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## RESPONSES OF INTERNATIONAL CAPITAL TO THE RUSSIAN REVOLUTIONS

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### Summary

Monopoly capitalism and socialism are by no means irreconcilable. There are sufficient historical examples of a cordial relationship between the two to question the universal validity of the 'socialism versus capitalism' dichotomy. There have also been circumstances in which monopoly capitalism has not been adverse to even violent social revolutions in order to overthrow systems that were considered economically antiquated and not suitable for allowing the full potential for industrialisation and capital investment.

This essay examines the response of significant sections of international capital towards both the March and the November 1917 Revolutions in Russia. This includes the funding by New York banker Jacob Schiff of revolutionary propaganda among the Russian POWs of the Russo-Japanese War that laid foundations for the revolutionary cadres of the 1917 revolutions; the enthusiasm with which the March Revolution was greeted by important sections of international finance in London and New York, the efforts of business interests to secure the diplomatic recognition of the embryonic Bolshevik Government, the aims of the American Red Cross Mission and its initiator William Boyce Thompson, the efforts of Washington Vanderlip to secure early concessions from the Soviet state, the first Soviet international bank Ruskombank and the involvement of Western capital, the first foreign concessionaire Armand Hammer and the role his father Julius had in hosting the Trotsky family in the USA, and the differing outlooks of Trotsky and Stalin towards foreign capital. Also considered is the 'militarisation of labour' by the Soviet state as being helpful to foreign business, and the intrinsic relationship between Big Business and revolution.

**Key words:** Armand Hammer, Bolshevism, Council on Foreign Relations, Czarist Russia, George Kennan, Henry Wickham Steed, Jacob Schiff, Lenin, Ruskombank, Samuel Gompers, Soviet

Russia, Spengler, Stalin, Trotsky, William Boyce Thompson.

### **Funding the Revolutionary Cadres**

There was more to funding the Russian revolutionary movement than Stalin's extortions and robberies. The first process for the revolutionary overthrow of the Czarist regime was to turn the outside world, and in particular the USA against its traditional friendship with Russia, and to portray the Czar as a tyrant.

The individual most responsible for turning American opinion, including government and diplomatic opinion, against Czarist Russia was the journalist George Kennan<sup>[1]</sup>, who was sponsored by Jacob Schiff, a senior partner in Kuhn, Loeb & Co., New York. Robert Cowley states that during the Russo-Japanese War Kennan was in Japan organising Russian Prisoners Of War into "revolutionary cells" and Kennan claimed to have converted "52,000 Russian soldiers into 'revolutionists'". Cowley also adds, significantly, "Certainly such activity, well-financed by groups in the United States, contributed little to Russian-American solidarity."<sup>[2]</sup>

The source of the revolutionary funding "by groups in the United States" was explained by Kennan at a celebration of the March 1917 Russian Revolution, reported by the *New York Times*:

Mr Kennan told of the work of the Friends of Russian Freedom in the revolution.

He said that during the Russian-Japanese war he was in Tokyo, and that he was permitted to make visits among the 12,000 Russian prisoners in Japanese hands at the end of the first year of the war. He had conceived the idea of putting revolutionary propaganda into the hands of the Russian army.

The Japanese authorities favoured it and gave him permission. After which he sent to America for all the Russian revolutionary literature to be had...

"The movement was financed by a New York banker you all know and love", he said, referring to Mr Schiff, "and soon we received a ton and a half of Russian revolutionary propaganda. At the end of the war 50,000 Russian officers and men went back to their country ardent revolutionists. The Friends of Russian Freedom had sowed 50,000 seeds of liberty in 100 Russian regiments. I do not know how many of these officers and men were in the Petrograd fortress last week, but we do know what part the army took in the revolution.

