

## Chapter 4

### WALL STREET AND WORLD REVOLUTION

**What you Radicals and we who hold opposing views differ about, is not so much the end as the means, not so much what should be brought about as how it should, and can, be brought about ....**

*Otto H. Kahn, director, American International Corp., and partner, Kuhn, Loeb & Co., speaking to the League/or Industrial Democracy, New York, December 30, 1924*

*Before World War I, the financial and business structure of the United States was dominated by two conglomerates: Standard Oil, or the Rockefeller enterprise, and the Morgan complex of industries — finance and transportation companies. Rockefeller and Morgan trust alliances dominated not only Wall Street but, through interlocking directorships, almost the entire economic fabric of the United States.<sup>1</sup> Rockefeller interests monopolized the petroleum and allied industries, and controlled the copper trust, the smelters trust, and the gigantic tobacco trust, in addition to having influence in some Morgan properties such as the U.S. Steel Corporation as well as in hundreds of smaller industrial trusts, public service operations, railroads, and banking institutions. National City Bank was the largest of the banks influenced by Standard Oil-Rockefeller, but financial control extended to the United States Trust Company and Hanover National Bank as well as to major life insurance companies — Equitable Life and Mutual of New York.*

*The great Morgan enterprises were in steel, shipping, and the electrical industry; they included General Electric, the rubber trust, and railroads. Like Rockefeller, Morgan controlled financial corporations — the National Bank of Commerce and the Chase National Bank, New York Life Insurance, and the Guaranty Trust Company. The names J.P. Morgan and Guaranty Trust Company*

*occur repeatedly throughout this book. In the early part of the twentieth century the Guaranty Trust Company was dominated by the Harriman interests. When the elder Harriman (Edward Henry) died in 1909, Morgan and associates bought into Guaranty Trust as well as into Mutual Life and New York Life. In 1919 Morgan also bought control of Equitable Life, and the Guaranty Trust Company absorbed an additional six lesser trust companies. Therefore, at the end of World War I the Guaranty Trust and Bankers Trust were, respectively, the first and second largest trust companies in the United States, both dominated by Morgan interests.<sup>2</sup>*

*American financiers associated with these groups were involved in financing revolution even before 1917. Intervention by the Wall Street law firm of Sullivan & Cromwell into the Panama Canal controversy is recorded in 1913 congressional hearings. The episode is summarized by Congressman Rainey:*

*It is my contention that the representatives of this Government [United States] made possible the revolution on the isthmus of Panama. That had it not been for the interference of this Government a successful revolution could not possibly have occurred, and I contend that this Government violated the treaty of 1846. I will be able to produce evidence to show that the declaration of independence which was promulgated in Panama on the 3rd day of November, 1903, was prepared right here in New York City and carried down there — prepared in the office of Wilson (sic) Nelson Cromwell ...<sup>3</sup>*

*Congressman Rainey went on to state that only ten or twelve of the top Panamanian revolutionists plus "the officers of the Panama Railroad & Steamship Co., who were under the control of William Nelson Cromwell, of New York and the State Department officials in Washington," knew about the impending revolution.<sup>4</sup> The purpose of the revolution was to deprive Colombia, of which Panama was then a part, of \$40 million and to acquire control of the Panama Canal.*

*The best-documented example of Wall Street intervention in revolution is the operation of a New York syndicate in the Chinese revolution of 1912, which was led by Sun Yat-sen. Although the final gains of the syndicate remain unclear, the intention and role of the New York financing group are fully*

*documented down to amounts of money, information on affiliated Chinese secret societies, and shipping lists of armaments to be purchased. The New York bankers syndicate for the Sun Yat-sen revolution included Charles B. Hill, an attorney with the lawfirm of Hunt, Hill & Betts. In 1912 the firm was located at 165 Broadway, New York, but in 1917 it moved to 120 Broadway (see chapter eight for the significance of this address). Charles B. Hill was director of several Westinghouse subsidiaries, including Bryant Electric, Perkins Electric Switch, and Westinghouse Lamp — all affiliated with Westinghouse Electric whose New York office was also located at 120 Broadway. Charles R. Crane, organizer of Westinghouse subsidiaries in Russia, had a known role in the first and second phases of the Bolshevik Revolution (see page 26).*

*The work of the 1910 Hill syndicate in China is recorded in the Laurence Boothe Papers at the Hoover Institution.<sup>5</sup> These papers contain over 110 related items, including letters of Sun Yat-sen to and from his American backers. In return for financial support, Sun Yat-sen promised the Hill syndicate railroad, banking, and commercial concessions in the newrevolutionary China.*

*Another case of revolution supported by New York financial institutions concerned that of Mexico in 1915-16. Von Rintelen, a German espionage agent in the United States,<sup>6</sup> was accused during his May 1917 trial in New York City of attempting to "embroil" the U.S. with Mexico and Japan in order to divert ammunition then flowing to the Allies in Europe.<sup>7</sup> Payment for the ammunition that was shipped from the United States to the Mexican revolutionary Pancho Villa, was made through Guaranty Trust Company. Von Rintelen's adviser, Sommerfeld, paid \$380,000 via Guaranty Trust and Mississippi Valley Trust Company to the Western Cartridge Company of Alton, Illinois, for ammunition shipped to El Paso, for forwarding to Villa. This was in mid-1915. On January 10, 1916, Villa murdered seventeen American miners at Santa Isabel and on March 9, 1916, Villa raided Columbus, NewMexico, and killed eighteen more Americans.*

*Wall Street involvement in these Mexican border raids was the subject of a letter (October 6, 1916) from Lincoln Steffens, an American Communist, to Colonel House, an aide' to Woodrow Wilson:*

*My dear Colonel House:*

*Just before I left New York last Monday, I was told convincingly that "Wall Street" had completed arrangements for one more raid of Mexican bandits into the United States: to be so timed and so atrocious that it would settle the election ....<sup>8</sup>*

