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Jacques Seligmann & Co. records, General Correspondence: Mellon, Andrew W., 1929-1937

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[[newspaper clipping]]

THE NEW YORK TIMES, TUESDAY, FEBRUARY 19, 1935.

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\$19,000,000 ART GIFT PLANNED BY MELLON

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Provision for Gallery in Washington Revealed in Financier's Fight on Income Tax.

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'PAID MORE THAN SHARE'

[[short line]]

That Is the Contention of His Attorney in Pittsburgh Suit to Collect \$3,075,103.

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By F. RAYMOND DANIELL.
Continued From Page One.

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proceeding instituted by Mr. Mellon ostensibly to obtain a refund of \$139,045, the amount which he says he overpaid, but actually to clear himself of the charge of fraud, was occupied with the opening statements of opposing counsel. At adjournment time F. R. Shearer, an associate of Mr. Jackson's, was still explaining to the three commissioners one phase of the government's case.

Through it all, Mr. Mellon, who will be 80 years old next March 24, remained unperturbed. Only once did he show annoyance. That was when Mr. Jackson said that if the defense were to be believed, the former Cabinet officer must admit that he had practiced usury against his own brother, the late R. B. Mellon, and confess that he had left him with a minority interest in a company which together they controlled.

By far the most interesting part of the testimony came at the close of Mr. Hogan's opening address, when he revealed, for the first time, Mr. Mellon's "cherished dream," of making the nation's capital the art centre of the country, if not of the world. It was to that end, the attorney said, that Mr. Mellon established the A. W. Mellon Educational and Charitable Trust Fund.

For years, Mr. Hogan said, Mr. Mellon had planned to establish in



Washington a "great temple of art." Regardless of geographical location, Mr. Mellon felt that Washington should be the cultural centre of the nation and he planned to make it the equal of Paris and London, if not of Florence and Rome, in the world of art.

Famous Paintings Listed.

There Mr. Mellon planned to build an annex to the National Gallery which would house not only his notable collection but also the collections of other artistically minded and public-spirited Americans who had the means and the desire to join with him in his great project, the lawyer said. It was to be in every sense a national gallery and was not even to bear the name of its founder.

The gallery which Mr. Mellon had in mind was not to be "for ordinary art objects but for those which were considered outstanding by connoisseurs," and was to be "accessible to the humblest citizen of this country." In 1930 Mr. Mellon started buying masterpieces famous the world over.

All together, Mr. Hogan said, Mr. Mellon had invested \$19,000,000 in rare objects of art which he planned to make the property of the nation and which he had actually turned over to the trustees of the A. W. Mellon Educational and Charitable Trust Fund for that purpose. Ending his statement of Mr. Mellon's case, the Washington attorney said:

"God doesn't place in the hearts and minds of men such diverse and opposite traits as these; it is impossible to conceive of a man planning such benefactions as these and at the same time plotting and scheming to defraud his government."

Counsel Alleges Prosecution.

Mr. Hogan opened his statement by alleging that his client has been persecuted by officers of the present administration, ostensibly for political reasons. An amendment to the government's case, filed this morning at the opening of the proceedings, he said, was of a piece with past performances and was designed solely to convince the public that Mr. Mellon was disqualified from serving as Secretary of the Treasury in 1931 by reason of his holding of stock in the Union Trust Company of Pittsburgh, which he founded in his youth.

The amendment to which he referred was one alleging that Mr. Mellon owed \$9,000 more in taxes than had been demanded by the government by reason of an additional income of \$47,193.36 from dividends on bank stocks. In a case already involving millions, the lawyer stated, the Treasury would not quibble about paltry thousands unless it was bent on embarrassing a prominent officeholder of the party which the present Democratic administration supplanted.

Counsel denied the charge that Mr. Mellon held bank stocks while he was Secretary of the Treasury. What he called the true situation was this:

In March, 1921, when he was asked to accept a public office which he was loath to take, that of Secretary of the Treasury, Mr. Mellon owned

3,300 shares of Union Trust Company stock in addition to his many other business interests.

