable comparisons between loan applications and approvals, and it would also allow demographic comparisons with overseas bankers' larger communities in order to identify gendered, class-based, and racialized patterns in lending. Such data is not available, and even if it existed, analyses by peer institutions, such as Canadian banks, suggest the calculations would not tell the full story of preferential lending practices. Analyses of Canadian banks' lending practices in the 1920s have attempted to quantify discrimination in credit practices but found insufficient data to draw such conclusions. In practice, only applicants who were likely to receive loans generated a paper trail in the first place. Informal prescreening processes tended to eliminate "unacceptable applications" such that those aspiring borrowers did not create a paper trail.[64] These practices suggest the degree to which focusing solely on paper practices obscures the importance of social

[62] J.G. South. Letter to the Secretary of State. Apr 16, 1929. RG 59, Box 7592, Folder 811.51619/1. National Archives.
[63] Shou and Shou.
[64] L. T. Evans and N. C. Quigley, "Discrimination in Bank Lending Policies: A Test Using Data from the Bank of Nova Scotia 1900-37," *The Canadian Journal of Economics / Revue canadienne d'Economique* 23, no. 1 (1990).

connections in shaping how—and to whom—capital moved. Reanimating the social worlds and business assumptions of overseas bankers in Buenos Aires, for example, sheds light on the way in which elite privilege continued to form the substrate of commercial knowledge.

III. The Retail-ification of US Banking

As affluence and access to power characterized the social worlds of US overseas bankers, in New York and elsewhere in the United States, bankers' vision about what groups of people constituted business opportunities was also changing in the 1920s. Stock ownership, savings accounts, and other forms of finance moved from the province of affluent investors to becoming more commonplace features of working-class life in the United States.[65] World War I was one driver of change. Liberty Bond campaigns generated expensive, high-profile, and widespread marketing projects to sell government debt to the public. Thanks in part to the campaigns, many US citizens traded their cash for paper-based financial abstractions for the first time. In 1899, less than 1% of population owned stock or bonds. Over the course of World War I, approximately 75% of the population acquired bonds.[66] Nationwide, the language of thrift, savings, and "home economics" created new outlets for women and men to show their patriotism and showcase their families' priorities.[67] The New York Stock Exchange reinvented itself during this period to focus on the "small investor" and the opportunities it offered to the "investing public," as historian Julia Ott has

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[65] See, for example, Lizabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1919-1939* (Cambridge; New York: Cambridge University Press, 2008 [1990]). Ott. O'Sullivan, *Dividends of Development : Securities Markets in the History of U.S. Capitalism, 1866-1922*, 311-56.
[66] Ott, 2.
[67] Mrs. Clarence Renshaw, "The Home Service Department," *Journal of the American Bankers Association* 12, no. 7 (1920); Myron T. Herrick, "Home Economics and the Savings Bank," ibid.11, no. 9 (1919). Alexander Robinson, "The Budget System in the American Home," ibid.13, no. 5 (1920). For scholarly works on thrift and US consumption during the interwar period, see also: Cohen. Andrew L. Yarrow, *Thrift : The History of an American Cultural Movement* (Amherst: University of Massachusetts Press, 2014).

revealed.[68] One of the architects of this transformation was none other than Frank Vanderlip, President of National City Bank, who honed his ability to mass-market financial technologies while working with the Treasury Department in 1917.[69] Vanderlip helped create the War Savings program, which expanded the accessibility of Liberty Loans to lower-income US Americans. Rather than having to purchase an entire $50 Liberty Loan, the campaign allowed small savers to buy $0.25 thrift stamps that could be accumulated into five-dollar certificates that paid interest.[70] The campaign aspired to transform the US public into habitual savers and investors and to frame such activities as constituent of citizenship.[71] Though Vanderlip had resigned from National City Bank before the bank launched the bulk of its mass-retailing campaigns, his approach to mainstreaming banking lingered after his departure.

In the United States, savings drives were freighted with a political agenda of "Americanizing" non-native populations. According to the logic, immigrants with regular financial obligations and goals would be less prone to radicalism. In 1919, the American Bankers' Association (ABA) identified remittances as one of the problems with foreign-born workers: new immigrants simply sent their wages back to their countries of origin. Bankers could staunch this "drain upon the nation's capital" by encouraging them to open bank accounts in the United States. Banks could also act as vehicles of "Americanization" by refocusing foreign-born workers, who might otherwise be "restless at present and a prey to agitators, largely because they have no stake in this country and feel that any change in our social and economic system must be a change for the better."[72] The ABA established a "Committee on Americanization" that encouraged savings banks to monitor upticks in

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[68] Ott, 44.
[69] Ibid., 62-3.
[70] Ibid., 62-63.
[71] For an explanation of the Federal Reserve's role in the process of habituating US consumers to investing in securities during and after World War I, see also: O'Sullivan, *Dividends of Development : Securities Markets in the History of U.S. Capitalism, 1866-1922*, 351.
[72] "Savings Bank Section: Americanization," *Journal of the American Bankers Association* 11, no. 10 (1919).

"European unrest."[73] This political script was not the only social meaning that promoters grafted onto banking products. Thrift campaigns also focused on the domestic roles of US women and women's management of household finances, and some campaigns emphasized narratives of patriotism.[74] The ideological expansiveness of the savings drives and thrift campaigns made them adaptable candidates for National City Bank to attempt to export. Bankers could graft new narratives on top of local savings drives—stories that linked family, patriotism, and local pride with enrollment in banking services.