Then was read a telegram from Jacob H Schiff, part of which is as follows: "Will you say for me to those present at tonight's meeting how deeply I regret my inability to celebrate with the Friends of Russian Freedom the actual reward of what we had hoped and striven for these long years."<sup>[3]</sup>

The reaction to the Russian revolution by Schiff and by other bankers in the USA and London, was one of jubilation. Schiff wrote enthusiastically to *The New York Times*:

May I through your columns give expression to my joy that the Russian nation, a great and

good people, have at last effected their deliverance from centuries of autocratic oppression and through an almost bloodless revolution have now come into their own. Praised be God on high! Jacob H. Schiff.<sup>[4]</sup>

Writing to *The Evening Post* in response to a question about revolutionary Russia's new status with world financial markets, Schiff wrote:

Replying to your request for my opinion of the effects of the revolution upon Russia's finances, I am quite convinced that with the certainty of the development of the country's enormous resources, which, with the shackles removed from a great people, will follow present events, Russia will before long take rank financially amongst the most favoured nations in the money markets of the world.<sup>[5]</sup>

Schiff's reply reflected the general attitude of London and New York financial circles at the time of the revolution. John B Young of the National City Bank, who had been in Russia in 1916 in regard to a US loan, stated in 1917 of the revolution that it had been discussed widely when he had been in Russia the previous year. He regarded those involved as "solid, responsible and conservative".<sup>[6]</sup> In the same issue, *The New York Times* reported that there had been a rise in Russian exchange transactions in London 24 hours preceding the revolution, and that London had known of the revolution prior to New York. The article reported that most prominent financial and business leaders in London and New York had a positive view of the revolution.<sup>[7]</sup> Another report states that while there had been some disquiet about the revolution, "this news was by no means unwelcome in more important banking circles."<sup>[8]</sup>

These bankers and industrialists are cited in these articles as regarding the revolution as being able to eliminate pro-German influences in the Russian government and as likely to pursue a more vigorous course against Germany in the war. Yet such patriotic sentiments cannot be considered the sole or primary motivation behind support for the revolution. While Max Warburg of the Warburg banking house in Germany advised the Kaiser and while the German Government arranged for funding and safe passage of Lenin and his entourage from Switzerland across Germany to Russia<sup>[9]</sup>; his brother Paul<sup>[10]</sup>, an associate of Schiff's, looked after the family interests in New York. The factor that was behind this banking support for the revolution whether from London<sup>[11]</sup>, New York, Stockholm<sup>[12]</sup> or Berlin, was that of the largely untapped resources that would become available to the world markets.

This common interest in the exploitation of Russian resources beyond any national consideration was discerned by two widely different sources, Henry Wickham Steed of *The London Times*, and Samuel Gompers, the US labour leader<sup>[13]</sup>. On May 1, 1922 *The New York Times* reported that Gompers, reacting to negotiations at the international economic conference at Genoa, declared that a group of "predatory international financiers" were working for the recognition of the Bolshevik regime for the opening up of resources for exploitation. Despite the rhetoric by New York and London bankers during the war, as noted above, that a Russian revolution would serve the Allied cause against Germany, Gompers opined that this was an "Anglo-American-German banking group", and that they were "international bankers" who did not owe any national allegiance. He also noted that prominent Americans who had a history of anti-labour attitudes were advocating recognition of the Bolshevik regime<sup>[14]</sup>.

What Gompers claimed was similarly expressed by Henry Wickham Steed, editor of *The London Times*, based on his own experiences. In a first-hand account of the Paris Peace Conference of 1919, Steed stated that proceedings were interrupted by the return from Moscow of William C. Bullitt and Lincoln Steffens, “who had been sent to Russia towards the middle of February by Colonel House and Mr. Lansing, for the purpose of studying conditions, political and economic, therein for the benefit of the American Commissioners plenipotentiary to negotiate peace.”<sup>[15]</sup> Steed also refers to British Prime Minister Lloyd George as being likely to have known of the Mission and its purpose. Steed states specifically and at some length that international finance was behind the move for recognition of the Bolshevik regime and other moves in favour of the Bolsheviks, and specifically identified Jacob Schiff of Kuhn, Loeb & Co., New York, as one of the principal bankers “eager to secure recognition”:

Potent international financial interests were at work in favour of the immediate recognition of the Bolsheviks. Those influences had been largely responsible for the Anglo-American proposal in January to call Bolshevik representatives to Paris at the beginning of the Peace Conference — a proposal which had failed after having been transformed into a suggestion for a Conference with the Bolsheviks at Prinkipo... The well-known American Jewish banker<sup>[16]</sup>, Mr. Jacob Schiff, was known to be anxious to secure recognition for the Bolsheviks...<sup>[17]</sup>

In return for diplomatic recognition Tchitcherin, the Bolshevik Commissary for Foreign Affairs, was offering “extensive commercial and economic concessions.”

