



Camerique

THE VERY BIG BANKERS

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■ THE LEGEND of international banking, and especially of the mysterious merchant bankers who operated out of the centuries-old financial district in London, immediately evokes thoughts and images of billion-dollar power plays, international intrigues, monarchs and dictators in need of loans to finance spectacular adventures, and especially empire

building and empire toppling. There are many sinister tales of British bankers financing revolutions and supporting political *coups* and conveniently profitable wars. The Boer War in South Africa was a classic example. And then there was the role played by certain British bankers of the last century in promoting the infamous drug trade in China, using

the British Army and Royal Navy as enforcement agencies in the opium wars.

Admittedly, there has been a good deal of drivel written about international bankers. Some would have us believe that no coach was ever robbed nor damsel distressed except at the malevolent behest of an international banker. Misleading and inaccurate sources range from the Far Left, which claims that the group under consideration represents a "capitalist" conspiracy, to anti-Semites who perceive it all as a Jewish plot. As we pointed out a decade ago in our book *None Dare Call It Conspiracy*, both claims are false.

The *Insiders* of the conspiracy about which we write are not "capitalists" in the Free Market sense but corporate socialists. The phony Marxist theory of "capitalist exploitation" has been thoroughly refuted many times. See, for instance, Eugen Bohn-Bawerk's *The Exploitation Theory Of Communism-Socialism*; Murray Rothbard's *The Essential Von Mises*; and, Ludwig von Mises's *Socialism: An Economic And Sociological Analysis*.

Another reason for the confusion and historical blackout on the role of the international bankers in political conspiracy is that some of these bankers were Jews. Anti-Semites have played into the hands of the conspiracy by trying to portray it as a racial plot. Again, nothing could be further from the truth. Although there is no denying the importance of the Rothschilds and other Jewish financiers, such Anglo-Saxon banking interests as the Rockefellers and J.P. Morgan & Company have far surpassed their power and influence. It is as irrational to blame Jews for the crimes of the Rothschilds as it is to hold Baptists accountable for the crimes of the Rockefellers or New

Englanders for the crimes of J.P. Morgan.

The important point to keep in mind is the use, by *any* wealthy special-interest elite, of illicit political intervention and socialism to gain monopolistic privileges and largesse. Socialism is the royal road to monopoly power for the super-rich. When people become very wealthy through honest production and trade in the market, they are to be congratulated, not envied or hated. It is when they use and promote Big Government to gain artificial and illicit advantages, betraying the liberties of whole nations, that their wealth should be regarded as loot and their machinations as crimes.

Investment Banking

The field of banking is divided into two major parts: commercial banking, the more familiar and often-discussed part; and investment banking, a mysterious and secretive field of finance which operates subtly behind the scenes. Commercial or deposit banks have money to lend; they are primarily in the business of making loans. Investment banks are fancy brokerage houses which operate in the complicated world of the securities markets — stocks, bonds, debentures, and so forth. Commercial bankers sell the use of money. Investment bankers sell their experience, expertise, and special connections in the raising of capital for large corporations and governments.

Who are these powerful investment bankers? Michael C. Jensen describes them in his 1976 book *The Financiers* as follows:

"They give \$50,000 or \$100,000 gifts to Presidential candidates to help finance their campaigns. They shuttle between high-level cabinet jobs in Washington and their private

Criticism of the big bankers falls not on their early salutary enterprises in America but on their later involvement in promoting the expansion of Big Government. When they began to conspire to use government intervention illicitly to gain economic privileges and monopolies, the banking elite became a foe of liberty.

positions on Wall Street, finding it easy to sacrifice for a few years a business income that may exceed \$1 million a year for the \$40,000 or \$50,000 they are paid for their government service. They engineer multi-million-dollar transactions and, although they render middleman services only, enough money remains in their hands to make them the richest wage earners in the world.

"They are the investment bankers of Wall Street; the men who raise billions in cash for America's giant corporations; the men who bring together or accommodate the chief executive officers who want to buy someone else's company, or sell their own, or fight off a corporate raider"

And, of course, there are abundant opportunities to make very big money along the way through access to inside information or advance knowledge. As Jensen observes, "It is gospel on Wall Street that the way to make money is to be in on the ground floor. The investment banker builds the ground floor. He knows before anyone else whether a merger is going to be attempted, and whether it is likely to be successful. He knows what securities offerings are going to be hot. He has both the knowledge and the capital to be the archetypal ground-floor resident; virtues which,

in many cases, result in his becoming a millionaire in a very short time."

A Brief Background

Preeminent among the international banking families in the Nineteenth Century was the House of Rothschild. As Professor Carroll Quigley observed in his monumental work *Tragedy And Hope*:

"The greatest of these dynasties, of course, were the descendants of Meyer Amschel Rothschild (1743-1812) of Frankfort, whose male descendants, for at least two generations, generally married first cousins or even nieces. Rothschild's five sons, established at branches in Vienna, London, Naples, and Paris, as well as Frankfurt, cooperated together in ways which other international banking dynasties copied but rarely excelled."