National City Bank took up the project of the overseas recruitment of small investors with vigor. In 1921, the Bank opened its "Compound Interest Department" in its Times Square branch to show small savers the benefits of interest payments.[75] Shortly thereafter, it expanded the recruitment campaign to the Caribbean, as historian Peter Hudson has noted, and the 1925 campaign exceeded executives' expectations.[76] The Bank's internal magazine celebrated employees' heroic efforts to bank the unbanked. For example, in 1926, several National City bankers in Cuba visited local sugar mills to enlist unbanked sugar workers in the ranks of bank customers. The bankers initially proposed to the mill owner that he automatically deduct five dollars from employees' paychecks and apply it to workers' new savings accounts. The owner declined and referred the bankers to the company store owner, who handled paying the workers. Eventually the store owner agreed to deduct $5 for anyone who signed up on a list. The bankers celebrated their hard-sell techniques: at first, "every one, known or unknown, refused us! They would object at first, but fall in the end. And they liked it!"[77]

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73 "Committee on Americanization," *Journal of the American Bankers Association* 12, no. 5 (1919).
74 Robinson. Renshaw.
75 Durrell, 1940. "New Budget Plan for C.I.D. Depositors," *No. 8* 22, no. 4 (1927). National City Bank of New York. Remarks of the President at the Annual Meeting of Shareholders. Jan 10, 1928.
76 Hudson, *Bankers and Empire*, 209-10.
77 "Cuba and Porto Rico Set a World Record in Savings Contest," *No. 8* 21, no. 1 (1926).

Bankers adopted different scripts depending on the region and community they sought to recruit. In Rangoon, the strategy focused on thrift-oriented savings drives. An article in the bank's newsletter praised the Rangoon branch for disproving the common assumption that "the Burmese are not a thrifty race."[78] Rangoon-based bankers defied the skepticism of European competitors by "teaching the Burmese" that they could profit from US banking services.[79] Sometimes US bankers used appeals to "civic pride" and stressed a city's ranking in National City's global savings drive. Another refrain tapped into parental anxieties by showing parents the effect of interest on savings accounts—"what a small initial deposit of $1.00 a week would amount to in five or ten years, and how their little baby would come into a small capital upon reaching manhood or womanhood!"[80] In Cuba, bankers made inroads in "cement factories, tobacco fields, coffee plantations, sugar cane colonies, cattle ranches, copper and iron mines" and other places by using "high pressure salesmanship and oratory" to urge workers to open bank accounts.[81] Competitions in Asia included thrift campaigns, newspaper advertisements, and contests for student essays.[82] Within less than three years, the campaign helped increase overseas deposits to more than $10 million.[83] The figure constituted only a small fraction of the bank's total overseas deposits—2% of the total deposits of the overseas division in 1929—and roughly one-fifth of the total deposits generated by a New York-based campaign to recruit small savers the same year.[84] Nonetheless, the campaigns represented a broadening of the bank's focus overseas beyond the interests of elite US businessmen.[85] The reorientation rendered branches much more than handmaidens to traveling US salesmen. Suddenly

78 "Rangoon Savings Contest Winners," *No. 8* 25, no. 4 (1930).
79 Ibid.
80 "Cuba and Porto Rico Set a World Record in Savings Contest."
81 "World Contest Tops All Records with $10,226,884 in 74,082 Accounts," *No. 8* 23, no. 8 (1928): 5. For an account of these contests in the Caribbean and Cuba in particular, see also: Hudson, *Bankers and Empire*, 209-11.
82 "Rangoon Savings Contest Winners." "Woman Wins First Prize in Manila Savings Essay Contest," *No. 8* 22, no. 4 (1927).
83 "World Contest Tops All Records with $10,226,884 in 74,082 Accounts."
84 Durrell, 1940.
85 National City Bank of New York, "Remarks of the President at the Annual Meeting of Shareholders." 1928.

the "foreign field" had fractured into a dense array of "local" contexts, each with their own possibilities for profit.

Overseas branches were also sites of experimentation for different kinds of retail banking projects, from showcasing multi-lingual staff to selling securities. National City Bank's Buenos Aires branch opened its "Personal Loan Department" in 1928. The initiative resembled the New York-based Personal Loan Department, established the same year: both departments offered small loans to middle-class borrowers in order to finance household expenses, such as medical bills.[86] Another innovation tested in Buenos Aires was the opening of a special branch "expressly for the convenience of immigrants in Buenos Aires." Employees spoke 21 languages and catered to the Jewish, Polish, Ukrainian, Yugoslav, Czechoslovakian, Greek, and Armenian communities, among others.[87] The banking services it touted were not just a bastion of white, Anglo-Saxon privilege – though US overseas banking had never adhered exclusively to the racist scripts that bankers often espoused. Even as staffers made derogatory comments about the overseas communities in which they inserted themselves, white supremacist beliefs could make room for the solicitation of deposits from non-white clients.[88] Local savings drives and the changes in retail banking of the 1920s required bankers to expand their vision and see potential customers in places where they had not previously sought business—from sugar mills to women's department stores.

[86] [Timeline]. nd. RG12, Citibank Book, Argentina–History, 1812-1978. "In Two Years Personal Loan Dept Has Aided 134,294 Families," *No. 8* 25, no. 5 (1930). "Personal Loan Facilities Are Broadened," *No. 8* 23, no. 6-7 (1928).
[87] "Banking in 21 Languages a Specialty at Our New Branch in B.A.," *No. 8*, Dec, 1930.
[88] See, for example: "This Is Very Much the Same as Usual." 1917. Hudson, *Bankers and Empire*, 71.

