Follow the Money: The Astors, the Guggenheims, and the Global Economy in the age of the Titanic

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The fact a ship as large as the Titanic was built at all indicates the volume of travel in the years immediately before the outbreak of the First World War, after which that conflict and the subsequent increase of isolationist policies would curtail global trade and migration for decades. In fact, the world was a more densely interconnected economic unit in 1912 than it would be again until the early 1990s (see Frieden, xv-xvi). Tariff barriers were low due to the prevailing economic liberalism of the period, and the gold standard ensured a stable index of the value of goods across different currencies. The dominant powers in the global economy of the early twentieth century were Western Europe and the United States (though Japan, Argentina, and Thailand (then known as Siam) also experienced rapid expansion), so it is not surprising that a number of multimillionaires, some of whom lived and some of whom died, travelled aboard the ill-fated liner. Nor is it surprising that many of the millionaires aboard the Titanic made their fortunes in the transportation business itself. In addition to J. Bruce Ismay, chairman of the White Star Line that owned and operated the enormous liner, the ship hosted such railroad magnates as John B. Thayer (vice president of the Pennsylvania Railroad), George Widener (a cable- and streetcar magnate), and Charles M. Hays (executive of the Grand Trunk Railroad). Railroads, in this era before the start of long-haul trucking, did not exist simply to get people to and from work; as a glance at the route maps for the North American railroad grid show, they were designed to bring goods from the interior to the coasts for export overseas. To accumulate great wealth in the early twentieth century, as now, required the manipulation of markets that spanned the world.
The manner in which two of the richest men aboard the *Titanic*, John Jacob Astor IV and Benjamin Guggenheim, acquired their fortunes demonstrates how global capitalism grew over the course of the 19th century and blossomed in the early 20th. In an age when income and inheritance taxes were non-existent, family fortunes could accumulate over generations far more easily than today. The richest man on the *Titanic*, John Jacob Astor IV (1864-1912), inherited immense sums from his merchant ancestors. The Astor fortune was founded by John Jacob Astor (1763-1848), born in Baden (in modern Germany) as Johann Jacob Astor. A recent biographer, Axel Madsen, introduces Astor as "one of the first merchants to imagine the world as a global economy" (1). Astor manifested this imaginative understanding of the opportunities global trade had created in particular by trading in furs, tea, silk, real estate, and occasionally opium. The fur trade was pioneered in the early 17th century by the French adventurer Samuel Champlain, who had, in fact, been pursuing a different dream of global wealth: finding a quick route to China (see Brook, Chapter Two). Throughout the 17th and into the 18th century, China was the engine of the world economy; the reason Spain and Portugal rushed to develop silver mines at locations in the New World like Potosi (in modern Bolivia) and Minas Gerais (in Brazil), giving further impetus to the African slave trade in the process, was because the metal had such value in China, whence originated the luxury goods most coveted and profitable in Europe. Astor in effect closed the circle; one of the foundations of his fortune was the direct trade of furs and skins from what is now Western Canada to China for tea and silk, which he then re-sold at enormous profits in Europe and America. Later, he would dabble in the lucrative opium trade (Madsen 167), purchasing low-grade Turkish opium that English merchants, who dominated the commerce in narcotics at the time, would use to adulterate the better quality drug harvested from the Indian subcontinent, thus increasing their profits from users in China. China tried at times to restrict or end the trade, but British military power enforced its continuation.

Astor in turn plowed his trading profits into real estate, perceiving that the new role of New York in the global economy would lead to continued expansion of the city, the developed areas of which then hardly extended above Canal Street. Once, in 1810, when Astor sold a property in lower Manhattan for $8000, the purchaser chided him by saying it would be worth $12,000 in just a few years. "With $8,000," Astor replied, "I buy eighty lots above Canal Street. By the time your lot is worth $12,000, my eighty lots will be worth $80,000" (Madsen, 59). Perhaps not coincidentally, 1810 was the year the New York legislature appointed a commission to study the feasibility of building what would become the Erie Canal, the waterway that made New York the great international port of the East Coast by connecting it with the St. Lawrence Seaway, and so with the American and Canadian interiors (see Koeppel). Astor died in 1848; ironically, the year that protests and revolutions broke out all over Europe (spreading to some regions of Latin America) against the concentration of wealth and power in
Astor's great-grandson who would die on the Titanic, J. J. Astor IV, drew upon his inherited wealth to found the Waldorf-Astoria Hotel with his cousin, William Waldorf Astor, who represented the British branch of the family (another instance of Astor internationalism; not coincidentally, the UK was the largest industrial center in the world throughout most of the 19th century). The original Waldorf-Astoria, located at the corner of 34th Street and Fifth Avenue from 1893-1929 and designed by Henry Janeway Hardenbergh (also the Dakota Building's architect; see Kaplan, 85), was in some ways a model for the Titanic itself; luxury liners aspired to be floating versions of luxury hotels. The ornate building of the original Waldorf-Astoria would eventually be replaced by a more imposing icon of international business, a structure whose clean and forceful lines bespoke not luxury but power: the Empire State Building. The confidence the global plutocrats of 1912 possessed in their right to enjoy their immense fortunes in as public a manner as they wished, as signified by the exuberant decoration of the old Waldorf-Astoria, did not endure into the Great Depression, when the skyscraper that still symbolizes New York's direct style and dedication to efficient work was built. Indeed, as Steven Biel notes, the Titanic's sinking quickly became a metaphor for the passing of the age of arrogant wealth it came to represent (See Biel, Chapter Three, "Mammon").