Others followed, of course, many of them connected to either the Rothschild or Rockefeller financial orbits. The Georgetown historian lists a few of the most prominent: "The names of some of these banking families are familiar to all of us and should be more so. They include Baring, Lazard, Erlanger, Warburg, Schroder, Seligman, the Speyers, Mirabaud, Mallet, Fould, and above all Rothschild and Morgan."

Quigley distinguishes these his-

torical banking operators from ordinary bankers in the following distinctive ways: (1) they were cosmopolitan and international, rather than parochial and nationalistic; (2) they were close to governments and were particularly concerned with questions of government debts, including foreign government debts, even in areas which seemed at first glance to be poor risks, such as Egypt, Persia, Ottoman Turkey, Imperial China, and Latin America; (3) their interests were almost exclusively in bonds (debt instruments) and very rarely in goods, since they admired "liquidity" and regarded commitments in commodities or even real estate as the first step towards bankruptcy; (4) they were, accordingly, fanatical devotees of deflation (which they called "sound" money from its close associations with high interest rates and a high value of money) and of the gold standard, which in their eyes symbolized and insured these values; and, (5) they were almost equally devoted to secrecy and the secret use of financial influence in political life. These bankers came to be called "international bankers" and, more particularly, were known as "merchant bankers" in England, "private bankers" in France, and "investment bankers" in the United States.

We agree with all of the characteristics listed by Professor Quigley except his fourth point. Only the naïve believe that these bankers favor "sound money" and "sensible government spending." Among *Insiders* of international finance, that philosophy went out with high-button shoes.

But the other attributes of these special bankers, as discerned by Carroll Quigley, run true to form. They do operate on an international level, transcending any one country or national loyalty. In fact, a dispropor-

tionate share of their profits comes from overseas loans, often guaranteed by government. They are also "close to governments" and have many highly placed contacts within those governments. For instance, it was important for the international bankers operating in our country to safeguard their foreign investments and dealings by controlling U.S. foreign policy, and using it to "run interference" for them when necessary. The Council on Foreign Relations was created for this purpose,* and since before World War II the C.F.R. has dominated the U.S. Department of State.

However, this influence and control has been extended to other areas in addition to foreign policy. As we showed in *None Dare Call It Conspiracy*, the Establishment bankers have been very successful in protecting their financial interests through political interventionism, by placing team players in key positions in government. If you will check, you will

*The C.F.R. is the U.S. counterpart to Britain's Royal Institute of International Affairs (R.I.I.A.), making it the American branch of the secretive Round Table Groups, the foreign-policy control network established by Cecil Rhodes, Lord Alfred Milner, William T. Stead, Lionel Curtis, Philip H. Kerr (Lord Lothian), and Sir William S. Marris, and which is the parent organization behind both the British R.I.I.A. at Chatham House and the American C.F.R. at the Pratt House in New York, as well as several other parallel groups. This Anglophile network has been heavily linked with key European banking families such as the Rothschilds, Lazards, Hambros, and wealthy British aristocrats like the Astors. The Council on Foreign Relations was itself a creature of the firm of J.P. Morgan & Company and its Wall Street allies. Dominated from the start by Morgan agents who attended the Paris Peace Conference in 1919, the C.F.R.'s list of officers and directors was always loaded with the names of partners, associates, and employees of J.P. Morgan & Company. Later, the control shifted to the House of Rockefeller. David Rockefeller is the C.F.R.'s current chairman.

find that the following six positions have consistently been occupied by a member of the C.F.R., going all the way back to the 1930s: Secretary of State, Secretary of Defense, Secretary of the Treasury, National Security Advisor, Director of the Central Intelligence Agency, and Chairman of the Federal Reserve Board. In other words, if the banking elitists have control over money, foreign policy, defense, and intelligence, they are not too concerned over whomever the President appoints as Secretary of Agriculture!

With their own agents of political pull in high places, the banking elitists and their associates constitute an Oligarchy of Political Pull. They love government intervention in the market, because they control it for their own advantage. They are the supreme Special Interest Group pushing for socialistic and fascistic interventionism and opposing Free Market capitalism. They are therefore Leftwing, not Rightwing.