National City Bank's initiatives in Chile highlight the connections between the bank's sovereign lending and its on-the-ground expansion of retail financial services. The bank moved into Chile in 1915, almost immediately following the passage of the Federal Reserve Act (see *Figure 5-2*).[89]

Figure 5-2: National City Bank's Valparaiso Branch (The Americas, 1917)

A National City branch in Valparaiso provided banking services for US clients focused on Chilean nitrate and copper mining—and especially for Du Pont, which had opened a major nitrate facility in the region the previous year.[90] The bank opened a second branch in Santiago shortly after.[91] Throughout the early 1920s, public debts of the Chilean government increased and the volatility of Chile's currency caused wariness among foreign investors. Military interests, as well as reformers who opposed Chile's "moneyed elites" denounced the nation's economic policies and welcomed US financial advisors who promised to restructure the nation's debt, improve its credit ratings, and attract more foreign investment.[92] Chilean leaders invited the famous "money doctor," Edwin Kemmerer, to examine the nation's finances, and Kemmerer proposed a sweeping set of reforms to "modernize" the economy.[93] Foreign lenders responded enthusiastically to the nation's embrace of Kemmerer's reforms. Chile's total foreign debt nearly tripled between 1925 and 1930.[94] The government received so many loans that, in 1927, it

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[89] Photograph: Oscar P. Austin, "Our 1916 Trade with the Neutral World," *The Americas* 3, no. 6 (1917): 36.
[90] Cleveland and Huertas, 77-79.
[91] John Durland. Letter to Frank Vanderlip. Apr 6, 1917. Frank A. Vanderlip Papers, Box F-1, Chile. Columbia RBML.
[92] Paul W. Drake, *The Money Doctor in the Andes : The Kemmerer Missions, 1923-1933* (Durham: Duke University Press, 1989), 86.
[93] Rosenberg, *Financial Missionaries*, 160-61.
[94] Drake, 107.

consolidated the debts and appointed National City Bank as its exclusive fiscal agent for future loans.[95] In 1929, National City Bank's Chilean branches launched a competition to sell that debt to the Chilean public. Staffers created an installment plan—much like the War Savings program that Vanderlip led during World War I—to encourage Chilean depositors to buy government bonds through a series of installment payments. Staff could win prizes for selling the most bonds, including a week of extra vacation.[96] Of course, the Great Depression abruptly ended the easy money of the late 1920s. Prices for copper and nitrate—the backbone of Chilean exports—fell nearly 90% amid the economic collapse.[97] The Chilean government eventually suspended payment on foreign debts, and the nation defaulted on the National City Bank loan. National City ultimately wrote down more than $16 million in Chilean government bonds.[98] Nonetheless, the bank's work in Chile highlights the pairing of its sovereign lending with its attempts to recruit local customers.

As many nations turned inward during the Depression amid protectionist tariffs and rising nationalist sentiment, National City Bank's overseas division faced both financial and existential questions. In many overseas communities, residents saw a tight connection between National City and the interests of the United States itself. At times, National City Bank actively encouraged this association. Bank executives discussed strategies for renaming and rebranding its IBC branches in China as National City branches, and one name they considered was "Mei Ta Yin Hang," or "Big American Bank," according to the bank's sinology consultant.[99] The strategy of celebrating its connections to US power had worked well for National City Bank in many locations in the 1920s, when the United States helped fund postwar reconstruction efforts around the world and US politicians and military forces exerted new forms of control throughout the Western Hemisphere.

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[95] Rosenberg, *Financial Missionaries*, 161.
[96] "Chilean Staffs Score High in First Bond Selling Contest," *No. 8* 24, no. 3-4 (1929).
[97] Drake, 115.
[98] Durrell, 1940.
[99] Letter to Charles Rich. Jul 19, 1920. Item #337, Folder: Peking. Citi.

However, resistance in the Caribbean highlighted the potential pitfalls of aligning the bank with US imperialism. As a 1929 editorial writer in El Salvador commented on National City Bank's involvement in Haiti: "Nothing can make the path of American business so smooth,—and the conquest of our country so easy—as can the pre-existence of a great North-American bank in the Republic,—the National City Bank."[100] As nations struggled to maintain control of their economies and keep populations fed, many became less tolerant of the incursions of foreign capitalist institutions, and National City Bank became an obvious focus of resistance.

The changing economic and political contexts of the interwar period and the start of the Great Depression raised major questions about how and on what terms multinational banking would remain a viable strategy. As bank losses mounted in the early 1930s, some National City directors advocated closing or at least curtailing the work of overseas branches entirely.[101] One of the technologies that allowed National City to adapt to interwar upheaval was that peculiar Connecticut bank, the International Banking Corporation, and its unusual charter. Throughout the interwar period, National City Bank navigated a business strategy that maximized regulatory gray areas and minimized oversight by using IBC as its hybrid banking identity.[102]

IV. The Great Depression and Double-Helix Banking

National City Bank had launched its aggressive international expansion in the middle of a different economic era than the one that arrived in the early 1930s. Trade finance looked like a wellspring of profits in the early 1910s, but by the early 1930s, that prospect had dimmed:

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[100] A. Guerra Trigueros. The National City Bank of New York and Our Freedom. Apr. 16, 1929. RG 59, Box 7592, Folder 811.51616/2. National Archives.
[101] Durrell, 1940.
[102] Peter Hudson has noted a similar dynamic in National City Bank's work in Haiti: its acquisition of Banque Nationale de la République d'Haïti: Hudson, "The National City Bank of New York and Haiti, 1909-1922." The present research builds upon these insights and expands their geographic and political scope.

international trade fell 60% from 1929 to 1932.[103] The volume of acceptances that National City Bank generated for customers dropped by nearly half from 1931 to 1932 alone, falling from more than $120 million to $66 million.[104] Sustaining overseas branches through trade finance or bankers' acceptance commissions no longer offered a viable business strategy in the new economic context. Against these changing macroeconomic and local conditions, National City Bank developed new strategies, which mirrored those of other multinational US businesses. Historian Mira Wilkins, in her history of US multinational businesses, argues that the 1930s were not a time of inevitable retrenchment—although, of course, many companies did shutter existing overseas work and cancel expansion plans.[105] Instead, companies developed new strategies that could navigate such risks as antagonism toward the United States, fascist regimes, and currency volatility.

