

The Menace of American Capitalism

Or the Power Behind Wilson

By J. D. Newbold.

(Second Installment)

DURING the panic of 1907, and again in the crisis in July-August 1914, the firm of J. P. Morgan and Co., this time together with the Secretary of the Treasury, came to the rescue of the credit system of America. Early in 1915, the Allies put all their purchases in the hands of the Morgans, who bought for them at the rate of about \$100,000,000 a month during the first year. In September 1915, a British and French Commission came to borrow \$500,000,000. A meeting was held in Morgan's library, attended by the big men on Wall Street, and the great railway "King," J. J. Hill, urged subscription to the loan so that the Allies "would buy supplies here."

America--A Creditor Nation.

That gathering and those negotiations mark a turning point in history. They mark the definite emergence of New York as the centre of the money power of the world. Before another sixteen months had elapsed the United States plutocracy had succeeded in paying off the pre-war mortgage of \$5,000,000,000. Somewhat like \$400,000,000 of this consisted of loans made to the Allies.

What has since happened may be judged by the following quotations from unimpeachable American authorities:—

"It was recently publicly stated that prior to the war the United States was a debtor nation to the extent of about \$4,000,000,000 but that the most available figures indicated that at least three-quarters of this indebtedness has been directly liquidated, and that in addition

the war began private investors in the United States have loaned to foreign governments between \$1,500,000,000 and \$2,000,000,000, which is still outstanding, while the Treasury Department has made available to the Allied Governments over \$8,000,000,000" (Supplement to Commerce Reports Bureau of Finance and Department of Commerce of the U. S. Dec. 2nd, 1918.)

"Up to July 1, 1918, we had exported more merchandise than we imported, to the extent of about ten billion dollars, and Mr. Rovensky estimates that by the end of this year we will be in the position of a creditor nation to the extent of \$9,000,000,000. This will mean a net annual income of about \$450,000,000, as against annual interest payments to foreigners, when we were a debtor nation, of \$175,000,000." (G. B. Mallon, of the Bankers Trust Company, *World's Work*, New York, January, 1919.)

These colossal figures imply that the United States capitalists who by their terrific grip upon the banks, investment trusts and insurance corporations, control the entire credits of the republic, require the governments of the other Allied Powers and of Russia, by some means or other, to pay them annually £90,000,000 in interest. That economic power connotes an immense political influence and anxiety. No wonder that Dr. Victor S. Clark, of the Carnegie Foundation at Washington, issues a solemn warning in the *January World's Work*:—"We may be faced by a Bolshevik Europe, united by a common bond of hatred for our alleged 'Anglo-Saxon capitalism'.... A real peril threatens the established social order. We

Americans still view that peril with the same attitude of remoteness and self-complacency with which we viewed the early stages of the European War.... We are quite incapable of comprehending how vividly that peril impresses itself upon the apprehension of the propertied classes, abroad, and how potentially the promises of social revolution appeal to the propertyless classes of impoverished Europe.... First of all the working people of Europe must be promised protection against the possibility of another war, and assured the best possible conditions for the speedy restoration of their material welfare."

Such is the fear in the sympathetic bosoms of "the propertied classes" of the United States. Hence this most informative monthly, controlled by the family of the late American Ambassador to Britain, chronicling that "Representatives bankers have already met, under the auspices of the Council of Foreign Relations, to study the ways and means of financing America's share in the physical reconstruction of Europe," goes on to point out that "the Red Cross, ably managed, fully organized, and richly financed, can carry a message of brotherhood, and a practical, if silent, message of democracy, into regions never before so ready to receive and learn.... Its field is a stricken world." Its organizing head is one of the principal partners of J. P. Morgan and Co., and its headquarters in Petrograd afforded, for a time, a rendezvous for Kerenski and Korniloff in their counter-revolutionary plot against the Workers' and Soldiers' Councils. It was the Rockefeller endowed Y. M. C. A. which was sent to pioneer the work of re-organization in Siberia. More than ever will Charity come to stink in the nostrils of a working class proudly demanding Justice.

The Rise of the Rockefellers

We have examined J. P. Morgan and Co., and the part they have played, first in the development of America by British money, and then in the redemption of her properties from alien exploitation, a process accompanied by an even more complete subjection of Europe to United States capitalism. With the drying up of the London monetary reservoir, and the absorption by American productive undertakings of the economic resources of Europe, the function of the money-changers has vastly altered. J. P. Morgan and Co. is a firm going rapidly into relative decline. Another concern, another group, another congeries of powers, which for twenty years it has fought with, co-operated with, and is now succumbing to, takes its place. That is the financial dynasty represented by Frank A. Vanderlip, until lately President of the National City Bank of New York. This concern, now the most powerful banking house in the world, entered into an alliance with the "Standard Oil" interests as long ago as 1892 and, working in alliance with Kuhn, Loeb and Co., began to assist Harriman to achieve his memorable railroad conquest of the Mississippi-Pacific Coast systems, including the Union and Southern Pacific, the Texas Pacific, Colorado and Southern, Illinois Central and other great

lines. Harriman and the allied banks used the Rockefeller millions to achieve their aim. The National City Bank helped "Standard Oil" to secure control of the gas and electrical light and power interests of New York, Boston, Baltimore, Chicago, etc., to dominate the public-utility corporations and hydro-electric concessions, both east and west; to "float" the Consolidated and Amalgamated Copper issues and to plunder the public for £20,000,000 on the deal; to consolidate Sugar and Tobacco, and to bring off many another gigantic triumph.

The immense "insiders" profits made by the Rockefellers and their immediate associates during the years between 1890 and 1905, when the United States output of petroleum rose from 45,800,000 to 139,900,000 barrels a year, and copper from 265,100,000 to 871,600,000 lbs. a year, can be imagined. Since then the Navies of the World have swallowed immense quantities of petroleum, and a thousand new demands have been made upon "Standard Oil." All over the world the octopus has flung its tentacles and its profits reach out as new capital into the least known of quarters. Its interests were, up to 1912, almost everywhere hopelessly inter-mingled with those of Morgan, and between them they were believed to control more than ten billion dollars of credit. Associated with the National City Bank were and are the "Big Five" meat packers of Chicago, and the great Continental-Commercial National Bank of that city and the Middle West.

Such was the power of the "Standard Oil" bank and bond issuing house at the outbreak of the Great War. At its head was Frank Vanderlip, who came to its board in 1901 straight from office as Assistant Secretary of the Treasury, where he had "gathered experience which he put to very good use in his work as a national banker." (*World's Work*, June, 1916). After the death of J. Pierpont Morgan removed that masterful personality from the world's money market, Frank Vanderlip has rapidly come to the fore, and it is under his leadership that "America" has become "a creditor nation."

Learning to 'Think Internationally'

In 1915, the National City Bank, under his guidance, called into being the American International Corporation, capitalized, like the subsequent British Trade Corporation, at £10,000,000. It had "on its board the most prominent business men in the country." Its purpose was to make "banking an ally of commerce in the construction task of building new markets for our products, new fields of investment for surplus wealth, and a new co-operative function for American finance in developing the undeveloped resources of the 'world.'" The private Bulletin issued to its members by the Federation of British Industries described this Corporation as a "potentially more powerful combination even than the pre-war German Cartels, backed and led by the German banks." It reported Vanderlip as saying—and mark carefully the underlying unity of principle in these words and in the utterance and policy of President Wilson:—

These changes (wrought by the war) are bringing the United States new re-

(Continued on page 8)