Since the keystone of these international banking empires has been government bonds, it has been in their interest to encourage government debt. The higher the debt, the more the interest collected by the merchant bankers who hold the bonds. Nothing drives government as deeply into debt as does war. It has not been an uncommon practice among international bankers to finance both sides of the bloodiest military conflicts. They did this, for example, during the American Civil War. The North was financed by the Rothschilds through their American agent, August Belmont, while the American South was funded through the Erlangers, relatives of the Rothschilds.* And, J.P. Morgan & Company and other New York City-based banking houses played an important role in maneu-

vering the United States into World War I.†

Because these banking operations are not publicly owned, it has been difficult to investigate their machinations and interconnections. Unlike Smith Barney, Paine Webber, and Merrill Lynch, the family firms we are discussing here seldom if ever advertise. They prefer a very low profile. Joseph Wechsberg writes in *The Merchant Bankers* that, "Bankers are laconic people who say only ten percent of what they think. Hereditary merchant bankers say even less. 'Much of what merchant bankers do is inevitably never made public,' says Kenneth Keith, a member of the silent fraternity. The Rothschilds, fertile breeding ground for legends, never let any outsider go through their archives. The Barings don't even bother to put their name on their letterhead. To advertise or do anything smacking of publicity-seeking is considered out of the question."

This passion for secrecy of those who run these houses of world repute caused Carroll Quigley to observe:

"One of their less obvious characteristics was that they remained as private unincorporated firms, usually partnerships, until relatively recently, offering no shares, no reports, and usually no advertising to the public. This risky status, which deprived them of limited liability, was retained, in most cases, until modern inheritance taxes made it essential to surround such family wealth with the immortality of corporate status for tax-avoidance purposes. This persistence as private

*See Stephen Birmingham, *Our Crowd*, Dell, New York, 1967. Compare Clement Eaton, *History Of The Southern Confederacy*, Macmillan, New York, 1954.

†See, among other sources, *America Goes To War* by Charles C. Tansill, published by Little, Brown & Company in 1938.

A conspiratorial banking clique has shaped much of the history of the Twentieth Century. These *Insiders* gave us the Federal Reserve System and the income tax; brought America into both world wars; bankrolled Lenin, Trotsky, and the Russian Revolution; and, even helped to bring Adolf Hitler to power in Germany.

firms continued because it ensured the maximum of anonymity and secrecy to persons of tremendous public power who dreaded public knowledge of their activities As a consequence, ordinary people had no way of knowing the wealth or areas of operation of such firms, and often were somewhat hazy as to their knowledge. Thus, people of considerable political knowledge might not associate the names Walter Burns, Clinton Dawkins, Edward Grenfell, Willard Straight, Thomas Lamont, Dwight Morrow, Nelson Perkins, Russell Leffingwell, Elihu Root, John W. Davis, John Foster Dulles, and S. Parker Gilbert with the names 'Morgan,' yet all these and many others were parts of the system of influence which centered on the J.P. Morgan office at 23 Wall Street. This firm, like others of the international banking fraternity, constantly operated through corporations and governments, yet remained itself an obscure private partnership J.P. Morgan and Company, originally founded in London as George Peabody and Company in 1838, was not incorporated until March 21, 1940"

Founders Of Wall Street

The Morgan complex, of course, has been the most powerful force in

the banking elite of America. We will look at Morgan Stanley & Company later in this article. For now, it should be pointed out that the field of investment banking was dominated by two groups or family clusters. The first and generally pre-eminent one was that of the old society of New England Yankees. The second was composed of a few families of German-Jewish background. Prominent figures among the New Englanders were, in addition to J.P. Morgan himself, George F. Baker (National City Bank of New York), James Stillman (First National Bank of New York), Robert Winsor (Kidder, Peabody & Company), and James J. Storrow (Lee, Higginson & Company).

Indeed, it has been maintained with substantial documentation that the development of American finance during the Nineteenth Century and early Twentieth Century was the work of no more than six companies and a dozen or so men. And, of these dozen or so men, Jacob Schiff (of Kuhn, Loeb & Company) was the only one *not* a descendant of New England, Puritan stock.* This W.A.S.P. elite also includes the

*Fritz Redlich, *The Making Of American Banking, Men And Ideas, Part II, 1840-1910* (New York, 1951).

Whitney family, the Vanderbilts, and other famous blue-blood clans. We will discuss this Yankee elite further in our section on J.P. Morgan and the history of Morgan Stanley & Company.

As we have mentioned, along with the banking dynasties of Morgan and Rockefeller, there are also the extremely powerful houses in New York which were established and developed by Jews who immigrated to the United States in the Nineteenth Century. Outstanding among these firms — most, if not all, of which have been connected to the Rothschilds of Europe — are Kuhn, Loeb & Company; Lazard Frères; Salomon Brothers; Goldman, Sachs & Company; J. & W. Seligman & Company; James Speyer & Company; August Belmont & Company; Lehman Brothers; Hallgarten & Company; Heidelbach, Ickelheimer & Company; and, Ladenburg, Thalmann & Company.

Almost all of these were founded by Jewish immigrants from Germany. The few exceptions include the Lazards (who were from France) and the Guggenheims (who came from Switzerland). While some of the earlier houses are either gone or have been merged with others, the Establishment's New York investment banking firms that remain can trace their roots back to the Nineteenth Century with unbroken continuity.