The Bank's new interest in wooing local clientele was one approach that offset the disruption in global trade flows. In National City Bank's shareholder meetings in both 1931 and 1932, bank President Charles Mitchell commented that overseas branches differed from other divisions in terms of their sustained profitability. Despite "depressed" conditions around the world in 1931, "the operations of the foreign branches show approximately the same profit as in the record figures of last year."[106] The paperwork and credit files generated by overseas branches had not resulted in the anticipated uptick of US clients; however, on-the-ground business from the branches remained, in many parts of the world, solid. The following year, the earnings of foreign branches declined, but they "nevertheless produced gratifying net profits" exceeding $5 million,

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[103] Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*, 169.
[104] Decrease refers to "acceptance liabilities for customers." *Moody's Manual of Investments, American and Foreign : Banks - Insurance Companies - Investment Trusts - Real Estate - Finance and Credit Companies*, ed. John Sherman Porter (New York: Moody's Investor Services, 1933), 1961-62.
[105] Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*, Ch. 3.
[106] National City Bank of New York, "Remarks of C.E. Mitchell, Chairman at the Annual Meeting of Shareholders," (New York: National City Bank of New York, 1931).

Mitchell reported.[107] Lack of access to balance sheets for individual branches makes it difficult to ascertain exactly what produced these positive results. Nonetheless, the very fact that bankers began to reorient their work toward local communities represents a striking deviation from the norms with which bankers began the internationalization campaign.

Another strategy for surviving economic downturn involved selective usage of the IBC brand to navigate regulatory complexity and avoid political pressure. Throughout the interwar period, the bank shape-shifted, adopting the legal form of National City or the International Banking Corporation—and sometimes both—depending on jurisdictional convenience and the potential for profits. This strategy was not immediately obvious to National City Bank executives after the bank acquired a controlling share in IBC in 1915.[108] "What Shall We Do with the International Banking Corporation?" was not just a question of academic reflection: the question so intrigued President Frank Vanderlip that the bank commissioned a staff person to write a memo on the topic in 1916.[109] The answer was definitely to keep it, but in what format and for what ends? Dissolving the bank and rebranding branches as "National City Bank" might have been a viable strategy in the mid-1910s, if only National City could have acquired complete ownership of IBC. Instead, the vestige of old-world European colonialism cast its shadow—in the form of King Leopold—on the formation of US overseas banking. The passage of the Federal Reserve Act in 1913 and the death of IBC President Thomas Hubbard in 1915 had cleared the way for National City to buy IBC, but the Bank could not gain control of the King's shares. After he died in 1909, stocks of the "Belgian Group" were transferred to a Baroness whose village was occupied by the Germans during World War I. The King's shares were sent to the London vaults of the Bank of

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107 "Remarks of C.E. Mitchell, Chairman at the Annual Meeting of Shareholders," (New York: National City Bank of New York, 1932).
108 Cochran, [1945].
109 Lawrence Merton Jacobs. What Shall We Do with the International Banking Corporation? May 23, 1916. Frank A. Vanderlip papers, E-27 International Banking Corporation. Rare Book and Manuscript Library, Columbia University Library.

England for safekeeping and could not be touched until after the war. The impasse meant that National City Bank could not gain full control of IBC until 1919 and could not dissolve the bank until the ownership consolidation.[110] The four years of co-existence of IBC and National City helped demonstrate to National City executives that maintaining IBC as a separate brand, created under a curiously expansive charter, had a number of advantages, including circumventing regulations and having a different business reputation that appealed to a different clientele in a number of jurisdictions.[111]

A major advantage of the IBC brand was the bank's unique Connecticut charter, which executives deemed "too valuable to lose."[112] According to National City Bank's assessment, it allowed IBC to carry the "wide powers of an English bank." IBC had gained special permission from the Bank of England in the early 1900s to deal in sterling-denominated acceptances on the British market. According to Citi's records, this special exception came about because IBC established its London office "before the British Treasury and the Bank of England tightened the reins on operations in England by foreign banks."[113] The authorization enabled the joint IBC-National City Bank behemoth to access both the dollar-denominated bankers' acceptance market—which was heavily supported by the Federal Reserve, as Chapter Three demonstrated—and the

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[110] Starr, 43.

[111] When National City purchased the controlling interest in IBC in October 1915, it did so through its overseas investing arm, the National City Company. National City Company was a National City Bank-affiliate, incorporated under the laws of New York in 1911. In its early years, the Company served as a holding company for the Bank's interest in other financial institutions, such as state-chartered banks and trust companies. Bank executives had long been in the practice of holding interests in other financial institutions, but NCC allowed the Bank to institutionalize the relationships. After the passage of the Federal Reserve Act, National City Bank itself could have purchased IBC, but observers speculated that the Company acted first as the Bank awaited approval from the Federal Reserve to acquire the international branches. When and how that approval was finalized remains unclear, but by 1924, IBC was listed as a line-item on National City Bank's statement of condition, and the two institutions functioned much like a merged entity without any visible presence of National City Company. See: Cleveland and Huertas, 62-65. "Bache Sells Bank to National City Co," *New York Times*, Oct 29, 1915. "National City Bank Extends Sway to Orient," *New York Tribune*, Oct 29, 1915. National City Bank of New York, "Statement of Condition." 1924.

