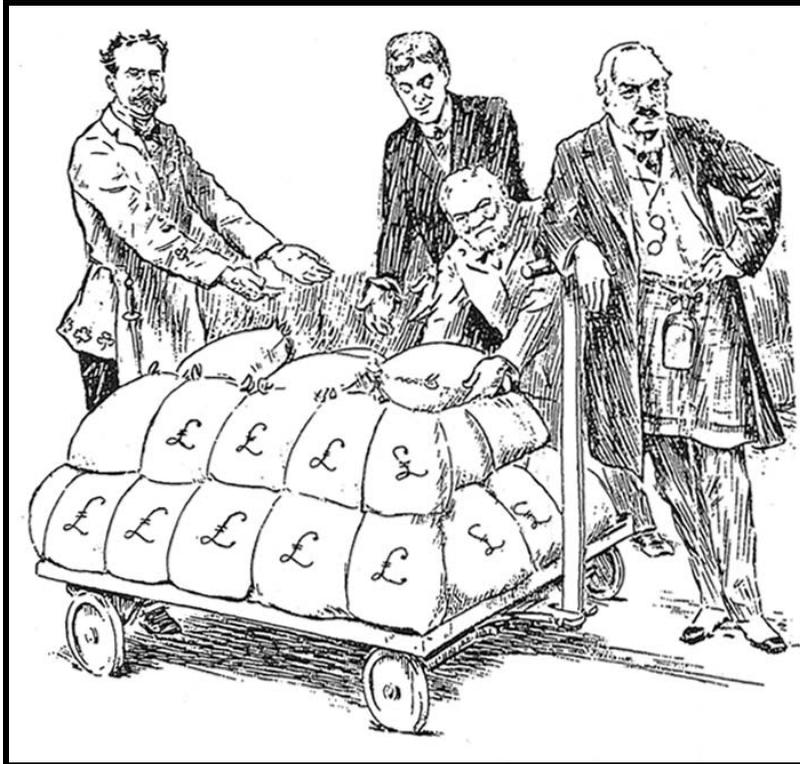


## Reversals of Fortune in the Tea Industry

### Part XXXVI: Preconceptions and Misconceptions



“Sir Thomas Lipton, the theatrical impresario Sir George Alexander, Andrew Carnegie and J. Pierpont Morgan piling up the money bags (detail from a cartoon by Charles Sykes in *The Throne*, 11 May, 1907)”

— quoted from James Mackay’s *Sir Thomas Lipton, The Man Who Invented Himself*.

The illustration above depicts four gentlemen, all quite famous at the dawning of the twentieth century, standing next to heaping bags of sterling. By implication, one could assume that Sir George Alexander was in the same league, financially, as Lipton, Carnegie, and Morgan. Sir George was very well known, both as an actor and manager of the St. James Theatre at the height of its grandeur. But the actuality of his possessing extreme wealth is illusory. From A. E. W. Mason’s *Sir George Alexander and the St. James Theatre*, one concludes that Sir George had a comfortable but not lavish lifestyle. Perhaps this illustration is another example of a preconception being a misconception.

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Upton Tea Imports will be closed for our annual vacation from July 4 through July 12. All orders received by July 2 will be shipped by July 3. We will also be closed FRIDAYS August 7 through September 4 so that our staff can enjoy a little extra time off!

## *Reversals of Fortune in the Tea Industry, Part XXXVI*

Lipton's unsuccessful second challenge for *America's Cup* occurred in 1901. By that time, a half century had passed since the schooner *America* captured her eponymous cup from the *Royal Yacht Squadron*. Nobody had ever made a third attempt to wrest that precious *Cup* from the clutches of the *New York Yacht Club*. Lipton, indefatigable in his quest to "lift that auld *Cup*," would be the first and only challenger to do so.

The *NYYC* received Lipton's third challenge in 1902, with the expectation that the competition would be held in the fall of 1903. However, members of the *Cup Committee* were not especially happy with the demands of another expensive Lipton challenge, especially so soon. Christopher Pastore states in *Temple to the Wind*:

... Most yachtsmen directly involved sat on boards of large companies and had families and, of course, their own yachts to attend to and were not willing to spend every summer defending the *Cup*.

Besides the demands on their time, there was another factor in development that made another Lipton challenge, with its focus on conspicuous wealth and plutocracy, awkward at the dawning of the twentieth century. Simply put, middle class America was beginning to question the country's economic, social, and political systems that had evolved over the decades following the Civil War. A new generation of "reform journalists" was provoking those questions.