Some of the founders of these firms had come to America with an abundance of capital and experience from their European family connections. For example, August Belmont, who entered the U.S. in 1837, was a financial agent of the House of Rothschild and was given considerable aid by his European bosses. Philip Speyer immigrated from Frankfurt, where he had been trained in his family's banking firm, and

arrived also in the year 1837 to set up a foreign exchange and banking house to expand the family business.

Jacob H. Schiff, only eighteen years old when he first came to America in 1865, had acquired banking experience in Germany and succeeded in establishing a brokerage business within eighteen months of his arrival. He went back to Frankfurt in 1872 to acquire further expertise in finance banking, then returned to the U.S. three years later to join the firm of Kuhn, Loeb & Company, which had been established in 1867. Under Schiff's driving management, Kuhn, Loeb became increasingly involved in federal securities and helped establish an active market for railroad bonds and U.S. Government debt obligations. By the end of the century, Kuhn, Loeb & Company was among the top six investment houses in America.

Others would appear to have started with little money or financial experience but succeeded in going from rags to riches. Such men, who at first had to resort to push-cart peddling or retailing, included Seligman, Guggenheim, Heidelbach, Goldman, Kuhn, Loeb, Lehman, and Wertheim.

The father of the founders of S.J. Bache & Company, Semon Bache, worked in a Mississippi store owned by his uncle after arriving in New Orleans in 1845. Marcus Goldman, who was ultimately to found Goldman, Sachs & Company, headed for Philadelphia in 1848 and there peddled for two years before setting up a men's clothing store, which prospered greatly until his temporary retirement in 1867, later moving to New York. Meyer Guggenheim, after his arrival in New York harbor in 1848, peddled in the Pennsylvania mining areas, selling shoestrings, lace, furniture polish, needles, safety pins,

spices, and other goods in demand; later, Guggenheim sold homemade stove polish, from which he earned enough capital to open a wholesale store in Philadelphia which sold household products. Abraham Kuhn and Solomon Loeb started out in Lafayette, Indiana, as commercial partners, later moving to Cincinnati with a general merchandising store which succeeded until they temporarily retired in 1865, moving to New York two years later to enter investment banking.

These Jewish peddlers and merchants prospered during the American Civil War* and more or less typify the pattern of the early backgrounds of many of the founders of the investment banking houses. The pattern was that, after the Civil War, those who had accumulated enough capital temporarily retired, then went to New York City where they entered the burgeoning world of high finance, joining those like Schiff and Speyer who had gone to New York directly from the old country with funds and experience.

There is a great deal to admire in these enterprising men. Through hard work and financial prudence, they earned the wealth and success they eventually achieved. The early phases of their careers exemplify the American era of Horatio Alger. Most were young men who had left Europe to escape the repressive anti-Jewish laws which prevailed there at the time. The Free Market economy of America offered the promise of opportunity to those who were held down by the heavy hand of government in the old country. By coming to the United States, and participating in its commerce, these self-made men helped mightily in the development of the American economy. For this they should be applauded by all fair-minded people.

Criticism falls, therefore, not on the early salutary enterprises of these immigrant pioneers, but rather on the involvement, either much later in their careers or by their descendants, in promoting the expansion of Big Government, destructive wars, or subversive "revolutions" which some of them helped to finance. They became so involved with government and government debt that they acquired a vested interest in promoting collectivist institutions and profiting from wars and revolutions. When these big bankers no longer confined their actions to the private sector, and instead began to use government intervention illicitly to gain privileges and monopolies — through the violation of the rights of others — they crossed the line from friend of liberty to enemy. If government had been kept restricted to a policy of *laissez faire*, there would have been no one in government to act as "pull peddlers," since there would have been no political favors to dispense — and no

*The Seligmans were particularly noted for their war profiteering. During the early years of the war, owing to their influence in government circles and their prominence in the then-young Republican Party, the Seligman brothers obtained highly lucrative clothing contracts, on which they were paid by the government almost \$1.5 million dollars during the first year of that bloody conflict. Later, they were also heavily involved in the flotation of federal loans — principally in Europe — to support the Yankee war effort. The Seligmans had acquired nearly \$1 million in capital as early as April of 1862; by March of 1864, they had added another \$250,000 to this then-enormous pool of wealth. That money was the basis for their banking business after they moved to New York following the end of the war. (See Linton Wells, *The House Of Seligman*, three volumes; MSS in the New York Historical Society, 1931. See also Rudolf Glanz, "Notes On Early Jewish Peddling," *Jewish Social Studies*, April 1945, Volume Seven.) The Speyers also helped arrange financing for Lincoln's war.

aristocracy of political pull would have developed.

In any case, the banking companies established by the aforementioned immigrants, and developed by their sons and relatives, have had tremendous impact on the history of the U.S. and its development, which would have been very different in their absence. In time, these family partnerships grew to be among the key movers and shakers of the Establishment elite in America.