Wickham Steed in alliance with *The London Times*’ proprietor Lord Northcliffe campaigned to expose the machinations going on to secure recognition of the Bolsheviks by international finance, on the premise that the post-war peace being inaugurated by Pres. Woodrow Wilson under the banner of high moral principles, and a League of Nations, would appal American, British and other public opinion.

Wickham Steed next relates that he was called upon by Pres. Wilson’s primary adviser, Edward Mandel House, who was concerned at Steed’s exposé of the relationship between the Bolsheviks and international financiers:

That day Colonel House asked me to call upon him. I found him worried both by my criticism of any recognition of the Bolsheviks and by the certainty, which he had not previously realized, that if the President were to recognize the Bolsheviks in return for commercial concessions his whole “idealism” would be hopelessly compromised as commercialism in disguise. I pointed out to him that not only would Wilson be utterly discredited but that the League of Nations would go by the board, because all the small peoples and many of the big peoples of Europe would be unable to resist the Bolshevism which Wilson would have accredited.<sup>[18]</sup>

Wickham Steed then stated to House that it was Jacob Schiff, Warburg and other bankers who were behind the diplomatic moves in favour of the Bolsheviks:

I insisted that, unknown to him, the prime movers were Jacob Schiff, Warburg, and other international financiers, who wished above all to bolster up the Jewish Bolshevists in order to secure a field for German and Jewish exploitation of Russia.”<sup>[19]</sup>

Wickham Steed here reveals an uncharacteristic naiveté in stating that Edward House would *not* have known of the plans of Schiff, Warburg, et al. House was throughout his career close to these same bankers and was involved with them in setting up the influential think tank, the Council on Foreign Relations immediately following the world war, in order to help shape post-war US foreign policy in favour of an international orientation. It was Schiff and Paul Warburg and other Wall Street bankers who called on House in 1913 to get House’s support for the creation of the Federal Reserve Bank.<sup>[20]</sup>

House disingenuously asked Wickham Steed to compromise; to support a move that would supposedly secure benefits for both the pro- Bolshevik and non-Bolshevik Russian masses in terms of humanitarian aid. Wickham Steed agreed to consider this, but soon after talking with House found out that British Prime Minister Lloyd George and Wilson were to proceed with recognition the following day. Steed therefore wrote the leading article for the Paris *Daily Mail* of March 28<sup>th</sup>, exposing the manoeuvres and asking where a pro-Bolshevik stance stood with Wilson’s high moral principles for the post-war world?

...Who are the tempters that would dare whisper into the ears of the Allied and Associated Governments? They are not far removed from the men who preached peace with profitable dishonour to the British people in July, 1914. They are akin to, if not identical with, the men who sent Trotsky and some scores of associate desperadoes to ruin the Russian Revolution as a democratic, anti-German force in the spring of 1917.<sup>[21]</sup>

What is of special interest in this passage is that Wickham Steed identified Schiff, Warburg, et al as similar to or identical with those prominent individuals who allowed Trotsky in New York and Lenin in Switzerland to proceed to Russia in 1917 to foment the Bolshevik Revolution.