He was informed by James A. Reed that the law prohibited the Secretary of the Treasury from engaging in "trade or commerce" and at once divested himself of his directorships in business and industrial corporations. Mr. Reed also told him that, in his capacity as Secretary of the Treasury, he would be an ex-officio member of the Federal Reserve Board, whose members are prohibited from owning bank stocks directly or indirectly.

Defends Sale to Brother.

At that time Mr. Mellon's holdings of Union Trust Company stock were worth \$10,520,495. It was impossible to "dump that much stock on the public," so Mr. Mellon arranged to sell it to his brother, R. B. Mellon, who was associated with him in various enterprises.

Thus, continued Mr. Hogan, Mr. Mellon's brother bought all his bank stock holdings at their market value as of March 1, 1921, obligating himself to pay the purchase price with 5 1/4 per cent interest and agreeing to leave the stock on deposit with the Union Trust Company as collateral until full payment had been made.

This arrangement continued in force until 1930 after Paul Mellon, the former Cabinet officer's son, was graduated from Yale. Then, unwilling to "profit at the expense of his brother's heir," Richard B. Mellon turned the bank stock back to his nephew, the latter assuming the obligation to pay for it with interest.

In 1932, the lawyer continued, Paul Mellon, through a series of transactions, turned over to the Coalesced Corporation all but 1,300 shares of the 3,300 shares his father had sold to his uncle upon assuming public office. The Coalesced Corporation was established by Andrew Mellon in 1929 with trusted employes and relatives as its officers and directors to serve as a holding corporation for his interests. He had entrusted about \$68,000,000 of his personal fortune to that company.

Neither in this nor in any of the other transactions which the government alleges constituted fraud for dodging income taxes, Mr. Hogan said, was there any understanding or arrangement by which Mr. Mellon was to regain possession of his securities. The stock sales which Mr. Jackson branded as "shadow sales" were in fact bona fide transactions.

The Prosecutor's Reply.

To all of which Mr. Jackson replied that the government would show, out of the mouths of hostile witnesses and records of corporations with which Mr. Mellon was associated, that all the transactions to which the government referred, were designed "solely for the purpose of creating fictitious tax losses" and that all were transactions in which "nobody profited and nobody lost except the government of the United States."

If Mr. Mellon's contentions were true and he had really sold his Union Trust Company holdings to his brother, the Federal attorney contended,

the government would show that the respondent had increased the interest on the money due him from 5 1/4 to 8 per cent and practiced "usury" against his own brother. It would show also that if Andrew W. Mellon actually had sold out his interest in the Pittsburgh Coal Company he had left his brother in the unfavorable position of holding a minority interest.

The government attorney also asserted that the stock of Pittsburgh Coal Company which Mr. Mellon says he sold to the Union Trust Company at a loss of about \$5,000,000 was purchased by his coalesced company 118 days later at the original sale price, plus 6 per cent interest and transfer taxes.

Was it likely, Mr. Jackson asked, that old employees and the heirs of Mr. Mellon, without his suggestion, would decide on their own account that he had made a mistake in disposing of the stock and buy it back when the market had fallen even below the price at which he had disposed of his holdings?

The very price at which the coalesced company bought the stock indicated that it had been arrived at "synthetically" rather than through the negotiations of business men, the Federal Attorney contended. The price per share was listed on the books of both companies at the "ridiculous figure" of \$4,184,353.99, he said.

Mr. Mellon entered the hearing room on the sixth floor of the new Federal Building here five minutes after the hearing opened before Ernest H. Van Fossan, Charles M. Trammell and Bolon B. Turner, three members of the Board of Tax Appeals who have been sent here to hear the evidence in the case.

The former Secretary of the Treasury wore an oxford gray business suit. White-haired, with bushy white eyebrows and long white mustache, he walked down the centre aisle, looking from right to left, as self-consciously as a man arriving late for church and marching down to the first pew.