*Once in power in Mexico, the Carranza government purchased additional arms in the United States. The American Gun Company contracted to ship 5,000 Mausers and a shipment license was issued by the War Trade Board for 15,000 guns and 15,000,000 rounds of ammunition. The American ambassador to Mexico, Fletcher, "flatly refused to recommend or sanction the shipment of any munitions, rifles, etc., to Carranza."<sup>9</sup> However, intervention by Secretary of State Robert Lansing reduced the barrier to one of a temporary delay, and "in a short while . . . [the American Gun Company] would be permitted to make the shipment and deliver."<sup>10</sup>*

*The raids upon the U.S. by the Villa and the Carranza forces were reported in the New York Times as the "Texas Revolution" (a kind of dry run for the Bolshevik Revolution) and were undertaken jointly by Germans and Bolsheviks. The testimony of John A. Walls, district attorney of Brownsville, Texas, before the 1919 Fall Committee yielded documentary evidence of the link between Bolshevik interests in the United States, German activity, and the Carranza forces in Mexico.<sup>11</sup> Consequently, the Carranza government, the first in the world with a Soviet-type constitution (which was written by Trotskyites), was a government with support on Wall Street. The Carranza revolution probably could not have succeeded without American munitions and Carranza would not have remained in power as long as he did without American help.<sup>12</sup>*

*Similar intervention in the 1917 Bolshevik Revolution in Russia revolves around Swedish banker and intermediary Olof Aschberg. Logically the story begins with prerevolutionary tsarist loans by Wall Street bank syndicates.*

## **AMERICAN BANKERS AND TSARIST LOANS**

*In August 1914 Europe went to war. Under international law neutral countries (and the United States was neutral until April 1917) could not raise loans for belligerent countries. This was a question of law as well as morality.*

*When the Morgan house floated war loans for Britain and France in 1915, J.P. Morgan argued that these were not war loans at all but merely a means of facilitating international trade. Such a distinction had indeed been elaborately made by President Wilson in October 1914; he explained that the sale of bonds in the U.S. for foreign governments was in effect a loan of savings to belligerent governments and did not finance a war. On the other hand, acceptance of Treasury notes or other evidence of debt in payment for articles was only a means of facilitating trade and not of financing a war effort.<sup>13</sup>*

*Documents in the State Department files demonstrate that the National City Bank, controlled by Stillman and Rockefeller interests, and the Guaranty Trust, controlled by Morgan interests, jointly raised substantial loans for the belligerent Russia before U.S. entry into the war, and that these loans were raised after the State Department pointed out to these firms that they were contrary to international law. Further, negotiations for the loans were undertaken through official U.S. government communications facilities under cover of the top-level "Green Cipher" of the State Department. Below are extracts from State Department cables that will make the case.*

*On May 94, 1916, Ambassador Francis in Petrograd sent the following cable to the State Department in Washington for forwardin to Frank Arthur Vanderlip, then chairman of the National City Bank in New York. The cable was sent in Green Cipher and was enciphered and deciphered by U.S. State Department officers in Petrograd and Washington at the taxpayers' expense (file 861.51/110).*

*563, May 94, 1 p.m.*

*For Vanderlip National City Bank New York. Five. Our previous opinions credit strengthened. We endorse plan cabled as safe investment plus very attractive speculation in roubles. In view of guarantee of exchange rate have placed rate somewhat above present market. Owing unfavorable opinion created by long delay have on own*

*responsibility offered take twenty-five million dollars. We think large portion of all should be retained by bank and allied institutions. With clause respect customs bonds become practical lien on more than one hundred and fifty million dollars per annum customs making absolute security and secures market even if defect. We consider three [years?] option on bonds very valuable and for that reason amount of rouble credit should be enlarged by group or by distribution to close friends. American International should take block and we would inform Government. Think group should be formed at once to take and issue of bonds . . . should secure full cooperation guaranty. Suggest you see Jack personally, use every endeavor to get them really work otherwise cooperate guarantee form new group. Opportunities here during the next ten years very great along state and industrial financiering and if this transaction consummated doubtless should be established. In answering bear in mind situation regarding cable.  
MacRoberts Rich.*

#### *FRANCIS, AMERICAN AMBASSADOR<sup>14</sup>*

*There are several points to note about the above cable to understand the story that follows. First, note the reference to American International Corporation, a Morgan firm, and a name that turns up again and again in this story. Second, "guarantee" refers to Guaranty Trust Company. Third, "MacRoberts" was Samuel MacRoberts, a vice president and the executive manager of National City Bank.*

*On May 24, 1916, Ambassador Francis cabled a message from Rolph Marsh of Guaranty Trust in Petrograd to Guaranty Trust in New York, again in the special Green Cipher and again using the facilities of the State Department. This cable reads as follows:*

*565, May 24, 6 p.m.  
for Guaranty Trust Company New York:  
Three.*

*Olof and self consider the new proposition takes care Olof and will help rather than harm your prestige. Situation such co-operation necessary if big things are to be accomplished here. Strongly urge your arranging with City to consider and act jointly in all big propositions here. Decided advantages for both and prevents playing one against other. City representatives here desire (hand written) such co-operation. Proposition being considered eliminates our credit in name also option but we both consider the rouble credit with the bond option in propositions. Second paragraph offers wonderful profitable opportunity, strongly urge your acceptance. Please cable me full authority to act in connection with City. Consider our entertaining proposition satisfactory situation for us and permits doing big things. Again strongly urge your taking twenty-five million of rouble credit. No possibility loss and decided speculative advantages. Again urge having Vice President upon the ground. Effect here will be decidedly good. Resident Attorney does not carry same prestige and weight. This goes through Embassy by code answer same way. See cable on possibilities.*