Charles Crane<sup>[22]</sup>, who had recently talked with Wilson, related to Steed that he was concerned that Wilson was about to recognise the Bolsheviks, which would result in a negative public opinion in the USA and destroy Wilson’s post-War internationalist aims. Significantly Crane also identified the pro-Bolshevik faction as being that of Big Business, stating to Steed: “Our people at home will certainly not stand for the recognition of the Bolshevists at the bidding of Wall Street.” Steed was again seen by House, who stated that Steed’s article in the Paris *Daily Mail*, “had got under the President’s hide.” House asked that Steed postpone further exposés in the press, and again raised the prospect of recognition based on humanitarian aid. Lloyd George was also greatly perturbed by Steed’s articles in the *Daily Mail* and complained that he could not undertake a “sensible” policy towards the Bolsheviks while the press adopts an anti-Bolshevik position.<sup>[23]</sup>

As mentioned, Col. House attempted to persuade Wickham Steed on the idea of relations with Bolshevik Russia ostensibly for the purpose of humanitarian aid for the Russian people. This is the type of activity that had already been undertaken just after the Bolshevik Revolution, when the regime was far from certain, under the guise of the American Red Cross Mission. Col. William

Boyce Thompson, a director of the NY Federal Reserve Bank, organised the American Red Cross Mission to Russia, funded mainly by Thompson, and by International Harvester, which gave \$200,000. The so-called Red Cross Mission was largely comprised of business personnel, and was according to Thompson's assistant, Cornelius Kelleher, "nothing but a mask" for business interests.<sup>[24]</sup> Of the 24 members of the American Red Cross Mission, five were doctors and there were two medical researchers. The rest were lawyers and businessmen associated with Wall Street. Dr Billings nominally headed the Mission.<sup>[25]</sup> Prof. Antony Sutton of the Hoover Institute stated that the Red Cross Mission provided aid for the assistance of the revolutionaries:

We know from the files of the U.S. embassy in Petrograd that the U.S. Red Cross gave 4,000 roubles to Prince Lvoff, president of the Council of Ministers, for "relief of revolutionists" and 10,000 roubles in two payments to Kerensky for "relief of political refugees."<sup>[26]</sup>

The original intention of the Red Cross Mission, hastily organised by Thompson in light of revolutionary events, was "nothing less than to shore up the Provisional regime," according to the historian William Harlane Hale, formerly of the United States Foreign Service.<sup>[27]</sup>

Thompson set himself up in royal manner in Petrograd reporting directly to Pres. Wilson and bypassing US Ambassador Francis. Thompson provided funds from his own money, first to the Social Revolutionaries, to whom he gave one million roubles,<sup>[28]</sup> and shortly after \$1,000,000 to the Bolsheviks to spread their propaganda to Germany and Austria.<sup>[29]</sup> Thompson met Thomas Lamont of J P Morgan Co. in London to persuade the British War Cabinet to drop its anti-Bolshevik policy. On his return to the USA Thompson undertook a tour pleading for US recognition of the Bolsheviks.<sup>[30]</sup> Thompson's deputy Raymond Robbins had been pressing for recognition of the Bolsheviks, and Thompson agreed that the Kerensky regime was doomed and consequently "sped to Washington to try and swing the Administration onto a new policy track," meeting resistance from Wilson, who was being pressure by Ambassador Francis.<sup>[31]</sup>

### **The "Bolshevic of Wall Street"**

Such was Thompson's enthusiasm for Bolshevism that he was jocularly nicknamed "the Bolshevik of Wall Street" by others on Wall Street. Thompson gave a lengthy interview with *The New York Times* just after his four month tour with the American Red Cross Mission, lauding the Bolsheviks and assuring the American public that the Bolsheviks were not about to make a separate peace with Germany.<sup>[32]</sup> The article is an interesting indication of how Wall Street viewed their supposedly "deadly enemies", the Bolsheviks at the time the Soviets were still far from secure. Thompson stated that while the "reactionaries" if they assumed power might seek peace with Germany, the Bolsheviks would not. "His opinion is that Russia needs America, that America must stand by Russia," states the *Times*. Thompson is quoted: "The Bolshevik peace aims are the same as those of the United States." Thompson alluded to President Wilson's speech to the United States Congress on Russia as "a wonderful meeting of the situation", but that the American public "know very little about the Bolsheviks." *The Times* states:

Colonel Thompson is a banker and a capitalist, and he has large manufacturing interests. He is not a sentimentalist nor a "radical." But he has come back from his official visit to Russia in absolute sympathy with the Russian democracy as represented by the Bolsheviks

at present.