[112] Jacobs, "What Shall We Do with the International Banking Corporation?" 1916.

[113] Memorandum in Reference to International Banking Corporation. Jun 20, 1945. Citi, RG 7, History of IBC - Cochran (1943-1965).

more established London acceptance market. It is unclear exactly how the sterling acceptance business affected the bank's finances; nonetheless, bank executives were sufficiently concerned about losing access to the market that National City Bank rallied behind the preservation of IBC. Sterling acceptances "have run as high as £4,000,000 – and as the National City Bank cannot perform this function, our name [IBC] will continue to appear as acceptors in the London market."[114] Ceding access to this market was not a choice that National City executives wanted to make.

IBC also appealed to a different customer base than that of National City Bank, and executives used that appeal to maximize business. For example, in the 1920s, National City Bank opened a branch in London, even though IBC had operated a branch there since 1902.[115] Bank executives explained in an internal memo—marked "Private & Confidential"—that a branch under the National City banner would "attract more of their own clients' London business than the I.B.C. has been able to do," given National City Bank's broader name recognition and reputation.[116] Strikingly, the two banks—National City Bank and IBC—used the same manager to oversee both branches in London, but executives believed that continuing IBC as an independent brand would allow the bank to conduct "any special business that they or we might particularly want to do but which may not be suitable for a national bank to do," executives explained.[117] The memo contained no specifics as to what these "unsuitable" functions might be, but records from other IBC branches offer some clues.

The bank's response to challenges in China, Colombia, and Spain exemplify the way in which IBC could function as a bypass brand for conducting business "unsuitable" for National City

[114] London Branch. Sept 30, 1920. Item #337, Folder: Lyons. Citi.
[115] "Foreign Branches."
[116] "London Branch." 1920.
[117] Ibid.

Bank. Regulations in Hong Kong restricted bank lending against real estate as collateral, but IBC faced no such restriction. In fact, National City Bank lawyers noted that IBC had "unusually favorable facilities for taking mortgages of leasehold property as security for advances."[118] Bank attorneys proposed a system for Hong Kong that would allow National City Bank and IBC to combine their strengths and negate their weaknesses: under the scheme, a borrower would mortgage property to IBC while applying for credit at National City Bank, and IBC would give "National City Bank a guarantee for the due repayment by a customer."[119] The bank's lawyers recommended notifying the Hong Kong government of the approach: "if they discovered the true position at a later date they might conceivably feel that a trick had been played upon them."[120] The lawyers argued that using the legal structure and historical relationships of IBC could "materially enlarg[e] the powers" of National City Bank's charter.[121] The records do not clarify whether or not National City Bank followed this course of action, but the following year, the Colonial Secretary of Hong Kong wrote to IBC's Hong Kong Manager to approve IBC's continued lending against mortgages.[122]

Another value-add of the IBC brand was its relative obscurity in the field of sovereign lending. National City became known for its ability to provide large loans to governments, in Latin America in particular. When National City Bank considered opening a branch in Medellin, Colombia, in 1916, advisors suggested branding it as an IBC operation in order to avoid government pressure for sovereign loans. "The International Banking Corporation would not be subject to the same pressure from the Government of Colombia for loans and government financing that The National City Bank probably would be." By branding itself as an IBC branch, the bank "could

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[118] Wilkinson & Grist. Re: International Banking Corporation and National City Bank of New York. Dec 21, 1926. Item #337, IBC, F.E.D. – General (1926-1930). Citi.
[119] Ibid.
[120] Ibid.
[121] Ibid.
[122] E.W. Hamilton. Letter to George Hogg, Manager, International Banking Corportation, Hongkong. Jan 7, 1927. Item #337, IBC, F.E.D. – General (1926-1930). Citi.

confine its activities to commercial banking and modest exchange operations."[123] Thus IBC provided a cover by allowing National City Bank to access foreign markets without the political expectations that might accompany such expansion.

Tax avoidance was a challenge in navigating banking brands in Spain in the 1920s. Again, the entwined structure of IBC and National City Bank allowed the organization to maximize its opportunities and minimize expenses. In 1929, National City Bank wanted to restructure its Spanish operations by converting all IBC branches to the National City brand. However, Spanish law required banks to calculate their tax liability based on total global deposits and profits, as well as the percentage of those transactions that reflected Spanish business. Whereas IBC's total deposits were around $35 million in 1929, those of National City Bank were nearly 50 times greater, $1.7 billion.[124] A bank lawyer proposed that National City Bank continue the "present status of dealing through our correspondent, the International Banking Corporation," rather than open a branch directly because of the marked difference in tax exposure.[125] It is worth noting that IBC was wholly owned by National City, and IBC was listed as a line item in National City Bank's balance sheet. The IBC-National City ownership structure differs significantly from traditional "correspondent" banking relationships, which involve independent ownership and management. Nonetheless, the lawyer's comment reveals the ways in which the bank could shift its self-characterization depending on the jurisdiction.

