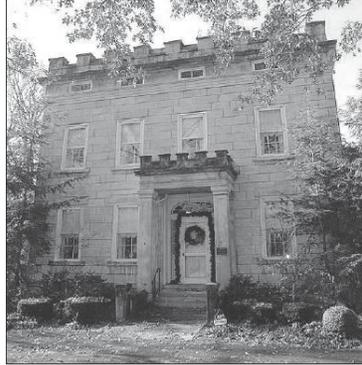


SANDUSKY'S JAY COOKE MAJOR CONTRIBUTOR TO THE UNION WAR EFFORT BY JOHN HILDEBRANDT

Jay Cooke and The Cooke House on Columbus Avenue in Sandusky.



SANDUSKY

In its 193-year history, there have been many thousands of births in the City of Sandusky.

Arguably the one which has had the most impact on the world occurred August 10, 1821, at what is now the northeast corner of Columbus Avenue and East Market Street.

Jay Cooke, named for John Jay, the former Secretary of State under George Washington, was the third child of Eleutheros Cooke and Martha Caswell Cooke, settlers from New York. Eleutheros Cooke later became a congressman and noted attorney. His home on Columbus Avenue in Sandusky is now a museum.

Jay Cooke is mainly known for his role in financing the Union war effort during the Civil War. But he was also instrumental in the building of what became the Northern Pacific Railway.

Erie County was still frontier in 1821. Less than a decade earlier, during the War of 1812, there were battles with Indians and the British at what is now Fremont and on the Marblehead Peninsula. Wolves, cougars and bears roamed the woods. Vast stretches of prairie and swamp covered the county.

Cooke grew up fishing and hunting at every opportunity. Both remained lifelong pursuits. As a boy he was befriended by a Wyandot Indian chief, named Ogontz, who often visited Sandusky. Cooke wrote in his memoirs: "Old Ogontz did himself and us the honor of occasionally sojourning for a few days on the spot where he had once dwelt in his wigwam; on such occasions he was allowed to camp in our barn, and my mother fed him bounteously at the kitchen table. I was his favorite and occasionally was mounted on his shoulders for a ride." For the rest of Cooke's life, Ogontz was his touchstone for all that was good and noble.

Cooke left Sandusky in his mid-teens, moving briefly to St. Louis and then to Philadelphia, where he joined the investment firm of E.W. Clark & Co., then one of the largest private banks in the country. Quick-thinking, highly intelligent, with a mind for business, Cooke rose quickly in the firm and before the age of 30 was a partner in the New York City and St. Louis branches of the firm.

In 1858, at age 37, he retired from Clark & Co., already a very wealthy man, and spent time on a variety of activities, including reorganizing abandoned Pennsylvania railways and canals and returning them to operation. On Jan. 1, 1861, he opened the private banking house of Jay Cooke & Co. in Philadelphia. Less than four months later, on April 12, the Confederates fired on Ft. Sumter and the Civil War began.

Wars are expensive as well as bloody. The struggle to find a way to pay for the means of war, both human and material, is not an easy one. For both the Confederate States of America and the United States of America it was a constant battle to generate sufficient funds to pay for the war effort.

However, it turned out the Union had a remarkable weapon in the financial war: Jay Cooke.

Governments have three basic options for paying for war: print money; increase existing taxes or create new ones; and borrow money. The U.S. government did all three (the first U. S. income tax was adopted during the Civil War), but the lead strategy was to borrow.

Cooke was well connected in Ohio politics. His father had been a congressman, and his younger brother, Henry Cooke, was a newspaper publisher and close friend of Salmon Chase, Lincoln's first Secretary of the Treasury. Chase had the daunting task of trying to figure out a way to pay for the war. By 1862 it was obvious the war was going to be a more expensive task than originally predicted.