While Thompson did not consider Bolshevism the final form of government, he did see it as the most promising step towards a “representative government” and that it was the “duty” of the USA to “sympathise” and “aid” Russia “through her days of crisis.” He stated that in reply to surprise at his pro-Bolshevik sentiments he did not mind being called “red” if that meant sympathy for 1,70,000,000 people “struggling for liberty and fair living.” Thompson also saw that while the Bolsheviks had entered a “truce” with Germany, they were also agitating Bolshevism among the German people, which Thompson called “their ideals of freedom” and their “propaganda of democracy.” Thompson lauded the Bolshevik Government as being the equivalent to America’s democracy, stating:

The present government in Russia is a government of workingmen. It is a Government by the majority, and, because our Government is a government of the majority, I don’t see how it can fail to support the Government of Russia.

Thompson saw the prospects of the Bolshevik Government being transformed as it incorporated a more Centrist position and included employers. If Bolshevism did not proceed thus, then “God help the world,” warned Thompson.

The *Times* article ends: “At home in New York, the Colonel has received the good-natured title of ‘the Bolshevik of Wall Street.’”<sup>[33]</sup> It was against this background that it can now be understood why Samuel Gompers denounced Bolshevism as a tool of “predatory international finance,” while Thompson lauded it as “a government of working men” with the same peacetime ideals as the USA.

### **CFR Report**

The Council on Foreign Relations (CFR) had been established in 1921 by President Wilson's chief adviser Edward Mandel House out of a previous think tank called The Inquiry, formed in 1917-1918 to advise Pres. Wilson on the Paris Peace Conference of 1919. It was this conference about which Wickham Steed had detailed his observations when he stated that there were financial interests trying to secure the recognition of the Bolsheviks.<sup>[34]</sup>

Peter Grosse in the semi-official history of the CFR writes of it as a think tank combining academe and big business that had emerged from The Inquiry group:

...But it was a more discreet club of New York financiers and international lawyers organized in June 1918 that most attracted the attention of the Americans from the Peace Conference. Headed by Elihu Root, the secretary of state under Theodore Roosevelt and a Nobel Peace Prize laureate, this select group called itself the Council on Foreign Relations. It began with 108 members, Shepardson recorded, “high-ranking officers of banking, manufacturing, trading and finance companies, together with many lawyers.” Its purpose was to convene dinner meetings, to make contact with distinguished foreign visitors under conditions congenial to future commerce.<sup>[35]</sup>

The CFR's report on Soviet Russia at this early period is instructive as to the relationship that influential sections of big business wished to pursue in regard to the Bolshevik regime. Grosse writes of this period:

Awkward in the records of The Inquiry had been the absence of a single study or background paper on the subject of Bolshevism. Perhaps this was simply beyond the academic imagination of the times. Not until early 1923 could the Council summon the expertise to mobilize a systematic examination of the Bolshevik regime, finally entrenched after civil war in Russia. The impetus for this first study was Lenin's New Economic Policy, which appeared to open the struggling Bolshevik economy to foreign investment. Half the Council's study group were members drawn from firms that had done business in pre-revolutionary Russia, and the discussions about the Soviet future were intense. The concluding report dismissed "hysterical" fears that the revolution would spill outside Russia's borders into central Europe or, worse, that the heady new revolutionaries would ally with nationalistic Muslims in the Middle East to evict European imperialism. The Bolsheviks were on their way to "sanity and sound business practices," the Council study group concluded, but the welcome to foreign concessionaires would likely be short-lived. Thus, the Council experts recommended in March 1923 that American businessmen get into Russia while Lenin's invitation held good, make money on their investments, and then get out as quickly as possible. A few heeded the advice; not for seven decades would a similar opportunity arise."<sup>[36]</sup>

This is not to say that certain corporations had not already, at the earliest stages of the Bolshevik regime, sought concessions with the new government.