This cluster of families developed as an interlocking power with a solidarity and efficacy which made it virtually a society within a society, a social elite based on common cultural and ethnic factors. It joined the Morgan and Rockefeller interests in dominating the New York financial community.

By the dawn of the Twentieth Century, investment banking in America was virtually monopolized by two basic groups of bankers: those, such as George F. Baker, James Stillman, and above all J.P. Morgan, who were descended from the New England ("Yankee") Puritan heritage, and those of German-Jewish background discussed above. Together, these two banking groups constituted the pinnacle of the financial and social Establishment. Surrounding this elite financial core is a vast and complex pattern of far-reaching influence composed of well-endowed, tax-exempt foundations, major corporations, the top commercial banks, leading think tanks, Ivy League universities, national news media, and federal agencies. This combine still forms the nucleus of what has been called the Eastern "Liberal" Establishment.

As chronicled in *None Dare Call It Conspiracy* and several other works, this is the same group which: planned

and plotted at the estate of J.P. Morgan at Jekyll Island, Georgia, the creation of the Federal Reserve central banking system, and which was eventually successful in getting it passed by Congress in 1913; was a powerful lobbying force behind the passage and ratification of the Federal Income Tax Amendment; dominated the establishment of the Council on Foreign Relations; was involved in bringing America into both world wars; bankrolled Lenin, Trotsky, and the Russian Revolution, thus elevating Communism to power on a national scale; manipulated F.D.R.'s New Deal fascism to cartelize American industry to its advantage; was involved in bringing Hitler to power in Germany; and, continues financially to support East-bloc Communist regimes and socialist Third World dictatorships around the world.

All of these — and many other — major historical developments have been linked to this same network of Establishment *Insiders*, demonstrating the signal importance of this conspiratorial clique in shaping and directing much of the history of the Twentieth Century.

J.P. Morgan & Company

By the early 1900s, the most powerful investment banking firm on Wall Street (and, of course, in America) was J.P. Morgan & Company. During this period the American Establishment was dominated by the core of a New York financial elite led by the Morgans, Whitneys, and Rockefellers, who were tied together through family as well as financial alliances.

Professor Carroll Quigley has described the structure of this powerful Establishment as follows: "At the center were a group of less than a dozen investment banks, which

were, at the height of their powers, still unincorporated private partnerships. These included J.P. Morgan; the Rockefeller family; Kuhn, Loeb & Company; Dillon, Read & Company; Brown Brothers and Harriman; and others. Each of these was linked in organizational or personal relationships with various banks, insurance companies, railroads, utilities, and industrial firms. The result was to form a number of webs of economic power of which the more important centered in New York, while other provincial groups allied with these were to be found in Pittsburgh, Cleveland, Chicago and Boston."

Since the firm of J.P. Morgan & Company was the ringleader of this combine, consider what Dr. Quigley has to say concerning its major associates and connections:

"J.P. Morgan worked in close relationship to a group of banks and insurance companies, including the First National Bank of New York, the Guaranty Trust Company, the Bankers Trust, the New York Trust Company, and the Metropolitan Life Insurance Company. The whole nexus dominated a network of business firms which included at least one-sixth of the two hundred largest nonfinancial corporations in American business. Among these were twelve utility companies, five or more railroad systems, thirteen industrial firms, and at least five of the fifty largest banks in the country. The combined assets of these firms were more than \$30 billion. [*Multiply this figure by at least a factor of forty to approximate today's dollars.*] They included American Telephone and Telegraph Company, International Telephone and Telegraph, Consolidated Gas of New York, the groups of electrical utilities known as Electric Bond and

Share and as the United Corporation Group (which included Commonwealth and Southern, Public Service of New Jersey, and Columbia Gas and Electric), the New York Central railway system, the Van Sweringen railway system (Allegheny) of the nine lines (including Chesapeake and Ohio; Erie; Missouri Pacific; the Nickel Plate; and Pere Marquette); the Santa Fe; the Northern system of five great lines (Great Northern; Northern Pacific; Burlington; and others); the Southern Railway; General Electrical Company; United States Steel; Phelps Dodge; Montgomery Ward; National Biscuit; Kennecott Copper; American Radiator and Standard Sanitary; Continental Oil; Reading Coal and Iron; Baldwin Locomotive; and others."

It should be noted, moreover, that because of its position on Wall Street, the Morgan firm came to dominate other Wall Street powers, such as Carnegie; Whitney; Vanderbilt; Brown Brothers Harriman & Company; and, Dillon, Read & Company. Close alliances were made with Rockefeller, Mellon, and Duke financial interests.