*ROLPH MARSH.  
FRANCIS,  
AMERICAN AMBASSADOR*

*Note:—*

*Entire Message in Green Cipher.  
TELEGRAPH ROOM<sup>15</sup>*

*"Olof" in the cable was Olof Aschberg, Swedish banker and head of the Nya Banken in Stockholm. Aschberg had been in New York in 1915 conferring with the Morgan firm on these Russian loans. Now, in 1916, he was in Petrograd with Rolph Marsh of Guaranty Trust and Samuel MacRoberts and Rich of National City Bank ("City" in cable) arranging loans for a Morgan-Rockefeller consortium. The following year, Aschberg, as we shall see later, would be known as the "Bolshevik Banker," and his*

*own memoirs reproduce evidence of his right to the title.*

*The State Department files also contain a series of cables between Ambassador Francis, Acting Secretary Frank Polk, and Secretary of State Robert Lansing concerning the legality and propriety of transmitting National City Bank and Guaranty Trust cables at public expense. On May 25, 1916, Ambassador Francis cabled Washington as follows and referred to the two previous cables:*

*569, May 25, one p.m.*

*My telegram 563 and 565 May twenty-fourth are sent for local representatives of institutions addressed in the hope of consummating loan which would largely increase international trade and greatly benefit [diplomatic relations?]. Prospect for success promising. Petrograd representatives consider terms submitted very satisfactory but fear such representations to their institutions would prevent consummation loan if Government here acquainted these proposals.*

*FRANCIS, AMERICAN AMBASSADOR.<sup>16</sup>*

*The basic reason cited by Francis for facilitating the cables is "the hope of consummating loan which would largely increase international trade." Transmission of commercial messages using State Department facilities had been prohibited, and on June 1, 1916, Polk cabled Francis:*

*842*

*In view of Department's regulation contained in its circular telegraphic instruction of March fifteenth, (discontinuance of forwarding Commercial messages)<sup>17</sup> 1915, please explain why messages in your 563, 565 and 575, should be communicated.*

*Hereafter please follow closely Department's instructions.*



861.51/112  
/110

*Then on June 8, 1916, Secretary of State Lansing expanded the prohibition and clearly stated that the proposed loans were illegal:*

*860 Your 563, 565, May 24, g: 569 May 25.1 pm Before delivering messages to Vanderlip and Guaranty Trust Company, I must inquire whether they refer to Russian Government loans of any description. If they do, I regret that the Department can not be a party to their transmission, as such action would submit it to justifiable criticism because of participation by this Government in loan transaction by a belligerent for the purpose of carrying on its hostile operations. Such participation is contrary to the accepted rule of international law that neutral Governments should not lend their assistance to the raising of war loans by belligerents.*

*The last line of the Lansing cable as written, was not transmitted to Petrograd. The line read: "Cannot arrangements be made to send these messages through Russian channels?"*

*How can we assess these cables and the parties involved?*

*Clearly the Morgan-Rockefeller interests were not interested in abiding by international law. There is obvious intent in these cables to supply loans to belligerents. There was no hesitation on the part of these firms to use State Department facilities for the negotiations. Further, in spite of protests, the State Department allowed the messages to go through. Finally, and most interesting for subsequent events, Olof Aschberg, the Swedish banker, was a prominent participant and intermediary in the negotiations on behalf of Guaranty Trust. Let us therefore take a closer look at Olof Aschberg.*

## **OLOF ASCHBERG IN NEW YORK, 1916**

*Olof Aschberg, the "Bolshevik Banker" (or "Bankier der Weltrevolution," as he has been called in the German press), was owner of the Nya Banken, founded 1912 in Stockholm. His codirectors included prominent members of Swedish cooperatives and Swedish socialists, including G. W. Dahl, K. G. Rosling, and C. Gerhard Magnusson.<sup>18</sup> In 1918 Nya Banken was placed on the Allied black-list for its financial operations in behalf of Germany. In response to the blacklisting, Nya Banken changed its name to Svensk Ekonomiebolaget. The bank remained under the control of Aschberg, and was mainly owned by him. The bank's London agent was the British Bank of North Commerce, whose chairman was Earl Grey, former associate of Cecil Rhodes. Others in Aschberg's interesting circle of business associates included Krassin, who was until the Bolshevik Revolution (when he changed color to emerge as a leading Bolshevik) Russian manager of Siemens-Schukert in Petrograd; Carl Furstenberg, minister of finance in the first Bolshevik government; and Max May, vice president in charge of foreign operations for Guaranty Trust of New York. Olof Aschberg thought so highly of Max May that a photograph of May is included in Aschberg's book.<sup>19</sup>*

*In the summer of 1916 Olof Aschberg was in New York representing both Nya Banken and Pierre Bark, the tsarist minister of finance. Aschberg's prime business in New York, according to the New York Times (August 4, 1916), was to negotiate a \$50 million loan for Russia with an American banking syndicate headed by Stillman's National City Bank. This business was concluded on June 5, 1916; the results were a Russian credit of \$50 million in New York at a bank charge of 7 1/2 percent per annum, and a corresponding 150-million-ruble credit for the NCB syndicate in Russia. The New York syndicate then turned around and issued 6 1/2 percent certificates in its own name in the U.S. market to the amount of \$50 million. Thus, the NCB syndicate made a profit on the \$50 million loan to Russia, floated it on the American market for another profit, and obtained a 150-million-ruble credit in Russia.*

*During his New York visit on behalf of the tsarist Russian government, Aschberg made some prophetic comments concerning the future for America in Russia:*

*The opening for American capital and American initiative, with the awakening brought by the war, will be country-wide when the struggle is over. There are now many Americans in Petrograd, representatives of business firms, keeping in touch with the situation, and as soon as the change comes a huge American trade with Russia should spring up.*<sup>20</sup>

## **OLOF ASCHBERG IN THE BOLSHEVIK REVOLUTION**

*While this tsarist loan operation was being floated in New York, Nya Banken and Olof Aschberg were funneling funds from the German government to Russian revolutionaries, who would eventually bring down the "Kerensky committee" and establish the Bolshevik regime.*