### **Big Business and Communism: High and Low Roads to Collectivism?**

H G Wells observed first-hand a certain accord between Communism and big business when he had visited Bolshevik Russia. Travelling to Russia in 1920 where he interviewed Bolshevik luminaries including Lenin, Wells hoped that the Western Powers and in particular the USA would come to the Soviets' aid. Wells also met there a "Mr Vanderlip" who was in the Soviet Union to try and negotiate business contracts with the Bolshevik Government. Wells commented of the situation he would like to see developing, and as a self-described "collectivist" made a telling observation on the relationship between Communism and "Big Business":

The only Power capable of playing this role of eleventh-hour helper to Russia single-handed is the United States of America. That is why I find the adventure of the enterprising and imaginative Mr. Vanderlip very significant. I doubt the conclusiveness of his negotiations; they are probably only the opening phase of a discussion of the Russian problem upon a new basis that may lead it at last to a comprehensive world treatment of this situation. Other Powers than the United States will, in the present phase of world-exhaustion, need to combine before they can be of any effective use to Russia. Big business is by no means antipathetic to Communism. The larger big business grows the more it approximates to Collectivism. It is the upper road of the few instead of the lower road of the masses to Collectivism.<sup>[37]</sup>



In addressing concerns that were being expressed among Bolshevik Party “activists” at a meeting of the Moscow Organisation of the party, Lenin sought to reassure them that the Government was not selling out to foreign capitalism, but that, in view of what Lenin believed to be an inevitable war between the USA and Japan, a US interest in Kamchatka would be favourable to Soviet Russia. Lenin said of Vanderlip:

We must take advantage of the situation that has arisen. That is the whole purpose of the Kamchatka concessions. We have had a visit from Vanderlip, a distant relative of the well-known multimillionaire, if he is to be believed; but since our intelligence service in the Choke, although splendidly organised, unfortunately does not yet extend to the United States of America, we have not yet established the exact kinship of these Vanderlips. Some even say there is no kinship at all. I do not presume to judge: my knowledge is confined to having read a book by Vanderlip, not the one that was in our country and is said to be such a very important person that he has been received with all the honours by kings and ministers—from which one must infer that his pocket is very well lined indeed. He spoke to them in the way people discuss matters at meetings such as ours, for instance, and told them in the calmest tones how Europe should be restored. If ministers spoke to him with so much respect, it must mean that Vanderlip is in touch with the multimillionaires.<sup>[38]</sup>

Of the meeting with Vanderlip, Lenin indicated that it was based on a secret diplomacy that was being denied by the US Administration, while Vanderlip himself returned to the USA—like sundry other capitalists before him—praising Lenin:

...I expressed the hope that friendly relations between the two states would be a basis not only for the granting of a concession, but also for the normal development of reciprocal economic assistance. It all went off in that kind of vein. Then telegrams came telling what Vanderlip had said on arriving home from abroad. Vanderlip had compared Lenin with Washington and Lincoln. Vanderlip had asked for my autographed portrait. I had declined, because when you present a portrait you write, “To Comrade So-and-so”, and I could not write, “To Comrade Vanderlip”. Neither was it possible to write: “To the Vanderlip we are signing a concession with” because that concession agreement would be concluded by the Administration when it took office. I did not know what to write. It would have been illogical to give my photograph to an out-and-out imperialist. Yet these were the kind of telegrams that arrived; this affair has clearly played a certain part in imperialist politics. When the news of the Vanderlip concessions came out, Harding—the man who has been elected President, but who will take office only next March issued an official denial, declaring that he knew nothing about it, had no dealings with the Bolsheviks and had heard nothing about any concessions. That was during the elections, and, for all we know, to confess, during elections, that you have dealings with the Bolsheviks may cost you votes. That was why he issued an official denial. He had this report sent to all the newspapers that are hostile to the Bolsheviks and are on the pay roll of the imperialist parties...<sup>[39]</sup>