Professor Quigley enumerates some characteristics of this monied aristocracy and then explains its influence in top American academic institutions:

"This group which, in the United States, was completely dominated by J.P. Morgan and Company from the 1880's to the 1930's [*after which the Rockefellers assumed the leadership role*] was cosmopolitan, Anglophile, internationalist, Ivy League, eastern seaboard, high Episcopalian, and European-culture conscious. Their connection with the Ivy League colleges rested on the fact that the large endowments of these institutions required constant consultation with the

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financiers of Wall Street (or its lesser branches on State Street, Boston, and elsewhere) and was reflected in the fact that these endowments, even in 1930, were largely in bonds rather than in real estate or common stocks. As a consequence of these influences, as late as the 1930's, J.P. Morgan and his associates were the most significant figures in policy making at Harvard, Columbia, and to a lesser extent Yale, while the Whitneys were significant at Yale, and the Prudential Insurance Company (through Edward D. Duffield) dominated Princeton

"The chief officials of these universities were beholden to these financial powers and usually owed their jobs to them. Morgan himself helped make Nicholas Murray Butler president of Columbia; his chief Boston agent, Thomas Nelson Perkins of the First National Bank of that city, gave Conant his boost from the chemical laboratory to University Hall at Harvard; Duffield of Prudential, caught unprepared when the incumbent president of Princeton was killed in an automobile in 1932, made himself president for a year before he chose Harold Dodds for the post in 1933. At Yale, Thomas Lamont, managing partner of the Morgan firm, was able to swing Charles Seymour into the presidency of that university in 1937."

Quigley observes: "The significant influence of 'Wall Street' (meaning Morgan) both in the Ivy League and in Washington, in the period of sixty or more years following 1880, explains the constant interchange between the Ivy League and the Federal government . . ." As we have noted, the firm of J.P.

Morgan & Company, along with other, lesser, members of the financial brotherhood, was involved up to its jowls in the establishment of central banking in the U.S., and certainly in the creation of the Council on Foreign Relations, which continues as the primary pool of "Liberal" Establishment personnel.

This makes it all the more interesting that the structural basis for the House of Morgan originated in the career of George Peabody, a dry-goods clerk from Massachusetts who set up a banking firm in London in 1837. Peabody had started out by buying and selling goods across the Atlantic between England and the United States, and gradually became a banker by using his increasing capital to finance other merchants in trading deals. With the rapid growth of his investment-banking business, Peabody soon needed a younger partner and chose for this position a youthful Hartford, Connecticut, businessman named Junius Morgan, whose father had acquired a fortune in insurance.

In 1854, Junius Morgan arrived in London with his family, including his eldest son, Pierpont, who later also joined Peabody's firm as a partner and its New York representative. When Peabody retired in 1864, the Morgans took over the business and changed the name to J.S. Morgan. The Morgans strengthened their financial position in America through an alliance with Tony Drexel, heir to a powerful Philadelphia bank, and opened up their New York office in a new marble building with an elevator at 23 Wall Street, which remains to this day the address of the Morgan headquarters.

J. Pierpont Morgan, a descendant of five generations of Connecticut Yankees, took control of the family's banking business in 1879 when

his father, Junius, retired. Under his aggressive management and strategy, the Morgan Company soon far surpassed in America even the power of the Rothschilds in Europe.

After Pierpont Morgan died in 1913, his son Jack — a less forceful character — ran the banking empire with a team of professional managers led by Thomas Lamont, one of the key individuals involved in the creation of the Council on Foreign Relations after World War I. In the wrecked and debt-ridden Europe of the 1920s, the Morgan bankers assumed the central role in planning post-war financial arrangements, negotiating with the various central banks while Washington remained aloof. The House of Morgan seemed an empire unto itself, and the single most powerful political kingmaker in America.

But in the wake of the Great Crash, the people were furious at Wall Street and the Glass-Steagall Act of 1933 required all commercial (deposit) banks to separate themselves from the business of selling securities. Companies could no longer be both commercial banks and investment houses. The Morgan enterprise was simply split into two branches: Morgan Guaranty Trust Company (which was incorporated in 1940) is the commercial banking arm, while Morgan Stanley (originally headed by a younger son of the Morgan family) became the underwriting branch.

Today, the firm of Morgan Stanley still enjoys a unique status on Wall Street, owing to its history, prestige, and amazing track record for successfully raising huge sums of money for the top corporations in the land. Indeed, Morgan Stanley deals only with the giants. Its roster of blue-chip clients includes General Motors, Standard Oil of New Jersey,

United States Steel, Du Pont, I.B.M., and American Telephone and Telegraph. These are the megaliths of the corporate establishment.

In the spring of 1970, Morgan Stanley & Company again made financial history by exceeding even its own previous underwriting achievements. It led a group of brokerage houses in handling the sale of an unprecedented \$1.6 billion worth of A.T.&T. bonds (referred to on Wall Street as "debentures and warrants") in only a few weeks. This transaction was so immense in size and complexity that it set Wall Street on its ear for several weeks, threatening to capsize the nation's credit markets because of its magnitude.