Unable to find a place to hang his hat and coat, he threw them over a balustrade and sat down beside Mr. Hogan at the table reserved for his attorneys. He shook hands with Mr. Hogan and settled back as the latter arose to tell his side of the story.

The name of Mellon is the symbol of power in this part of the country and all the day the spacious court room was filled with persons curious over the outcome of this tilt between Pittsburgh's leading citizen and the government he served for so many years. There were only two or three women in attendance.

It was after 5 o'clock when the proceeding was adjourned until tomorrow morning when attorneys for the Union Trust Company will seek to avoid obedience to subpoenas for their records, which Mr. Jackson said he expected to shed little light on the transactions under inquiry.

As today's session closed two trucks, such as are used in railroad stations for transferring baggage, were wheeled from elevators to the sixth floor piled high with brief cases, suitcases and boxes. They contained the documentary evidence which is to be presented in the

hearing which has only just begun.

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Taxes Paid by Mellon.

By The Associated Press.

PITTSBURGH, Feb. 18-Attorney Frank J. Hogan disclosed today at Andrew W. Mellon's tax hearing that the former Secretary of the Treasury paid the Federal Government \$12,423,796 in income taxes while he headed the department. The figures by years were given by Mr. Hogan as follows:

1921.....	\$1,482,883
1922.....	950,958
1923.....	895,000
1924.....	1,865,000
1925.....	1,309,000
1926.....	1,126,000
1927.....	\$1,289,000
1928.....	1,233,798
1929.....	1,500,000
1930.....	1,605,000
1931.....	647,000

During that period Mr. Hogan said Mr. Mellon obtained refunds of \$97,255 and paid additional assessments of \$271,000. From 1913, the first year of the income tax law, through 1933, the attorney said Mr. Mellon paid a total of \$21,233,473.

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3-WEEK TOY STRIKE ENDED

[[short line]]

Workers Receive Pay Rises and a 40-Hour, 5-Day Basis.

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A three weeks' strike of about 1,000 workers in the stuffed doll and toy industry was ended yesterday when the Stuffed Toy Manufacturers Association and Local 18,230 of the Doll and Toy Workers Union of the American Federation of Labor reached an agreement.

The agreement, as made public by the association, provides for a flat increase in wages of 10 per cent for all workers whose wages are less than \$25 a week and an increase of 7 1/2 per cent for those receiving more than \$25. The agreement establishes a forty-hour five-day week.

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BOY BETRAYS HIS FATHER.

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Barber Arrested at Fire When Son Finds His Treasures Safe.

[[short line]]

A 14-year-old boy's discovery that his two most prized possessions, a portable typewriter given him at Christmas and his elementary school diploma had been removed to safety caused the police to arrest his father on a charge of setting fire to their home at 25-27 Ridge Street yesterday.

Louis Lubin, 37 years old, a barber with a shop on the ground floor of the tenement where he and his family have a fourth-floor apartment, was said to have confessed that he set the fire to collect insurance. He was held in the Clinton Street station on a charge of arson.

Lubin's son, Jacob, returning home from school after firemen had extinguished the blaze, found his possessions with some of his mother's best linen in the barber shop.

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Quakes Shake South of Bulgaria

SOFIA, Bulgaria, Feb. 18 (AP). - Sharp earthquakes were felt in Southern Bulgaria this morning. The seismological station in Sofia registered a strong quake at 8:40 A. M. 150 miles away. No damage was reported.

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END OF CUT IS SOUGHT IN FIRE AND POLICE PAY

[[short line]]

Alderman to Present a Demand Today That Mayor Ask Aid for State Bill Providing It.

[[short line]]

Restoration of the salaries of first-grade policemen and firemen to the former level of \$3,000 will be sought in a resolution to be introduced to the Board of Aldermen today by Alderman Edward J. Sullivan, Greenwich Village Democrat.