This mysterious Vanderlip was in fact Washington Vanderlip who had, according to Armand Hammer, come to Russia in 1919, although even Hammer does not seem to have known much of the matter.<sup>[40]</sup> Lenin’s rationalisations in trying to justify concessions to foreign capitalists to the “Moscow activists” in 1920 seem disingenuous and less than forthcoming. Washington Vanderlip

was in fact an engineer whose negotiations with Russia drew considerable attention in the USA. *New York Times* wrote that Vanderlip speaking from Russia denied that reports of Lenin's speech to "Moscow activists" regarding the concessions as serving Bolshevik geopolitical interests were untrue, with Vanderlip declaring that he had established a common frontier between the USA and Russia and that trade relations must be immediately restored.<sup>[41]</sup> *The New York Times* reporting in 1922: "The exploration of Kamchatka for oil as soon as trade relations between this country and Russia are established was assured today when the Standard Oil Company of California purchased one-quarter of the stock in the Vanderlip syndicate." This gave Standard Oil exclusive leases on any syndicate lands on which oil was found. The Vanderlip syndicate comprised of sixty-four units. Sixteen are owned by Los Angeles capitalists. The Standard Oil Company has just purchased sixteen units. However, the Vanderlip concessions could not come into effect until Soviet Russia was recognised by the USA.<sup>[42]</sup>

The Vanderlip syndicate holds concessions for the exploitation of coal, oil and timber lands, fisheries, etc., east of the 160<sup>th</sup> parallel in Kamchatka. The Russian Government granted the syndicate alternate sections of land there and will draw royalties amounting to approximately 5 per cent. on all products developed and marketed by the syndicate.<sup>[43]</sup>

### **Ruskombank**

In 1922 Soviet Russia's first international bank was created, Ruskombank, headed by Olof Aschberg of the Nye Banken, Stockholm, Sweden. The predominant capital represented in the bank was British. The foreign director of Ruskombank was Max May, vice president of the Guaranty Trust Company.<sup>[44]</sup> Like William Boyce Thompson, "the Bolshevik of Wall Street," Aschberg was known as the "Bolshevik banker" for his close involvement with banking interests that had channelled funds to the Bolsheviks.

Guaranty Trust Company became intimately involved with Soviet economic transactions. A *Scotland Yard Intelligence Report* stated as early as 1919 the connection between Guaranty Trust and Ludwig C A K Martens, head of the Soviet Bureau in New York when the bureau was established in that year.<sup>[45]</sup> When the Soviet Bureau offices were raided on May 7, 1919 by representatives of the Lusk Committee investigating Bolshevik activities in the USA, files of communications with almost a thousand firms were found. Basil H Thompson of Scotland Yard in the special report that despite denials, there was evidence in the seized files that the Soviet Bureau was being funded by Guaranty Trust Company.<sup>[46]</sup> The significance of the Guaranty Trust Company was that it was a part of the J P Morgan economic empire, which Dr Sutton shows in his study to have been a major player in economic relations with Soviet Russia from its early days. It was also J P Morgan interests that predominated in the formation of a consortium, the American International Corporation (AIC), which was another source eager to secure the recognition of the still embryonic Soviet state. Interests represented in the directorship of the American International Corporation included: International included the National City Bank; General Electric; Du Pont; Kuhn, Loeb and Co.; Rockefeller; Federal Reserve Bank of New York; Ingersoll-Rand; Hanover National Bank, etc.<sup>[47]</sup>

The AIC's man in Russia at the time of the revolutionary tumult was its executive secretary

William Franklin Sands, who was asked by US Secretary of State Robert Lansing for a report on the situation and what the US response should be. Sand's attitude toward the Bolsheviks was, like that of Thompson, enthusiastic. Sands wrote a memorandum to Lansing in January 1918, at a time when the Bolshevik hold was still far from sure, that there had already been too much of a delay by the USA in recognising the Bolshevik regime such as it existed. The USA had already to make up for "lost time," and like Thompson, paralleled the Bolshevik Revolution with the American".<sup>[48]</sup> In July 1918 Sands wrote to US Treasury Secretary McAdoo that a commission should be established by private interests with government backing, for "economic assistance to Russia".<sup>[49]</sup>