Luxury hotels from the start catered to an international clientele. As Horace Sutton notes in a history of the hotel that is as garish as its subject, "One of the famous and oft-recorded visits was the arrival at the old hotel in 1896 of Li Hung Chang, who was among other endeavors Viceroy of China, Prime
Minister, Minister of Foreign Affairs, Senior Guardian of the Emperor, Earl of Suh Chi, and Commander of the Northern Army (Sutton, 62). The hotel would also become a haunt for refugees from the Russian Revolution of 1917 (Morehouse, 27-28). Among the ornaments of the hotel itself was Oscar Tschirky, generally known simply as "Oscar of the Waldorf." A Swiss emigrant who served as the maitre d'hôtel and claimed credit for the invention of the Waldorf Salad, Oscar superintended the excess that characterized the hotel; he "organized what the New York Herald Tribune called the city's costliest dinner ever" (Morehouse, 32) on February 11, 1899. The Herald Tribune may have exaggerated; The New York Times reported later that week that the "horror and amazement" caused by a dinner said to cost $250 a plate when the average construction worker in the US made 37 cents an hour and worked a 48 hour week might have been palliated had people known the true cost was more like $39 a plate (though that was still over ten percent of an average public school teacher's salary - and the Times in any case does not substantiate its own estimate. See http://usa.usembassy.de/etexts/his/e_prices1.htm for average wage estimates in 1900; New York Times, 2 March 1899). Regardless, the legend itself demonstrates the fascination and horror conspicuous consumption held for the first era of global capitalism. Of such interest was hotel traffic that the New York Tribune ran a column listing the arrivals of prominent guests; on the night of the Waldorf-Astoria banquet, for instance, "Bram Stoker, London" took up lodging at the Plaza New York Tribune, 12 February 1899). His novel, Dracula, had been published less than two years earlier.

Another of the millionaires the luxurious liner would end up plunging into the frigid waters of the North Sea was Benajmain Guggenheim, one of several sons to inherit a major mining and smelting concern developed by their father, Meyer Guggenheim. The history of silver in the late 19th and early 20th centuries is an excellent gauge of the growth of a global economy. When most of the industrial nations of the world adopted the gold standard in the 1870s (Frieden, 6), the price of silver fell relative to gold (Frieden,114). Developing countries like Mexico, India, Russia, Argentina, and China, however, maintained silver-based currencies, which made their exports (such as minerals, silk, and wheat) attractively cheap on European markets. The result, Jeffry Frieden explains, was that
"[American] farmers and miners tried desperately to get the dollar delinked from gold" (114); indeed, the presidential campaigns of William Jennings Bryan in 1896 and 1900 hinged on this issue. Like Astor, Meyer Guggenheim amassed a great fortune despite the vicissitudes of commodity prices in a worldwide market because he recognized the potential of global diversification. Though the initial strike that allowed the family to graduate from their original lace-importing business to mining was in Colorado, what would establish the family fortune was its projection of its operations into Mexico starting in 1890 (Davis, 67), when Daniel Guggenheim reached an agreement with the President of Mexico, Porfirio Diaz that allowed him to bring immense quantities of heavy mining equipment into the nation duty-free. Labor costs were so much cheaper in Mexico that, John H. Davis reports, "By 1895 the Guggenheim smelters at Pueblo, Monterrey, and Aguascalientes were bringing in a net profit of over $1 million a year" (72) - in a period when the average American family income was $438 a year (http://usa.usembassy.de/etexts/his/e_prices1.htm) and there was no federal income tax. Nor did the Guggenheims stop there; as the chart below shows, by 1910 they had diversified into Chilean copper and African rubber.

Astor and Guggenheim were just two of the many millionaires aboard the Titanic. The unimpeded flow of global wealth largely into the hands of a few thousand men in cities like New
York would not long outlast the *Titanic*, however; the 16th Amendment established the legality of a federal tax on income in 1913, a year after the symbol of world-dominating luxury sank to the bottom of the North Atlantic. The passage of the 16th Amendment was only one instance of a national reaction to the restriction of wealth and privilege into the hands of a small minority; another was the US Senate's hearings into the *Titanic* disaster, which focused so much attention on the disparity between the treatment of 1st and 3rd class passengers (see Wyn Craig Wade's *The Titanic: End of a Dream* for a fine account of the Senate hearings). The reaction to globalization after the First World War, however, strongly indicated that economic globalization needed to be better regulated, not abandoned. Nations retreated into economic autarky (trade protectionism and the attempt to be self-sufficient in resources), which deepened the Great Depression and helped create the conditions for the rise of Nazism.

Then, as now, the disparities in wealth produced by the uneven benefits of globalization have led to protest. But where the populists of William Jennings Bryan's era demanded nationalist protection, the current *Occupy Wall Street* protests focus on international regulation. Indeed, the current populist movement has been self-consciously global, imitating Arab Spring's use of social media to organize events without the need for a formal organization. Such a mode of loose affiliation can make it difficult to craft a clear and consistent message, but there so far seems little call for a return of trade barriers and autarky. In any case, the New York that the protesters and all of us walk was built in a global age. The many charities of the Astors and Guggenheims have left lasting monuments around the city: the Guggenheim Museum, the Astor Court in the Metropolitan Museum of Art, and many less obvious structures funded by Brooke Astor, the daughter of John Jacob Astor IV. But that money came from all over the world; all these monuments, as so much in the city, was built on the labor, not only of immigrant construction workers, but of Mexican silver miners and Chinese silk weavers. "Money," Brooke Astor was fond of saying, "is like manure; it does no good unless it's spread around." The achievements and failures of modern cities everywhere belong to the whole world.
Works Cited

Biel, Steven. *Down with the Old Canoe: A Cultural History of the Titanic Disaster*. New York: W. W. Norton