*The evidence for Olof Aschberg's intimate connection with financing the Bolshevik Revolution comes from several sources, some of greater value than others. The Nya Banken and Olof Aschberg are prominently cited in the Sisson papers (see chapter three); however, George Kennan has systematically analyzed these papers and shown them to be forged, although they are probably based in part on authentic material. Other evidence originates with Colonel B. V. Nikitine, in charge of counterintelligence in the Kerensky government, and consists of twenty-nine telegrams transmitted from Stockholm to Petrograd, and vice versa, regarding financing of the Bolsheviks. Three of these telegrams refer to banks — telegrams 10 and 11 refer to Nya Banken, and telegram 14 refers to the Russo-Asiatic Bank in Petrograd. Telegram 10 reads as follows:*

*Gisa Furstenberg Saltsjobaden. Funds very low cannot assist if really urgent give 500 as last payment pencils huge loss original hopeless instruct Nya Banken cable further 100 thousand Sumenson.*

*Telegram 11 reads:*

*Kozlovsky Sergievskaya 81. First letters received Nya Banken telegraphed cable who Solomon offering local telegraphic agency refers to Bronck Savelievich Avilov.*

*Fürstenberg was the intermediary between Parvus (Alexander I. Helphand) and the German government. About these transfers, Michael Futrell concludes:*

*It was discovered that during the last few months she [Evegeniya Sumenson] had received nearly a million rubles from Furstenberg through the Nya Banken in Stockholm, and that this money came from German sources.<sup>21</sup>*

*Telegram 14 of the Nikitine series reads: "Furstenberg Saltsjöbaden. Number 90 period hundred thousand into Russo-Asiatic Sumenson." The U.S. representative for Russo-Asiatic was MacGregor Grant Company at 120 Broadway, New York City, and the bank was financed by Guaranty Trust in the U.S. and Nya Banken in Sweden.*

*Another mention of the Nya Banken is in the material "The Charges Against the Bolsheviks," which was published in the Kerensky period. Particularly noteworthy in that material is a document signed by Gregory Alexinsky, a former member of the Second State Duma, in reference to monetary transfers to the Bolsheviks. The document, in part, reads as follows:*

*In accordance with the information just received these trusted persons in Stockholm were: the Bolshevik Jacob Furstenberg, better known under the name of "Hanecki" (Ganetskii), and Parvus (Dr. Helfand); in Petrograd: the Bolshevik attorney, M. U. Kozlovsky, a woman relative of Hanecki — Sumenson, engaged in speculation together with Hanecki, and others. Kozlovsky is the chief receiver of German money, which is transferred from Berlin through the "Disconto-Gesellschaft" to the Stockholm "Via Bank," and thence to the Siberian Bank in Petrograd, where his account at present has a balance of over 2,000,000 rubles. The military censorship has unearthed an uninterrupted exchange of telegrams of a political and financial nature between the German agents and Bolshevik leaders [Stockholm-Petrograd].<sup>22</sup>*

*Further, there is in the State Dept. files a Green Cipher message from the U.S. embassy in Christiania*

*(named Oslo, 1925), Norway, dated February 21, 1918, that reads: "Am informed that Bolshevik funds are deposited in Nya Banken, Stockholm, Legation Stockholm advised. Schmedeman."<sup>23</sup>*

*Finally, Michael Furtell, who interviewed Olof Aschberg just before his death, concludes that Bolshevik funds were indeed transferred from Germany through Nya Banken and Jacob Furstenberg in the guise of payment for goods shipped. According to Futrell, Aschberg confirmed to him that Furstenberg had a commercial business with Nya Banken and that Furstenberg had also sent funds to Petrograd. These statements are authenticated in Aschberg's memoirs (see page 70). In sum, Aschberg, through his Nya Banken, was undoubtedly a channel for funds used in the Bolshevik Revolution, and Guaranty Trust was indirectly linked through its association with Aschberg and its interest in MacGregor Grant Co., New York, agent of the Russo-Asiatic Bank, another transfer vehicle.*

## **NYA BANKEN AND GUARANTY TRUST JOIN RUSKOMBANK**

*Several years later, in the fall of 1922, the Soviets formed their first international bank. It was based on a syndicate that involved the former Russian private bankers and some new investment from German, Swedish, American, and British bankers. Known as the Ruskombank (Foreign Commercial Bank or the Bank of Foreign Commerce), it was headed by Olof Aschberg; its board consisted of tsarist private bankers, representatives of German, Swedish, and American banks, and, of course, representatives of the Soviet Union. The U.S. Stockholm legation reported to Washington on this question and noted, in a reference to Aschberg, that "his reputation is poor. He was referred to in Document 54 of the Sisson documents and Dispatch No. 138 of January 4, 1921 from a legation in Copenhagen."<sup>24</sup>*

*The foreign banking consortium involved in the Ruskombank represented mainly British capital. It included Russo-Asiatic Consolidated Limited, which was one of the largest private creditors of Russia, and which was granted £3 million by the Soviets to compensate for damage to its properties in the Soviet Union by nationalization. The British government itself had already purchased substantial interests in the Russian private banks; according to a State Department report, "The British Government is heavily invested in the consortium in question."<sup>25</sup>*

*The consortium was granted extensive concessions in Russia and the bank had a share capital of ten million gold rubles. A report in the Danish newspaper National Tidende stated that "possibilities have been created for cooperation with the Soviet government where this, by political negotiations, would have been impossible."<sup>26</sup> In other words, as the newspaper goes on to say, the politicians had failed to achieve cooperation with the Soviets, but "it may be taken for granted that the capitalistic exploitation of Russia is beginning to assume more definite forms."<sup>27</sup>*