Amid National City Bank's regulatory hopscotching overseas, in the United States, changes in US foreign policy regularized and systematized the involvement of US banks in overseas diplomacy in the 1920s. US government officials regularly coordinated with private bankers to

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[123] Memo. Mar 14, 1916. Frank A. Vanderlip Papers, Box E-39, Foreign Trade Department. Columbia RBML.
[124] G.K. Weeks. Copy of Letter from International Banking Corporation Madrid. Oct 25, 1929. Item #337, IBC, Reorganization of Spanish Branches. Citi.
[125] Memorandum Re Tax Situation – Spain. Oct 24, 1929. Item #337, IBC, Reorganization of Spanish Branches. Citi.

provide "stabilization loans" to governments in need of cash. The approach contributed to financial problems and popular resentment throughout Latin America, as "dollar dependency" policies became a rallying cry for groups to denounce US imperial influence.[126] Even though the policies consistently failed to yield the intended political and economic effects overseas, they led to a broader formula for the US government to collaborate with private US banks. For example, under the 1922 General Loan Policy, private banks had to submit foreign loans for government review, and loans had to fall within designated, pre-approved categories. The State Department screened foreign loan applications and then referred them to the Treasury and Commerce Departments for notification and review.[127] Even as US officials sought to avoid being seen as backing the loans officially or unofficially, the government's framing of foreign policy required both direct and indirect partnerships with private banks.[128]

Government regulators were interested in the operation of US banks overseas, and several divisions claimed jurisdiction over their work. However, no branch of US government regulated the day-to-day work of overseas bankers throughout much of the 1910s and 1920s. US consular officials around the world monitored the activities of overseas banks and reported back to Washington on their missteps, impacts, and reputations. For example, an official in San Salvador wrote the State Department in 1929 about the local opposition to rumors of a potential branch opening by National City Bank. A local editorial had recently skewered the bank for its exploitive work in Haiti: "NEVER <u>under any circumstances</u> must we permit such bank to be the National City Bank of New

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126 Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*; *Financial Missionaries*.
127 *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*, 146-47. *Financial Missionaries*, 106-07.
128 Historians classify the level of government involvement somewhat differently. Barbara Stallings emphasizes the "passivity of government supervision of banks investing" during the 1920s, due to political reluctance to intervene in the case of defaults. By contrast, Emily Rosenberg presents a more active depiction of bank-state collaboration. The relevant point for the present study is that, structurally and historically, the surge in sovereign loans involved greater consultation and coordination between banks and US diplomats than had existed in the past. Stallings, 142. Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*; *Financial Missionaries*.

York," and the US official flagged the opposition for his superiors.[129] A consular official in Colombia observed that National City Bank's branch in Bogotá had come under fire based on accusations that the bank charged "an unfair rate of exchange on bills received by it … and insist[ed] upon the immediate payment of these obligations during a financial crisis."[130] Meanwhile, the US Consulate in Maracaibo, Venezuela, shared its concern with State Department officials that National City Bank would close its Maracaibo branch and leave the US business community stranded: "I consider it of great importance to American interests that the Maracaibo branch of National City Bank be continued."[131] The correspondence reveals the conviction among foreign service officials that the work of US banks overseas bore directly on national policy objectives.

Despite governmental interest in the work of overseas bankers, US regulators had little knowledge about how overseas branches operated and little claim to day-to-day oversight. In 1926, a State Department official admitted to a National City Bank executive that he did not think it was "feasible to conduct an examination of the branches of the International Banking Corporation without spending a year on the task and doing the work himself. This necessitated his abandoning the examination."[132] The Federal Reserve's monitoring of overseas branches was similarly light-handed and tended more to collaboration than oversight. In 1917, IBC executives lobbied Federal Reserve Board members to be the Board's agent in Asia, particularly in negotiations in India and China, though ultimately the Federal Reserve did not accept the invitation.[133] The following year, the Board notified international banks of a requirement to maintain 15% cash reserves of deposits for its branches. Two months later, regulators rescinded the requirement and told IBC to "exercise its own

[129] Warren Robbins. Letter to Secretary of State. Apr 16, 1929. RG 59, Box 7592, Folder 811.51616/3. National Archives. Trigueros, 1929. Emphasis in original.
[130] Letter to Secretary of State. Nov 6, 1920. RG 59, Box 7592, Folder 811.516/324. National Archives.
[131] Dudley Dwyre. Letter to John C. Wiley, Chargé d'Affaires, American Legation, Caracas. Dec. 9, 1920. RG 59, Box 7592, Folder 811.516/330. National Archives.
[132] W.W.L. Re: I.B.C. Transfer to N.C.B. Nov 12, 1926. Item #337, F.E.D. – General (1926-1930). Citi.
[133] IBC Executive Committee, "Executive Committee Meeting Minutes." 1914-1918.

discretion as to the amount of reserve to be carried." Federal Reserve officials added that IBC should provide notification "from time to time" about the standing of branches.[134] Bankers and regulators corresponded about policy and met both informally and formally, such as in a conference convened by the Federal Reserve Board in 1919 designed to give regulators "a better understanding of the business of American corporations engaged principally in foreign business."[135] For much of the 1920s, the primary impact of "regulation" involved IBC's notifications to the Federal Reserve about the opening and closing of branches.[136] The dynamics of limited regulation, use of subsidiary agencies, and lava-lamp-like formulations of different legal structures prefigure some of the hallmark features of multinational corporations' operation in the twentieth century, and many emerged out of small pivots in strategy and last-minute improvisations by National City Bank executives and on-the-ground workers.