Mr. Sullivan said yesterday that no reason existed for continuing cuts in salaries of policemen and firemen, since the city's budget was balanced. He disclosed that business and civic organizations were being asked by the Patrolmen's Benevolent Association to petition Mayor La Guardia for the salary restorations.

Declaring that policemen in the last two years had contributed \$10,500,000 toward restoring the city's credit, he held that the emergency period was now ended. He also pointed out that Federal salary cuts were to be restored on April 1, and State salaries on July 1.

The Feld-Devany bill pending in Albany would cause the city restorations. Alderman Sullivan's resolution requests the Mayor to speed passage of the bill by asking Governor Lehman to support it.
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Oldest Amherst Alumnus Is 95.

ROCHESTER, Feb. 18 (AP). -Dr. Frank Wayland Adams, oldest living graduate of Amherst College, observed his ninety-fifth birthday anniversary today at the home of his daughter, Mrs. Winifred Adams Burr. He was graduated in 1862.
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Mr. Rogers Sends S O S For a Country Motor
[[short line]]

To the Editor of The New York Times:

SELIGMAN, Ariz., Feb. 18. - This is an open letter to Henry Ford. It goes to him first and if he don't pay any attention to it, why, then it goes to General Motors or any worth-while automobile manufacturer.

What this country needs is a high-centred automobile. You would be surprised at the amount of the U. S. that has not got a boulevard by their door. They making cars so low that you can't run over a fellow without hurting him and if you want to drive out of towns anywhere you got to use a span of mules.

Come on, Mr. Ford, do something for the country folks.

Yours,

WILL ROGERS.
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[[article]]
J. L. Cassels Gets Harvard Prize

Special to THE NEW YORK TIMES.

CAMBRIDGE, Mass., Feb. 18. - The Davis Wells prize in economics of \$500 annually given to a student or recent graduate of Harvard University for the best thesis embodying the results of original investigation in economics, today was awarded to John MacIntyre Cassels, who received his doctorate at Harvard last June and is now a Fellowship holder in the Social Science Research Council working

primarily in the London School of Economics.
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NOTED PAINTINGS BOUGHT BY MELLON

Noted Works Came From the Hermitage Collection of the Russian
Czars.
[[short line]]

GOT WORLD MASTERPIECES
[[short line]]

Works of Raphael, Titian, Botticelli, Perugino and Van Eyck Included in
the List.
[[short line]]

Many reports have been current in the last few years about the number
of pictures sold by the Soviet Government from the Hermitage, the
Russian national museum in Leningrad, and about the number bought
from this source by Mr. Mellon. Reports had estimated the purchases of
the former Secretary of the Treasury as running into millions, but so
secretive has he been that hitherto final confirmation has been lacking.

Some months ago, Mr. Mellon announced that he planned to leave his
art collection to the public, but he disclosed no details of this plan. The
financial needs of the Soviet government and its resolve to sell some of
the famous Russian national collection of pictures offered collectors
opportunities to obtain pictures that seldom are offered for sale.

In 1930 Mr. Mellon acquired the "Madonna and Child," by Raphael,
known as the Cowper or Nicolini Madonna, from Panshanger House,
England, at a cost of \$800,000. In the next year he was able to obtain
one of the great treasures of the art world, five of the outstanding chef
d'oeuvres from the Hermitage Galleries, founded in old St. Petersburg
by Catherine the Great. For these he paid \$3,247,695.

Other paintings listed by Mr. Mellon's attorney in Pittsburgh yesterday
were:

"Madonna of House of Alba," by Raphael, \$1,166,400.

"Adoration of the Magi," by Sandro Botticelli, \$838,350.

"The Crucifixion with St. John, the Magdalen and St. Jerome," a triptych
by Perugino, \$195,615.

"The Annunciation," by Jan Van Eyck, \$503,010.

"The Toilet of Venus," by Titian, \$544,320.

History of The Paintings.