*In early October 1922 Olof Aschberg met in Berlin with Emil Wittenberg, director of the Nationalbank fur Deutschland, and Scheinmann, head of the Russian State Bank. After discussions concerning German involvement in the Ruskombank, the three bankers went to Stockholm and there met with Max May, vice president of the Guaranty Trust Company. Max May was then designated director of the Foreign Division of the Ruskombank, in addition to Schlesinger, former head of the Moscow Merchant Bank; Kalaschkin, former head of the Junker Bank; and Ternoffsky, former head of the Siberian Bank. The last bank had been partly purchased by the British government in 1918. Professor Gustav Cassell of Sweden agreed to act as adviser to Ruskombank. Cassell was quoted in a Swedish newspaper (Svenskadagbladet of October 17, 1922) as follows:*

*That a bank has now been started in Russia to take care of purely banking matters is a great step forward, and it seems to me that this bank was established in order to do something to create a new economic life in Russia. What Russia needs is a bank to create internal and external commerce. If there is to be any business between Russia and other countries there must be a bank to handle it. This step forward should be supported in every way by other countries, and when I was asked my advice I stated that I was prepared to give it. I am not in favor of a negative policy and believe that every opportunity should be seized to help in a positive reconstruction. The great question is how to bring the Russian exchange back to normal. It is a complicated question and will necessitate thorough investigation. To solve this problem I am naturally more than willing to take part in the work. To leave Russia to her own resources and her own fate is folly.<sup>28</sup>*

*The former Siberian Bank building in Petrograd was used as the head office of the Ruskombank, whose objectives were to raise short-term loans in foreign countries, to introduce foreign capital into the Soviet Union, and generally to facilitate Russian overseas trade. It opened on December 1, 1922, in Moscow and employed about 300 persons.*

*In Sweden Ruskombank was represented by the Svenska Ekonomibolaget of Stockholm, Olof Aschberg's Nya Banken under a new name, and in Germany by the Garantie und Creditbank fur Den Osten of Berlin. In the United States the bank was represented by the Guaranty Trust Company of New York. On opening the bank, Olof Aschberg commented:*

*The new bank will look after the purchasing of machinery and rawmaterial from England and the United States and it will give guarantees for the completion of contracts. The question of purchases in Sweden has not yet arisen, but it is hoped that such will be the case later on.<sup>29</sup>*

*On joining Ruskombank, Max May of Guaranty Trust made a similar statement:*

*The United States, being a rich country with well developed industries, does not need to import anything from foreign countries, but... it is greatly interested in exporting its products to other countries and considers Russia the most suitable market for that purpose, taking into consideration the vast requirements of Russia in all lines of its economic life.<sup>30</sup>*

*May stated that the Russian Commercial Bank was "very important" and that it would "largely finance all lines of Russian industries."*

*From the very beginning the operations of the Ruskombank were restricted by the Soviet foreign-trade monopoly. The bank had difficulties in obtaining advances on Russian goods deposited abroad. Because they were transmitted in the name of Soviet trade delegations, a great deal of Ruskombank funds were locked up in deposits with the Russian State Bank. Finally, in early 1924 the Russian Commercial Bank was fused with the Soviet foreign-trade commissariat, and Olof Aschberg was*

*dismissed from his position at the bank because, it was claimed in Moscow, he had misused bank funds. His original connection with the bank was because of his friendship with Maxim Litvinov. Through this association, so runs a State Department report, Olof Aschberg had access to large sums of money for the purpose of meeting payments on goods ordered by Soviets in Europe:*

*These sums apparently were placed in the Ekonomibolaget, a private banking company, owned by Mr. Aschberg. It is nowalleged [sic] that a large portion of these funds were employed by Mr. Aschberg for making investments for his personal account and that he is now endeavoring to maintain his position in the bank through his possession of this money. According to my informant Mr. Aschberg has not been the sole one to profit by his operations with the Soviet funds, but has divided the gains with those who are responsible for his appointment in the Russian Commerce Bank, among them being Litvinoff.<sup>31</sup>*

*Ruskombank then became Vneshtorg, by which it is known today.*

*We now have to retrace our steps and look at the activities of Aschberg's New York associate, Guaranty Trust Company, during World War I, to lay the foundation for examination of its role in the revolutionary era in Russia.*

## ***GUARANTY TRUST AND GERMAN ESPIONAGE IN THE UNITED STATES, 1914-1917<sup>32</sup>***

*During World War I Germany raised considerable funds in New York for espionage and covert operations in North America and South America. It is important to record the flow of these funds because it runs from the same firms — Guaranty Trust and American International Corporation — that were involved in the Bolshevik Revolution and its aftermath. Not to mention the fact (outlined in chapter three) that the German government also financed Lenin's revolutionary activities.*

*A summary of the loans granted by American banks to German interests in World War I was given to the 1919 Overman Committee of the United States Senate by U.S. Military Intelligence. The summary*



*was based on the deposition of Karl Heynen, who came to the United States in April 1915 to assist Dr. Albert with the commercial and financial affairs of the German government. Heynen's official work was the transportation of goods from the United States to Germany by way of Sweden, Switzerland, and Holland. In fact, he was up to his ears in covert operations.*

*The major German loans raised in the United States between 1915 and 1918, according to Heynen, were as follows: The first loan, of \$400,000, was made about September 1914 by the investment bankers Kuhn, Loeb & Co. Collateral of 25 million marks was deposited with Max M. Warburg in Hamburg, the German affiliate of Kuhn, Loeb & Co. Captain George B. Lester of U.S. Military Intelligence told the Senate that Heynen's reply to the question "Why did you go to Kuhn, Loeb & Co?" was, "Kuhn, Loeb & Co. we considered the natural bankers of the German government and the Reichsbank."*

*The second loan, of \$1.3 million, did not come directly from the United States but was negotiated by John Simon, an agent of the Suedische Disconto-Gesellschaft, to secure funds for making shipments to Germany.*