Reform journalists would eventually be labeled "muckrakers." That term was first used allegorically by Theodore Roosevelt in 1906, and thereafter came into common use.

While it is difficult to date the advent of American reform journalism, reference to the darker side of American big business appeared as early as the August 1870 issue of *The Atlantic Monthly*, in which one reads: "The old robber barons of the Middle Ages who

plundered sword in hand and lance in rest were more honest than this new aristocracy of swindling millionaires."

One can debate at length the degree to which "swindling" was simply "seizing opportunity," but there was plenty of potential for both. Stock manipulation and insider trading were common. Political bribery was widespread. But to label all magnates of the time as swindlers is unjustifiable. That being said, there was plenty of material available for an eager journalist, as characterized by Louis Filler in *Crusaders for American Liberalism*:

The "muckraker," for so he came to be called, dealt with facts and not with theory. Whatever it was he concluded about business and the theory of capitalism — and he reached various conclusions — he made sure to give the facts and details about his subject. He described a lynching with realism, probed the psychology and history of the Rockefellers and Goulds, told intimate stories of the Tammany machine. Conservatives called him a sensationalist; critics and writers in the old tradition, whose stock had fallen low, accused him of being a mere journalist. In his "blue" moments, he was inclined to agree that he was a journalist; but then he would conclude that whether he was or was not, there had never before been such journalism as this.

Muck was sensational, and it sold newspapers. People began reading about farms being seized by banks and poor immigrants living in deplorable, crowded slums. They read of child labor abuses and dangerous working conditions. They learned that work related injuries and even deaths had no compensation. Much of this they already knew, at least on some level, but having it documented in lurid details brought focus to these issues.

As the articles became more sensational, the conclusion reached by many readers was, if the industrial moguls were not directly culpable for social injustices, they were at least responsible for their perpetuation. The growing concern was that monopolies and trusts were actually spoiling the American dream.

In *America in the Gilded Age — From the Death of Lincoln to the Rise of Theodore Roosevelt*, Sean Cashman defines the concerns of Americans as follows:

By 1900 middle-class Americans were responding to two challenges to social stability. One was the control of political and economic life by big business. The other was the unrest and discontent among the lower classes, especially factory workers and immigrants. ... In 1896 Charles B. Spaur estimated that one percent of the population owned more than half of the total national wealth. In 1897 the total value of all corporations individually worth \$1 million or more was \$170 million. In 1900 the total value was \$5 billion.

Unfortunately, not all journalists probed deeply enough to distinguish preconception from reality, while others approached their subject in a belligerent rather than balanced style. To a large degree, all big business, and all industrialists were one and the same evil. This was contradicted in the case of United States Steel, formed in 1901 by J. P. Morgan.

By merging Carnegie Steel with several smaller competing steel companies, Morgan created the largest corporation in the world, capitalized at over a billion dollars. What made United States Steel really unique was not its size, but Morgan's appointment of Elbert (Judge) Gary as chief executive officer. The story of United States Steel is perhaps best told by Ida M. Tarbell, considered one of the pioneer muckrakers.

In Tarbell's *The Life of Elbert H. Gary, The Story of Steel*, one reads of a progressive company that operated under a new code of ethics, known as the *Gary code*. Morgan gave Gary total freedom to run U. S. Steel as he saw fit. U. S. Steel became a model for modern, progressive industry, where employees were treated fairly and operations were transparent and scrupulously honest.

Although it was never a monopoly, it was large enough and efficient enough to weather hard times without massive layoffs. All employees were offered stock options, and those who invested regularly and kept their shares had a sound financial retirement.

In spite of its progressive code, U. S. Steel would still be the target of muckrakers and congressional investigations. No corporation was immune from the attacks. But it was not

the typical muckraker or members of Congress that caused Morgan and other members of the NYYC the most grief. Surprisingly, that came from a controversial stock broker and investor, Thomas W. Lawson.

A prosperous member of the *Massachusetts Yacht Club*, Thomas Lawson closely followed the *America's Cup* challenges. His relationship with New York investors was not exactly cordial. On what appears to be a frivolous but patriotic whim (laced with a dose of Boston vs. New York rivalry), Lawson commissioned an extreme yacht, named *Independence*, intending to submit her as a defender for *America's Cup* against Thomas Lipton's second challenge with *Shamrock II*.

Lawson seemed to ignore the fact that *America's Cup* belonged to the NYYC. He believed that *America's Cup* belonged to America as a country. Lawson caused quite a stir and after considerable negotiations, the NYYC finally agreed to let *Independence* compete against Nat Herreshoff's *Columbia* and *Constitution* in time trials. If *Independence* proved to be the superior yacht, she would be selected as the *Cup* defender as long as she flew the NYYC flag.