The younger Cooke helped get his older brother the order to handle a \$2 million bond issue for Secretary Chase, which Jay handled quickly and efficiently, selling the bonds to a group of Philadelphia bankers. A short time later, Cooke accompanied Chase to New York City where he helped him raise an additional \$50 million from bankers. This was a big deal for the time, but Chase and others in the government quickly realized they had to find a way to raise much more money. The war had given the Federal government an insatiable need for money.

Impressed with Cooke's selling skills and financial knowledge, Chase authorized Cooke to be the exclusive agent for the sale of \$500 million so-called "Five-twenty" bonds, which were callable in 5 years and matured in 20 years. They paid 6 percent interest, in gold.

Jay Cooke had reached his moment in history, and he took advantage of it. He created what in the 20th century would be called "bond drives." His strategy for selling bonds was to target the ordinary citizen, something that had never been done before. He convinced the Treasury to issue bonds in denominations as low as \$50.

Cooke relied on two tools of modern marketing: advertising and direct sales. He invested heavily in newspaper advertising throughout the North, both big cities and small towns. He was not above arm-twisting to convince editors of these newspapers to write articles extolling the benefits of buying government bonds. In addition to newspaper advertising, he distributed pamphlets, put up posters and passed out handbills by the millions.

Cooke also hired an army of salesmen, probably 2,500 or more, scattered across the country. He sent them to every town and hamlet in the North, even to remote mining camps in the West. Their sales target was the ordinary citizen, farmers and tradesmen and small businessmen. They appealed to their patriotism, to their belief in the sanctity of the Union, to the future of the country.

The strategy worked. Before the Civil War far less than 1 percent of the population had owned any kind of security. Jay Cooke sold bonds to about 5 percent of the Northern population. It was an amazing accomplishment. He had demonstrated to the American financial community the importance of the small investor. The financial world was never the same again.

The massive bond drives of World War I and World War II were essentially replays of the strategies Jay Cooke pioneered in the Civil War.

In early 1865, when the government was having trouble selling a new bond issue, Cooke was again asked to help. He sent out his army of salesmen and geared up the

advertising machine and sold three series of notes raising \$830 million, allowing the Union soldiers to be supplied and paid during the final months of the war.

Cooke's firm earned some \$4 million for marketing these bonds, but the commission worked out to only three-eighths of one percent. Cooke had to pay all his expenses out of this amount, which included advertising and commissions for his sales force.

General U. S. Grant reportedly said of Jay Cooke shortly before the final victory at Appomattox: "Tell him that it is to his labors more than those of any other man that the people of this country owe the continued life of the nation."

The North raised two thirds of its revenues for the war by selling bonds.

The downside, of course, was a dramatic increase in the national debt. The North put much of the cost of the war on the future. In 1865, when the war ended, the debt stood at \$75 per person, a height it would not reach again until World War I.

Cooke wrote a pamphlet in 1865 entitled *How Our National Debt can be Paid: The Wealth, Resources, and Power of the People of the United States*. It was widely circulated in financial circles. In brief, Cooke argued that our economy, given the two primary drivers of population growth and a wealth of natural resources, would provide the revenues needed to retire the debt. He was right, of course.

In terms of political conviction, Cooke was a solid Republican. He believed in the Union cause and was strongly anti-slavery. He describes in his memoirs how his father sheltered escaped slaves in the family barn on their way to Canada.

Cooke was also a deeply religious man. He spent a great deal of time with clergymen, and his correspondence, including his diaries, is filled with religious references. In 1866, when General William Sherman stopped by his Gibraltar home unannounced on a Sunday, Cooke refused to meet with the general because it would profane the Sabbath. He donated funds for the building of a number of Episcopal churches, and one of his sons became a Presbyterian minister. He regularly tithed 10 percent of his income to religious and charitable causes. He and his wife, Dorothy Elizabeth, had eight children, and by all accounts he was a happy and devoted family man.