*The third loan was from the Chase National Bank (in the Morgan group) in the amount of three million dollars. The fourth loan was from the Mechanics and Metals National Bank in the amount of one million dollars. These loans financed German espionage activities in the United States and Mexico. Some funds were traced to Sommerfeld, who was an adviser to Von Rintelen (another German espionage agent) and who was later associated with Hjalmar Schacht and Emil Wittenberg. Sommerfeld was to purchase ammunition for use in Mexico. He had an account with the Guaranty Trust Company and from this payments were made to Western Cartridge Co. of Alton, Illinois, for ammunition that was shipped to El Paso for use in Mexico by Pancho Villa's bandits. About \$400,000 was expended on ammunition, Mexican propoganda, and similar activities.*

*The then German ambassador Count Von Bernstorff has recounted his friendship with Adolph von Pavenstedt, a senior partner of Amsinck & Co., which was controlled and in November 1917 owned by American International Corporation. American International figures prominently in later chapters; its*

board of directors contained the key names on Wall Street: Rockefeller, Kahn, Stillman, du Pont, Winthrop, etc. According to Von Bernstorff, Von Pavenstedt was "intimately acquainted with all the members of the Embassy."<sup>33</sup> Von Bernstorff himself regarded Von Pavenstedt as one of the most respected, "if not the most respected imperial German in New York."<sup>34</sup> Indeed, Von Pavenstedt was "for many years a Chief pay master of the German spy system in this country."<sup>35</sup> In other words, there is no question that Armsinck & Co., controlled by American International Corporation, was intimately associated with the funding of German wartime espionage in the United States. To clinch Von Bernstorff's last statement, there exists a photograph of a check in favor of Amsinck & Co., dated December 8, 1917 — just four weeks after the start of the Bolshevik Revolution in Russia — signed Von Papen (another German espionage operator), and having a counterfoil bearing the notation "travelling expenses on Von W [i.e., Von Wedell]." French Strothers,<sup>36</sup> who published the photograph, has stated that this check is evidence that Von Papen "became an accessory after the fact to a crime against American laws"; it also makes Amsinck & Co. subject to a similar charge.

Paul Bolo-Pasha, yet another German espionage agent, and a prominent French financier formerly in the service of the Egyptian government, arrived in New York in March 1916 with a letter of introduction to Von Pavenstedt. Through the latter, Bolo-Pasha met Hugo Schmidt, director of the Deutsche Bank in Berlin and its representative in the United States. One of Bolo-Pasha's projects was to purchase foreign newspapers so as to slant their editorials in favor of Germany. Funds for this program were arranged in Berlin in the form of credit with Guaranty Trust Company, with the credit subsequently made available to Amsinck & Co. Adolph von Pavenstedt, of Amsinck, in turn made the funds available to Bolo-Pasha.

In other words, both Guaranty Trust Company and Amsinck & Co., a subsidiary of American International Corporation, were directly involved in the implementation of German espionage and other activities in the United States. Some links can be established from these firms to each of the major German operators in the U.S. — Dr. Albert, Karl Heynen, Von Rintelen, Von Papan, Count Jacques Minotto (see below), and Paul Bolo-Pasha.

*In 1919 the Senate Overman Committee also established that Guaranty Trust had an active role in financing German World War I efforts in an "unneutral" manner. The testimony of the U.S. intelligence officer Becker makes this clear:*

*In this mission Hugo Schmidt [of Deutsche Bank] was very largely assisted by certain American banking institutions. It was while we were neutral, but they acted to the detriment of the British interests, and I have considerable data on the activity of the Guaranty Trust Co. in that respect, and would like to know whether the committee wishes me to go into it.*

*SENATOR NELSON: That is a branch of the City Bank, is it not?*

*MR. BECKER: No.*

*SENATOR OVERMAN: If it was inimical to British interests it was unneutral, and I think you had better let it come out.*

*SENATOR KING: Was it an ordinary banking transaction?*

*MR. BECKER: That would be a matter of opinion. It has to do with camouflaging exchange so as to make it appear to be neutral exchange, when it was really German exchange on London. As a result of those operations in which the Guaranty Trust Co. mainly participated between August 1, 1914, and the time America entered the war, the Deutsche Banke in its branches in South America succeeded in negotiating £4,670,000 of London exchange in war time.*

*SENATOR OVERMAN: I think that is competent.<sup>37</sup>*

*What is really important is not so much that financial assistance was given to Germany, which was only illegal, as that directors of Guaranty Trust were financially assisting the Allies at the same time. In other words, Guaranty Trust was financing both sides of The conflict. This raises the question of morality.*

## **THE GUARANTY TRUST-MINOTTO-CAILLAUX THREADS. <sup>38</sup>**

*Count Jacques Minotto is a most unlikely but verifiable and persistent thread that links the Bolshevik Revolution in Russia with German banks, German World War I espionage in the United States, the Guaranty Trust Company in New York, the abortive French Bolshevik revolution, and the related Caillaux-Malvy espionage trials in France.*

*Jacques Minotto was born February 17, 1891, in Berlin, the son of an Austrian father descended from Italian nobility, and a German mother. Young Minotto was educated in Berlin and then entered employment with the Deutsche Bank in Berlin in 1912. Almost immediately Minotto was sent to the United States as assistant to Hugo Schmidt, deputy director of the Deutsche Bank and its New York representative. After a year in New York, Minotto was sent by the Deutsche Bank to London, where he circulated in prominent political and diplomatic circles. At the outbreak of World War I, Minotto returned to the United States and immediately met with the German ambassador Count Von Bernstorff, after which he entered the employ of Guaranty Trust Company in New York. At Guaranty Trust, Minotto was under the direct orders of Max May, director of its foreign department and an associate of Swedish banker Olof Aschberg. Minotto was no minor bank official. The interrogatories of the Caillaux trials in Paris in 1919 established that Minotto worked directly under Max May.<sup>39</sup> On October 25, 1914, Guaranty Trust sent Jacques Minotto to South America to make a report on the political, financial, and commercial situation. As he did in London, Washington, and New York, so Minotto moved in the highest diplomatic and political circles here. One purpose of Minotto's mission in Latin America was to establish the mechanism by which Guaranty Trust could be used as an intermediary for the previously mentioned German fund raising on the London money market, which was then denied to Germany because of World War I. Minotto returned to the United States, renewed his association with Count Von Bernstorff and Count Luxberg, and subsequently, in 1916, attempted to obtain a position with U.S. Naval Intelligence. After this he was arrested on charges of pro-German activities. When arrested Minotto was working at the Chicago plant of his father-in-law Louis Swift, of Swift & Co., meatpackers. Swift put up the security for the \$50,000 bond required to free Minotto, who*