*Independence* did not fare well in the time trials. With enormous sail area, even greater than that of *Constitution*, she demonstrated flashes of speed and briefly showed well against both NYYC yachts. But in every trial race, *Independence* experienced a misstep; the rudder would jam or she would stall, sometimes spinning out of control. *Independence* seemed to have exceeded the design limits for a credible racing yacht. Lawson had his would-be defender destroyed three months after she was launched and set out on a mission to discredit the NYYC.

Financing the entire production, in 1902 Lawson published *The Lawson History of the America's Cup*. The book was co-authored by Winfield M. Thompson, who provided the yachting expertise that Lawson lacked. In point of fact, Thompson was entirely responsible for the historical content of the book. In

the introduction to *The Lawson History of the America's Cup*, Lawson wrote:

For [the compilation of the chronological history of the *Cup*] I selected a writer, my collaborator, Mr. Winfield M. Thompson, the product of whose pen in yachting and other fields of literature was a guarantee not only of graceful thoroughness, but of a conscientious adherence to facts and all men's rights. To Mr. Thompson I said: "Write the history of the America's Cup, and while writing it forget my personal interest in the book — forget that the same covers which hold your work will hold mine. I do not want to know what you write until it is printed, and I will not confuse you in your work by allowing you to read my part until both are printed."

It was typical Lawson manipulation. Thompson's contribution is considered the most thorough source of *America's Cup* history up to and including Lipton's second challenge in 1901. Lawson's exhausting diatribe that followed in the same publication is no more than an unfair attack on members of the *NYYC*, which he labeled "a vicious class in American Yachting."

Lawson separated Thompson's fifteen chapters from his concluding three with a letter to his readers. Therein he notes:

...For the student-yachtsman of the future to understand how it was possible in the year of American progress and American patriotism, 1901, the first of the second half-century of the America's Cup, (the one great international emblem of America's yachting supremacy,) for the custodians of the Cup to take and hold the position that no American built and owned ship other than one belonging to a member of a private club representing one city in America — a club whose total membership numbered only one-forty-thousandth part of the people of the United States — could take any part in the Cup's defense, he must not only know this club and its members, and their relations as custodians of the America's Cup with the yachting world, but he must know the particular conditions which permitted the existence of such a club.

...

In that part of the following pages which does not deal directly with the events in the history of the Cup in which I figured, I shall endeavor to make clear the conditions which made it possible for this club, as a body, to wield, in the face of strong opposition from the entire American press and people, and almost all foreigners interested in the sport of yachting, a power as resolute, so far as the rights of other American

citizens in the Cup defense were concerned, as that of any monarch of his subjects.

Lawson devoted considerable energy to his smear campaign, and he was very effective. In *The History of the New York Yacht Club*, John Parkinson, Jr. states:

[Lawson] encouraged the press to publish his views and correspondence with the America's Cup Committee ... and aroused considerable public sympathy both at home and abroad. Scrap books and other records certainly indicate the Club was presented in very unfortunate light by the newspapers. Today, Lawson's *History of the America's Cup*, is one of the best sources of information concerning the matches up to 1901. ... The latter part of the book, written by Lawson himself, is an unreasonable, bitter attack on the Club, but is of interest because so much correspondence on both sides is included.

Lawson even hired lawyers to examine the *America's Cup Deed of Gift*, which, in their opinion, was judged to be an illegal document. That opinion was published in Lawson's book, as were several newspaper articles attacking the *NYYC*. The headlines read "UNSPORTSMANLIKE, UN-AMERICAN," "AMERICA'S CUP BARRED TO AMERICANS," "SNOBBERY OF A YACHT CLUB," etc.

Lawson's focus on the *NYYC* abated as he turned from stock broker to full-time financial muckraker. In one publication he reveals the source of his large fortune: "I have unwittingly been made the instrument by which thousands upon thousands of investors in America and Europe have been plundered." In other words, he was part of a system that made him rich and his clients poor, but he was unaware of what was going on and therefore not culpable. Lawson eventually lost his entire fortune and died destitute.

In the end, the *America's Cup* races were held as usual and Lipton's tea sales would benefit from the publicity. But a future scandal would unfold, implicating *Lipton Limited* in a bribery case related to British army contracts.

Our series on *Reversals of Fortune in the Tea Industry* will continue this topic in the next issue of the *Upton Tea Quarterly*.