In 1865, Cooke began building what would become one of the largest homes in America in the rolling hills north of Philadelphia. Named Ogontz, in honor of the Wyandotte Chief whom Cooke so much admired, the estate cost \$1 million and covered 145 acres. It was five stories high with 52 ornately decorated rooms, including a conservatory, Italian gardens and other blandishments. For the next seven years Cooke entertained the royalty of America at Ogontz: President Ulysses S. Grant, foreign dignitaries, fellow financiers, even a gathering of Sioux and Cheyenne Indian chiefs.

During the Civil War, Cooke purchased Gibraltar Island in Put-in-Bay Harbor, and built a home there called Cooke's Castle. It became his summer retreat. Today the island and the home are part of The Ohio State University's Stone Laboratory.

Cooke was one of the wealthiest men in America. The phrase "as rich as Jay Cooke" was part of the common vernacular.

Cooke's post-Civil War life focused on a dream to build a railroad across the northern U.S., from Duluth, Minnesota to Tacoma, Washington. Railroads were a sexy but risky business in the 19th century—the rough equivalent of the computer/ internet businesses today. Cooke was convinced of the project's potential, and in 1870 his banks underwrote the bonds to finance the Northern Pacific Railway from Duluth to Bismarck, N.D. Troubles with the Sioux Indians, weather problems, and other issues proved to be major obstacles and in early 1873, when the national economy turned downward and investment markets dried up. Cooke's banks could not meet the demands of their depositors, and in September the New York office of Jay Cooke and Company closed.

Cooke's problems helped precipitate the Panic of 1873, the largest financial collapse of the 19th century. His was the first major financial institution to fall, similar to the Lehman Brothers bankruptcy in 2008, which triggered our most recent financial crisis. Cooke's personal fortune was wiped out. He was forced to sell Ogontz and nearly all of his property.

Cooke still had an ace to play, however. In the late 1870s he invested a small sum in a silver mine in Utah. It was a silver mine that turned into a gold mine, at least for Cooke, and with the success of the mine he reclaimed much of his fortune. By 1880 Cooke paid back each of his creditors in full. He also repurchased his beloved estate, Ogontz, and Gibraltar Island in Lake Erie.

Others would make Jay Cooke's railroad dream a reality. The Northern Pacific Railway was completed in 1880. Later in life Cooke was able to take a trip along the route from Lake Superior to Puget Sound. He remained a booster of the railroad the rest of his life.

With much of his fortune back, Cooke spent the last 25 years of his life in comfortable retirement. He leased his Ogontz estate to a local girls school, which became the Ogontz School for Young Ladies. His granddaughters all attended the school, and Cooke himself was a frequent visitor passing out gifts of fruit and candy. The aviatrix Amelia Earhart attended the school from 1916-18. She was probably its most famous student. Summers were spent on Gibraltar Island in the Put-in-Bay harbor. Cooke dabbled in various business ventures but continued to lead a quiet, family-centered life.

Cooke died Feb. 8, 1905, in Ogontz, Pa. He was 84. He was buried in the small cemetery that adjoins St. Paul's Episcopal Church, which he had helped found in 1861. The family mausoleum is still there, housing Cooke's remains and those of his immediate family, and looking a little worse for wear after a century.

In Erie County the only public acknowledgement of Sandusky's most famous son is the historical marker at the corner of Market Street and Columbus Avenue. In Minnesota there is the large Jay Cooke State Park near Duluth named in his honor. A large statue of Cooke greets visitors to the park. Cooke's legacy also continues in the Village of Cooke City, Mont.; Cooke Township in Pennsylvania; Jay Cooke Elementary School in Philadelphia; and Cooke Road in Cheltenham Township outside Philadelphia.

Ogontz, the Wyandot Indian Chief who befriended Cooke as a young boy and whose Sandusky legacy is acknowledged on Ogontz Street, also has a street named for him in Philadelphia, a major thoroughfare in the northern section of the city.

His image is also sculpted in stone above the door of the main administration building at Penn State University at Abingdon, formerly the Ogontz School for Girls. The Ogontz name lives on in the Chief Ogontz Award given annually by the Student Government Association to a faculty or staff member in recognition of outstanding contributions to student life.

Jay Cooke would have approved.