National City Bank's aggressive international expansion paused during the 1930s, and branches that survived had to adapt from their prior orientation as concierge to US business. In the aftermath of the Depression, National City Bank closed 30 branches, including 12 in Cuba, and it wrote off $33 million in assets from foreign branches.[137] Nonetheless, by 1934, overseas branches were once again profitable, and by 1939, the overseas division constituted almost half of the bank's total deposits—$530 million out of a total $1.1 billion.[138] Amid the downturn, New York executives sought to limit the bank's risks by ordering that branches restrict loans to long-standing customers and limit trade finance to those that were "secured by goods in transit," according to Citibank

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134 Executive Committee Meeting Minutes. 1918-1921. Item #335 - 4. Citi.
135 W. Harding. Letter to the International Banking Corporation. Jun. 5, 1919. Box: Board Shareholders Files 1, Item 79 - Federal Reserve Board Reports. Citi.
136 IBC Executive Committee, "Executive Committee Meeting Minutes." 1918-1921.
137 Cleveland and Huertas, 205-06.
138 Durrell, 1940. Data from Cleveland and Huertas (p. 207) suggests that international deposits were lower for 1939, constituting roughly $470 million, but the difference in figures is likely due to differences in dating between Comptroller's Reports and the bank's internal accounting reported by Durrell.

historians Harold Cleveland and Thomas Huertas.[139] Just as branch bankers had widened their vision to solicit a broader range of customers, managers were winnowing the criteria for what who constituted a viable credit risk. But the infrastructure had already been laid, with National City Bank branches dotting capital cities and major ports around the world. What had begun as a flat, commercial expanse of the "foreign field," in the eyes of US bankers, fragmented into enclaves of "local" that contained their own internal hierarchies and business norms. Variation created space for regulatory evasion and for experimentation with new corporate strategies to minimize governmental oversight and taxation. In this contoured landscape, bankers not only endured but deepened their staying power. This dissertation has shown that the role of US overseas bankers as abstraction-makers was by no means inevitable and that the accumulation of paper, bureaucratic systems, and investing mechanisms they enabled should not be seen as a part of a linear, modernizing progression. Instead, it was intertwined with an ongoing reliance on personal knowledge, elite connections, and state power, and the foundations of US overseas banking were built on this striated and enduring footing.

[139] Cleveland and Huertas, 208.

CONCLUSION

In 1934, the president of Britain's leading credit agency, the British Mutual Trade Protection Movement, traveled to the United States to learn more about US credit methods. Cuthbert Greig visited the National Association of Credit Men and declared that US credit systems reflected "such a high state of efficiency" that his agency would change its strategies to model US practices. No longer would established British firms resent requests for financial statements; instead, British credit agencies would make such information foundational to its reports. The Great War had "completely changed the situation in Britain," he noted.[1]

Greig was right that World War I had upended commercial patterns, but the war was just one force in a larger configuration of changes. Shifting trade patterns, US loan assistance after the War, and the creation of the Federal Reserve System, among other factors, would make the United States the object of credit-method envy. A half-century earlier, US financiers had looked to British experts to learn penmanship and mimic their bookkeeping. Now, US practices, such as maintaining intricate filing systems and recording "ledger experience" to track a firm's payment history, had established a new standard for financial information-keeping.[2] US overseas banks helped build the financial infrastructure that enabled this change and that undergirded new US claims to global economic power.

In traditional histories of US economic power in the twentieth century, US overseas banks are not considered a significant force until the 1960s, when the "global" era of US multinational banking began, according to banking historian Thomas Huertas.[3] During the preceding "local" era

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[1] Cuthbert Greig, "John Bull's Credit System," *Credit and Financial Management* 36 (1934).
[2] For more on "ledger experience," see: Rowena Olegario, "Credit Information, Institutions, and International Trade: The United Kingdom, United States, and Germany, 1850–1930," in *The Foundations of Worldwide Economic Integration : Power, Institutions, and Global Markets, 1850–1930*, ed. Christof Dejung and Niels P. Petersson (New York: Cambridge University Press, 2013). Benjamin B. Tregoe, "Another Good Man Set Right: A Comedy-Drama of Foreign Credits," *The Credit Monthly* 26 (1922).
[3] Huertas, 253.

from 1914-1960, Huertas notes, Citibank was the only US bank that conceived of itself as truly global, and overseas banking was by far the exception among US financial institutions. Of more than 13,000 commercial banks in the United States in 1960, a mere eight had overseas branches. Further, those branches constituted only about 1% of the banks' total assets.[4]

This dissertation has argued that such statistics belie an important dimension of US power overseas—the systems for gathering information, expanding US commercial contacts, and broadening financial capabilities. Overseas US banks created institutional footholds in communities around the world that enabled bankers to collect information about clients and contacts and relay that information back to the United States. In the early 1900s, bankers celebrated their personal knowledge and insights in discerning a borrower's character. Personal knowledge helped novice bankers navigate new international contexts as they worked in conjunction with US politicians administering overseas colonies. But as the US government broadened its techniques for expanding power overseas—from military operations to providing economic advising—US bankers likewise expanded their repertoires for multinational operations. They compiled credit information, increased services for international trade, and opened new branches. In turn, those branches created an infrastructure of on-the-ground support and data-gathering that helped make the world of international trade normal, knowable, and commensurable. New York-based credit files put far-flung businesses on a level playing field of analysis, and branch banks rendered that foreign field accessible and seemingly safe for US businesses interested in international opportunities.

The rise of the "promotional state"—the federal government's efforts to promote US commerce around the world—has long been a feature associated with US foreign relations in the early twentieth century.[5] This dissertation offers a new perspective on that history by analyzing US

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[4] Ibid., 252.
[5] See, for example: Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945*.

multinational banks and the Federal Reserve itself as part of the apparatus of US imperial power. It demonstrates the way in which overseas banks functioned as part of the mechanics of US empire, as well as the ways in which bankers' work at times complicated aspirations of the US state. Further, the study positions the Federal Reserve System as a major player in the promotional state's operation. Traditional histories of US banking have recognized that the 1913 Federal Reserve Act introduced new possibilities for multinational work. But they have overlooked the role of the bankers' acceptance market in providing ongoing support, as well as the continuities linking US overseas banking before and after the Federal Reserve's creation.