*was represented by Henry Veeder, the Swift & Co. attorney. Louis Swift was himself arrested for pro-German activities at a later date. As an interesting and not unimportant coincidence, "Major" Harold H. Swift, brother of Louis Swift, was a member of the William Boyce Thompson 1917 Red Cross Mission to Petrograd — that is, one of the group of Wall Street lawyers and businessmen whose intimate connections with the Russian Revolution are to be described later. Helen Swift Neilson, sister of Louis and Harold Swift, was later connected with the pro-Communist Abraham Lincoln Center "Unity." This established a minor link between German banks, American banks, German espionage, and, as we shall see later, the Bolshevik Revolution.<sup>40</sup>*

*Joseph Caillaux was a famous (sometimes called notorious) French politician. He was also associated with Count Minotto in the latter's Latin America operations for Guaranty Trust, and was later implicated in the famous French espionage cases of 1919, which had Bolshevik connections. In 1911, Caillaux became minister of finance and later in the same year became premier of France. John Louis Malvy became undersecretary of state in the Caillaux government. Several years later Madame Caillaux murdered Gaston Calmette, editor of the prominent Paris newspaper Figaro. The prosecution charged that Madame Caillaux murdered Calmette to prevent publication of certain compromising documents. This affair resulted in the departure of Caillaux and his wife from France. The couple went to Latin America and there met with Count Minotto, the agent of the Guaranty Trust Company who was in Latin America to establish intermediaries for German finance. Count Minotto was socially connected with the Caillaux couple in Rio de Janeiro and Sao Paulo, Brazil, in Montevideo, Uruguay, and in Buenos Aires, Argentina. In other words, Count Minotto was a constant companion of the Caillaux couple while they were in Latin America.<sup>41</sup> On returning to France, Caillaux and his wife stayed at Biarritz as guests of Paul Bolo-Pasha, who was, as we have seen, also a German espionage operator in the United States and France.<sup>42</sup> Later, in July 1915, Count Minotto arrived in France from Italy, met with the Caillaux couple; the same year the Caillaux couple also visited Bolo-Pasha again in Biarritz. In other words, in 1915 and 1916 Caillaux established a continuing social relationship with Count Minotto and Bolo-Pasha, both of whom were German espionage agents in the United States.*

*Bolo-Pasha's work in France was to gain influence for Germany in the Paris newspapers Le Temps*

and Figaro. Bolo-Pasha then went to New York, arriving February 24, 1916. Here he was to negotiate a loan of \$2 million — and here he was associated with Von Pavenstedt, the prominent German agent with Amsinck & Co.<sup>43</sup> Severance Johnson, in *The Enemy Within*, has connected Caillaux and Malvy to the 1918 abortive French Bolshevik revolution, and states that if the revolution had succeeded, "Malvy would have been the Trotsky of France had Caillaux been its Lenin."<sup>44</sup> Caillaux and Malvy formed a radical socialist party in France using German funds and were brought to trial for these subversive efforts. The court interrogatories in the 1919 French espionage trials introduce testimony concerning New York bankers and their relationship with these German espionage operators. They also set forth the links between Count Minotto and Caillaux, as well as the relationship of the Guaranty Trust Company to the Deutsche Bank and the cooperation between Hugo Schmidt of Deutsche Bank and Max May of Guaranty Trust Company. The French interrogatory (page 940) has the following extract from the New York deposition of Count Minotto (page 10, and retranslated from the French):

*QUESTION: Under whose orders were you at Guaranty Trust?*

*REPLY: Under the orders of Mr. Max May.*

*QUESTION: He was a Vice President?*

*ANSWER: He was Vice President and Director of the Foreign Department.*

*Later, in 1922, Max May became a director of the Soviet Ruskom-bank and represented the interests of Guaranty Trust in that bank. The French interrogatory establishes that Count Minotto, a German espionage agent, was in the employ of Guaranty Trust Company; that Max May was his superior officer; and that Max May was also closely associated with Bolshevik banker Olof Aschberg. In brief: Max May of Guaranty Trust was linked to illegal fund raising and German espionage in the United States during World War I; he was linked indirectly to the Bolshevik Revolution and directly to the establishment of Ruskombank, the first international bank in the Soviet Union.*

*It is too early to attempt an explanation for this seemingly inconsistent, illegal, and sometimes*

*immoral international activity. In general, there are two plausible explanations: the first, a relentless search for profits; the second — which agrees with the words of Otto Kahn of Kuhn, Loeb & Co. and of American International Corporation in the epigraph to this chapter — the realization of socialist aims, aims which "should, and can, be brought about" by nonsocialist means.*

#### *Footnotes:*

<sup>1</sup>*John Moody, The Truth about the Trusts (New York: Moody Publishing, 1904).*

<sup>2</sup>*The J. P. Morgan Company was originally founded in London as George Peabody and Co. in 1838. It was not incorporated until March 21, 1940. The company ceased to exist in April 1954 when it merged with the Guaranty Trust Company, then its most important commercial bank subsidiary, and is today known as the Morgan Guarantee Trust Company of New York.*