Despite the great risks, however, there were enormous profits to be made if the deal succeeded. Despite many problems, the bonds were sold. In fact, ninety-eight percent of the issue was actually sold during the subscription period, with the unsubscribed portion sold several weeks later. So A.T.&T. got its \$1.6 billion, and Morgan Stanley raked in a huge fee for its careful planning and skillful execution of the sale. One observer reported:

"Morgan Stanley profited handsomely, as did a number of other firms, from the \$1.6 billion A.T.&T. offering of 1970, and indeed, over the years the firm had found Ma Bell to be a faithful client. The fee paid to Morgan Stanley for its financial advisory services on the 1970 transaction was \$250,000, and it received an added \$100,000 fee in connection with the offering. That was only the tip of the iceberg, however. Altogether, the banking firm collected over \$1 million, according to Baldwin [*the firm's leading vice president, who had conceived and wrought the deal*] and other estimates ran higher. One competitor said he esti-

mated that Morgan Stanley made nearly \$3 million, including commissions for lay-off sales." (Michael C. Jensen, *The Financiers*, Weybright and Talley, New York, 1976)

Little wonder that Morgan Stanley has traditionally had the most top-heavy roster of Fortune 500 clients of any firm on Wall Street.

The man behind the successful A.T.&T. deal, Robert Hayes Burns Baldwin (C.F.R.), soon became the president of the firm. Under his tireless domination, Morgan Stanley's staff has expanded over the past decade from 270 to 1,700. Known for disdainful and formal stuffiness, Morgan Stanley's sixty-four managing directors each make a salary of more than \$100,000 a year. Although it is not required to reveal either its profits or the salaries of its key officers, it is estimated by many Wall Streeters (and undenied by Morgan Stanley) that its partners earn as much as \$500,000 a year.

Lehman Brothers Kuhn Loeb

With approximately half a million dollars netted from their general merchandising business in Cincinnati, Abraham Kuhn and Solomon Loeb temporarily retired in 1865, visited their native Germany, then moved to the Big Apple where they established Kuhn, Loeb & Company in 1867. But the main man in Kuhn, Loeb's history was Jacob H. Schiff. Mr. Schiff had direct connections with the Rothschild and Warburg banks in Germany, had a brother (Ludwig) who was a stockbroker in Frankfurt, and another brother (Herman) who was a banker in London. Schiff became a partner of Kuhn and Loeb in 1873 and married Therese Loeb in 1875. Within a decade Abraham Kuhn was dead and Solomon Loeb had retired, at which time Jacob Schiff became head of the com-

pany. It was Schiff who brought in Paul and Felix Warburg to work with Kuhn, Loeb & Company.

Paul M. Warburg was the most significant player in forcing a central bank on the United States. After having been trained in national and international banking in Hamburg, London, and Paris, he and his brother Felix came to the U.S. in 1902. They left brother Max, later a major financier of the Russian Revolution, at home in Frankfurt to run the family bank, M.N. Warburg & Company, which had been in existence since 1798. In due course, Paul married Nina Loeb (Solomon's daughter), while Felix effected a merger with Jacob Schiff's daughter, Freida. Both brothers became Kuhn, Loeb partners, Paul receiving an annual salary of \$500,000 — a huge income even now, but astounding when a dollar was still a dollar.

In *None Dare Call It Conspiracy* and elsewhere we have discussed the involvement of Kuhn, Loeb personnel in promoting central control of money at home and totalitarian collectivism abroad. Readers of this magazine are now familiar with the story of how Paul M. Warburg fronted for creation of the Federal Reserve Act. Indeed he also served as a director of the Council on Foreign Relations from 1921 to 1932 and was one of the original members on the Federal Reserve Board. Then there is the account of John M. Schiff, the grandson of Jacob Schiff, relating how his grandfather had spent more than \$20 million in laying the groundwork for the Russian Revolution. We will not review that material here. The point is that Kuhn, Loeb has long played a key role in major collectivist schemes.

Kuhn, Loeb merged with another big investment firm, Lehman Brothers, in 1977. The founders of Leh-

man Brothers had come to the U.S. from Bavaria, becoming successful cotton dealers in Mobile, Alabama. By the turn of the century, they too had established a company in New York City which specialized in investment banking. Like Kuhn-Loeb, Lehman Brothers has also been an important supporter of Leftist causes.

One of the best-known members of the firm was the late Herbert H. Lehman, a partner from 1908 to 1933. He was related by marriage to partners in Lazard Frères, Kuhn-Loeb, and Seligman Brothers. He was governor of New York State for four terms and later U.S. Senator from that state. In addition to having been a member of the C.F.R., Lehman was a co-founder of the socialistic Americans for Democratic Action, was a sponsor of the National Council for American-Soviet Friendship and the American Association for the U.N. He also served as director general of the United Nations Relief and Rehabilitation Administration (U.N.R.R.A.), which according to U.S. Ambassador to Poland Arthur Bliss Lane was used to secure Soviet subjugation of Poland.