The knowledge practices, physical infrastructure, and personnel linked with early overseas banking experiments endured and even expanded after 1914. After the creation of the Federal Reserve System, foreign branches of US banks focused on loading New York-bound steamers with credit files. The information recorded in those files, however, still emerged from elite networks, social connections, and bankers' intuitions in evaluating trustworthiness—the same practices that guided the early work of IBC branches. While the core banking practices continued, the formats for rendering information had changed, and those changes enabled new kinds of trust, new claims to scientific authority, and new methods for generating profits. Furthermore, bankers' intuitions about creditworthiness were shaped in the crucible of a New York-based training process that reflected existing social hierarchies of class, gender, and racial designation. The hierarchies endured, even as the name emblazoned on bank branches shifted from the International Banking Corporation to National City Bank.

The ultimate fate of the nation's first broadly multinational bank was likely not one that its founder, Remington Arms owner Marcellus Hartley, would have celebrated. The last gasp of the International Banking Corporation was as an airport moneychanger in New York City's John F. Kennedy Airport, then known as Idlewild Airport. Citibank wanted a foothold in the new

International Arrivals building in 1959. Although the bank had several offices on the airport's domestic side, executives opted for different branding in the international terminal, as the International Banking Corporation.[6] By then, IBC had become a dormant legal entity. Citibank executives had briefly used IBC as a catchall division for grouping "miscellaneous" overseas operations and had then made IBC a "holding company that facilitates FNCB penetration into new overseas markets and new areas of activity," according to one bank insider.[7] However, even that strategy eventually fizzled.

IBC might have seemed to Citi bankers at the time like a relic of an earlier financial era—an era eclipsed by modernized bureaucracies and quantitative analysis. And yet, IBC accomplished one of the most sophisticated corporate sleights-of-hand possible: it fused itself to one of the biggest banks in the world and seeded its staff, clients, and operating practices into the larger banking parent. Resurrecting that history shows the co-evolution of the institutional structures of IBC and National City Bank in ways that enlarged the banks' ability to profit while avoiding taxes, political pressure, and economic crises. It also reveals the improvisation and unlikely endurance of a project that enabled a motley consortium of interests seeking concessions from Connecticut's legislature to piggyback on US empire and enmesh itself into one of the largest and most powerful financial institutions of the early twentieth century.

Once established in their new locations, overseas bank branches could experiment with new ways to make money and root themselves in their communities. While commercial banking had been a bastion of elite privilege throughout the nineteenth century, the changing economic terrain of the 1920s prompted many financial institutions within the United States to launch new retail services, from thrift campaigns to small loan programs. National City Bank was the only US

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[6] Folder Contents. 1950-1960. Board Shareholders Files 1, Item 79 Miscellaneous. Citi.
[7] I.B.C.: Fiftieth Anniversary of Citibank's Giant Step. Oct, 1965. Citi, RG 7, History of IBC.

financial institution positioned to deploy these programs on a broad international scale. Suddenly, its overseas employees began convincing non-elites—Cuban sugar workers, Rangoon laborers, and Filipino clerks, among others—to open deposit accounts. Many of the programs were short-lived, and only a small portion seemed to include access to credit. Further research will be needed to understand what, if any, lasting effects they had on the financial practices and business cultures where US bankers inserted themselves. However, it is striking that the overseas banking experiment that was forged in Gilded Age wealth and railroad-tycoon affluence had shifted within a few short decades to a flexible financial project that could deepen and broaden US power not only through elite social club connections, but also in mainstream campaigns to bank the unbanked.

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"Like walking through a strange graveyard. Minutes both detailed and cryptic" was Citi staffers' description of IBC's convoluted history as they poured over its records in 1955.[8] However, studying the "strange graveyard" of meeting minutes and banking minutia helps reveal the politics and structures that furthered US commercial expansion in the twentieth century. It shows how obscure, seemingly technocratic decisions, such as regulations for the Federal Reserve System, have had wide-reaching effects on the types of collateral deemed eligible for federal loans, the power of those holding the collateral, and the conditions under which rules could be changed. It also reveals the importance of bankers' on-the-ground work and navigation of new social hierarchies as they assessed risk and creditworthiness.

The structure of the US financial system affects how the gains from economic development are distributed and how social power and public resources are allocated. It calls our attention to how collaboration between public- and private-sector entities builds the systems that determine who can access money, and under what terms. It also reveals the implicit assumptions, invisible rules, and

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8 Young, 1955.

understandings that shape people's experiences with financial systems. While the acceptance or rejection of a single credit application might look like a simple, "objective" assessment of a borrower's eligibility, the conditions that affect that determination depend on institutional power, social values, and previous generations' decisions about how to allocate power and capital. As long as credit histories serve as guides to credit futures, credit systems will carry forward the inequities of the past.[9] This dissertation focuses on a critical period of the early twentieth century in which different approaches to credit and trust came into contact overseas, as the United States was building an entirely new set of systems to gain commercial power overseas. Following the work of overseas banks in building this apparatus shows how social privilege was interwoven with state power to create a system that gave a scientific gloss to systems of elitism and insider access. Analyzing these connections and structures gives us a stronger foundation for understanding the relationship between banks and the US state in expanding US power in the early twentieth century, as well as the hierarchies of privilege and inequality that accompanied that rise.

[9] Quinn, 18.

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