<sup>3</sup>*United States, House, Committee on Foreign Affairs, The Story of Panama, Hearings on the Rainey Resolution, 1913. p. 53.*

<sup>4</sup>*Ibid., p. 60.*

<sup>5</sup>*Stanford, Calif. See also the Los Angeles Times, October 13, 1966.*

<sup>6</sup>*Later codirector with Hjalmar Schacht (Hitler's banker) and Emil Wittenberg, of the Nationalbank für Deutschland.*

<sup>7</sup>*United States, Senate, Committee on Foreign Relations, Investigation of Mexican Affairs, 1920.*

<sup>8</sup>*Lincoln Steffens, The Letters of Lincoln Steffens (New York: Harcourt, Brace, 1941, I:386*

<sup>9</sup>*U.S., Senate, Committee on Foreign Relations, Investigation of Mexican Affairs, 1920, pts. 2, 18, p. 681.*

<sup>10</sup>*Ibid.*

<sup>11</sup>*New York Times, January 23, 1919.*

<sup>12</sup>*U.S., Senate, Committee on Foreign Relations, op. cit., pp. 795-96.*

<sup>13</sup>*U.S., Senate, Hearings Before the Special Committee Investigating the Munitions Industry, 73-74th Cong., 1934-37, pt. 25, p. 7666.*

<sup>14</sup>*U.S. State Dept. Decimal File, 861.51/110 (316-116-682).*

<sup>15</sup>*U.S. State Dept. Decimal File, 861.51/112.*

<sup>16</sup>*U.S. State Dept. Decimal File, 861.51/111.*

<sup>17</sup>*Handwritten in parentheses.*

<sup>18</sup>*Olof Aschberg, En Vandrande Jude Från Glasbruksgatan (Stockholm: Albert Bonniers Förlag, n.d.), pp. 98-99, which is included in Memoarer (Stockholm: Albert Bonniers Förlag, 1946). See also Gästboken (Stockholm: Tidens Förlag, 1955) for further material on Aschberg.*

<sup>19</sup>*Aschberg, p. 123.*



<sup>20</sup>*New York Times*, August 4, 1916.

<sup>21</sup>*Michael Futrell, Northern Underground* (London: Faber and Faber, 1963), p. 162.

<sup>22</sup>See Robert Paul Browder and Alexander F. Kerensky, *The Russian Provisional government, 1917* (Stanford, Calif.: Stanford University Press, 1961), 3: 1365. "Via Bank" is obviously Nya Banken.

<sup>23</sup>U.S. State Dept. Decimal File, 861.00/1130.

<sup>24</sup>U.S. State Dept. Decimal File, 861.516/129, August 28, 1922. A State Dept. report from Stockholm, dated October 9, 1922 (861.516/137), states in regard to Aschberg, "I met Mr. Aschberg some weeks ago and in the conversation with him he substantially stated all that appeared in this report. He also asked me to inquire whether he could visit the United States and gave as references some of the prominent banks. In connection with this, however, I desire to call the department's attention to Document 54 of the Sisson Documents, and also to many other dispatches which this legation wrote concerning this man during the war, whose reputation and standing is not good. He is undoubtedly working closely in connection with the Soviets, and during the entire war he was in close cooperation with the Germans" (U.S. State Dept. Decimal File, 861.516/137, Stockholm, October 9, 1922. The report was signed by Ira N. Morris).

<sup>25</sup>*Ibid.*, 861.516/130, September 13, 1922.

<sup>26</sup>*Ibid.*

<sup>27</sup>*Ibid.*

<sup>28</sup>*Ibid.*, 861.516/140, Stockholm, October 23, 1922.

<sup>29</sup>*Ibid.*, 861.516/147, December 8, 1922.

<sup>30</sup>*Ibid.*, 861.516/144, November 18, 1922.

<sup>31</sup>*Ibid.*, 861.316/197, Stockholm, March 7, 1924.

<sup>32</sup>*This section is based on the Overman Committee hearings, U.S., Senate, Brewing and Liquor Interests and German and Bolshevik Propaganda, Hearings before the Subcommittee on the Judiciary, 65th Cong., 1919, 2:2154-74.*

<sup>33</sup>*Count Von Bernstorff, My Three Years in America (New York: Scribner's, 1920), p. 261.*

<sup>34</sup>*Ibid.*

<sup>35</sup>*Ibid.*

<sup>36</sup>*French Strothers, Fighting Germany's Spies (Garden City, N.Y.: Doubleday, Page, 1918), p. 152.*

<sup>37</sup> U.S., Senate, Overman Committee, 2:2009.

<sup>38</sup>*This section is based on the following sources (as well as those cited elsewhere): Jean Bardanne, Le Colonel Nicolai: espion de genie (Paris: Editions Siboney, n.d.); Cours de Justice, Affaire Caillaux, Loustalot et Comby: Procedure Generale Interrogatoires (Paris, 1919), pp. 349-50, 937-46; Paul Vergnet, L'Affaire Caillaux (Paris 1918), especially the chapter titled "Marx de Mannheim"; Henri Guernut, Emile Kahn, and Camille M. Lemercier, Etudes documentaires sur L'Affaire Caillaux (Paris, n.d.), pp. 1012-15; and George Adam, Treason and Tragedy: An Account of French War Trials (London: Jonathan Cape, 1929).*

<sup>39</sup>See p. 70.

<sup>40</sup>*This Interrelationship is dealt with extensively in the three-volume Overman Committee report of 1919. See bibliography.*

<sup>41</sup>See Rudolph Binion, *Defeated Leaders* (New York: Columbia University Press, 1960).

<sup>42</sup>George Adam, *Treason and Tragedy: An Account of French War Trials* (London: Jonathan Cape, 1929).

<sup>43</sup>*Ibid.*

<sup>44</sup>*The Enemy Within* (London: George Allen & Unwin, 1920).

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