A top Establishment *Insider*, Herbert Lehman was correctly cited by a high State Department official as being part of "the secret government of the United States."

Lehman's niece, Helen Lehman Bittenweiser, kept Communist Alger Hiss and his family at her Westchester home during his famous spy trial. She later posted \$60,000 bail for convicted Communist agent Robert A. Soblen, who subsequently fled the country. Her husband, Benjamin Bittenweiser (C.F.R.), is a director of Lehman Brothers Kuhn, Loeb, and a trustee of the radical New School for Social Research.

Since 1973, the chairman of Lehman Brothers has been Peter G. Pet-

erson (C.F.R.), Secretary of Commerce under Nixon and in 1961 head of Bell & Howell at the age of thirty-four. For years, the firm had been the personal fiefdom of its principal owner, Robert "Bobby" Lehman. The death of Bobby Lehman and other key partners about ten years ago created a management vacuum and financial woes for the company. With the end of Lehman family rule, the firm's enviable list of clients began shrinking, and its problems were aggravated by heavy bond-trading losses, a stock-market slump, and squabbling among the remaining senior partners.

Lehman Brothers lost \$9 million in 1973. When Pete Peterson took charge of the firm at the end of that year, he brought new and very sophisticated business and accounting methods to the investment house. Of course he was also heavily wired into government, in a position to promote the huge loans being pushed to Third World and Communist countries, and an intimate of the giant multinational corporations. Peterson meanwhile worked to integrate the investment banking aspects of the firm with its considerable securities-trading activities. Lehman Brothers prospered over the decade, and under Peterson's leadership it was merged with Kuhn, Loeb in 1977, strengthening its position.

By the end of last year, Lehman Kuhn Loeb was managing assets worth more than \$9 billion, had a capital stock worth more than \$200 million, employed more than three thousand people, and was Wall Street's leader in merger and acquisition deals. In this connection, it completed transactions worth more than \$15 billion this year, including Allied Corporation's takeover of Bendix. The company is also one of the top three investment firms involved in

trading government bonds, and is the third-biggest dealer in commercial paper (corporate I.O.U.s).

On January 1, 1984, Peterson steps down as chairman of Lehman Brothers to start his own investment company (Peterson & Jacobs), backed by a \$5 million investment from Lehman Kuhn Loeb. He also will get \$10 million from withdrawing his share in the partnership and in retirement payments.

Other important partners in Lehman Brothers have included General Lucius D. Clay Sr., a member of the Council on Foreign Relations; and C.F.R. Insider George W. Ball, former Undersecretary of State and Ambassador to the United Nations for the Kennedy and Johnson Administrations. Recently another general has been added to the payroll of Lehman Kuhn Loeb. In September, it was announced that the firm was taking on a new general partner: Brigadier General Peter M. Dawkins, U.S.A. (Ret.) His bonuses and salary will easily exceed \$100,000 a year in his new position. At age forty-five, that is quite a dramatic career change for the long-time military man.

Who is Peter M. Dawkins? A man to watch. At the U.S. Military Academy at West Point, Pete Dawkins was first captain of the corps of cadets, president of his class of 1959, captain of the football team, an All-American, and winner of the Heisman Trophy. Academically, he ranked in the top five percent of his class, going on to study philosophy, politics, and economics as a Rhodes Scholar at Oxford, where he was grounded in New World Order politics. From there he enrolled at Princeton's Woodrow Wilson School, an institution with strong links to Fabian Socialism. Dawkins received his doctorate in public affairs from Princeton in 1969.

Busy as he was, Pete Dawkins's military career was equally spectacular. He rose rapidly in rank, receiving combat decorations in Vietnam, and had at age forty-three become the youngest brigadier general on active duty. Most military observers expected that he would one day be Army Chief of Staff. But Dawkins had learned at Oxford how the world is run and had other ideas.

A close friend of the Kennedy clan, Peter M. Dawkins has always been interested in "public service" and friends say that he will use his position on Wall Street to build a power base, bolster his financial position, and acquire new and important contacts for the day when many expect him to enter politics. As head of Lehman's public-finance department, the former All-American halfback will work with state governments and municipalities in raising money for the public (political) sector — a position which will allow him to win friends and influence people all over the country.

Is Pete Dawkins a member of the Establishment *Insiders'* Council on Foreign Relations? You bet he is! And, given his abilities and political ambition, he may one day become President of the United States. Says Dawkins, "I am very serious about doing something with my new life. I'm very interested in public policy. But I'm also interested in business. One thing at a time." A careful planner and strategist, this is one investment banker who clearly has an eye on a Presidential nomination. And you can bet he will have a great deal of help in getting it.

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NEXT MONTH, we will continue our discussion of the background, status, and activities of the top investment banking houses of the "Liberal" Establishment. ■ ■