Raphael's "Madonna of the House of Alba," was painted in Rome in

1510 and hung over an altar in a convent in Naples until a Viceroy of Spain bought it and took it to Spain. There it passed into possession of the Duke of Alba and thence to a London banker who sold it to the Hermitage Gallery.

The "Madonna della Casa d'Alba" was acquired by the Hermitage in 1936. It was painted while Raphael was in Rome between 1508 and 1513.

It is one of several easel pictures on which the great artist was at work in his studio at the same time that he was engaged in his Vatican frescoes in Camera della Segnatura, a room in the Vatican. Another of the easel pictures of this period is the "Foligno Madonna." Both are regarded as remarkable for their grandeur and beauty and are especially interesting as having shortly preceded Raphael's "Seggiola" and "San Sisto" Madonnas.

The "Alba Madonna" was painted on a circular panel, 3 feet 1 inch in diameter and was later transferred to canvas.

Botticelli's "Adoration of The Magi," was painted in Rome about 1481 while the artist was at work on the frescoes in the Sistine Chapel. It has been pronounced by experts one of Botticelli's greatest works and the equal of his painting now hanging in the Uffizzi Gallery in Florence. It was bought in France for the Hermitage from the engraver, Peralli, who is said to have obtained it from one of the great collections of Rome.

The subject of the adoration of the Magi often engaged Botticelli. His first version of this subject and one of the earliest of all his paintings that have survived is the panel in the National Gallery in London.

Perugino's "Crucifixion."

Perugino's "Crucifixion" was presented in 1496 to a church of the Dominicans in San Gemignano and hung over an altar there until the French invasion under Napoleon, when it was sold, passing eventually to Prince Galitzin and from him to the Hermitage Gallery.

Van Eyck's "Annunciation," by the early Flemish master known as "the inventor of oil painting," who died in 1440, is supposed to have been completed in 1434. It was presented to a church in Dijon by Philip the Third, Duke of Burgundy, and was taken to Paris in 1819. The painting was sold to the King of Holland and in 1850 it passed from his hands into the Hermitage Collection.

The "Annunciation," credited to Jan Van Eyck, was originally the dexter shutter of a triptych and is about 3 feet high by 1 foot wide. It was transferred to canvas from the original panel. The painting was purchased for the Hermitage for 12,949 francs.

Paintings by Jan and Hubert Van Eyck, the great early masters of the Flemish school, are extremely rare. An idea of the artistic importance of works by these masters may be obtained from the statement of Herbert E. Winlock, director of the Metropolitan Museum of Art, when that museum acquired in 1933, also from the Soviet Government, a diptych, "The Crucifixion" and "The Last Judgment," by Hubert Van Eyck. Mr.

Winlock called these pictures "the most important that the Metropolitan has ever acquired out of its own funds."

"The Toilet of Venus" is one of the most famous works of Titian, the great Venetian master. Painted about 1565, it is believed to be an idealized portrait of the artist's daughter. It was found in Titian's studio at the time of his death. His son sold it to the Barbarigo family, from whose collection it was purchased for the Hermitage collection by Emperor Nicholas I.

Replicas of this masterpiece were made for Philip II of Spain and for Niccolo Crasso but are missing. The painting is approximately 4 by 3 feet.

Before the fall of the Czars the Hermitage was estimated to house some 1,700 canvases and was considered one of the world's great art museums.
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[[photos]]
PAINTINGS FROM THE CZAR'S HERMITAGE COLLECTION WHICH
ANDREW MELLON BOUGHT FROM THE SOVIET GOVERNMENT.
[[/photos]]

[[image - Photo of "Adoration of the Magi," by Botticelli.]]

[[image - Photo of Triptych of "The Crucifixion," by Perugino.]]

[[image - Photo of Titian's "The Toilet of Venus."]]

[[image - Photo of "The Annunciation," by Van Eyck.]]

[[image - Photo of Raphael's "Madonna Alba."]]

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