### **Hammer - First Concessionaire**

One of those closely associated with Ludwig Martens and the Soviet Bureau was Dr Julius Hammer, an emigrant from Russia who was a founder of the Communist Party USA. There is evidence that Julius Hammer was the host to Leon Trotsky when the latter with his family arrived in New York in 1917, and that it was Dr Hammer's chauffeured car that provided transport to Natalia and the Trotsky children. The Trotsky's were met on disembarkation at the New York dock by Arthur Concors, a director of the Hebrew Sheltering and Immigrant Aid Society, whose advisory board included Jacob Schiff of Kuhn, Loeb and Co.<sup>[50]</sup> Dr Hammer was the "primary owner of Allied Drug and Chemical Co.", and "one of those not so rare creatures, a radical Marxist cum wealthy entrepreneur", who lived an opulent lifestyle, according to Prof. Spence.<sup>[51]</sup> Another financier linked to Trotsky was his own uncle, banker Abram Zhivotovskii, who was associated with numerous financial interests including Olof Aschberg.<sup>[52]</sup>

The intimate association of the Hammer family with Soviet Russia was to be maintained from start to finish, with an interlude of withdrawal during the Stalinist period. Julius' son Armand, chairman of Occidental Petroleum Corporation, was the first foreigner to obtain commercial concessions from the Soviet Government. Armand was in Russia in 1921 to arrange for the reintroduction of capitalism according to the new economic course set by Lenin, the New Economic Policy. Lenin tated to Hammer that the economies of Russia and the USA were complementary, and in exchange for the exploitation of Russia's raw materials he hoped for America's technology.<sup>[53]</sup> This was precisely the attitude of significant business interests in the West. Lenin stated to Hammer that it was hoped the New Economic Policy would accelerate the economic process "by a system of industrial and commercial concessions to foreigners. It will give great opportunities to the United States."<sup>[54]</sup>

Hammer met Trotsky, who asked him whether "financial circles" in the USA regard Russia as a desirable field of investment? Trotsky continued:

Inasmuch as Russia had its Revolution, capital was really safer there than anywhere else because, "whatever should happen abroad, the Soviet would adhere to any agreements it might make. Suppose one of your Americans invests money in Russia. When the Revolution comes to America, his property will of course be nationalised, but his agreement with us will hold good and he will thus be in a much more favourable position than the rest of his fellow capitalists."<sup>[55]</sup>

## Regimented Labour

A further major factor in the enthusiasm certain capitalist interests had for the Bolsheviks was the regimentation of labour under the so-called “dictatorship of the proletariat”. The workers’ state provided foreign capitalists with a controlled workforce. Trotsky had stated:

The militarisation of labour is the indispensable basic method for the organisation of our labour forces... Is it true that compulsory labour is always unproductive?... This is the most wretched and miserable liberal prejudice: chattel slavery too was productive... Compulsory slave labour was in its time a progressive phenomenon. Labour obligatory for the whole country, compulsory for every worker, is the basis of socialism.... Wages must not be viewed from the angle of securing the personal existence of the individual worker [but should] measure the conscientiousness, and efficiency of the work of every labourer.<sup>[56]</sup>

Hammer related of his experiences in the young Soviet state that although lengthy negotiations had to be undertaken with each of the trades unions involved in an enterprise, “the great power and influence of the trade unions was not without its advantages to the employer of labor in Russia. Once the employer had signed a collective agreement with the union branch there was little risk of strikes or similar trouble.”

Breaches of the codes as negotiated could result in dismissal, with recourse by the sacked worker to a labour court which, in Hammer’s experience, did not generally find in the worker’s favour, and which would mean that there would be little chance of the sacked worker getting another job.<sup>[57]</sup>

As the Council on Foreign Relations of 1923 had warned, however, matters favourable to foreign capital might not last indefinitely, and this could indeed be seen with the assumption to power of Stalin. Under Stalinism Russia did not develop as individuals such as William Boyce Thompson had hoped. As for Hammer, the veteran of foreign concessionaires, despite his greatly expanding and diverse businesses in the Soviet Union, after Stalin assumed power Hammer packed up and left, not returning until Stalin’s demise. Hammer opined decades later:

I never met Stalin – I never had any desire to do so – and I never had any dealings with him. However it was perfectly clear to me in 1930 that Stalin was not a man with whom you could do business. Stalin believed that the state was capable of running everything without the support of foreign concessionaires and private enterprise. That is the main reason I left Moscow. I could see that I would soon be unable to do business there and, since business was my sole reason to be there, my time was up.<sup>[58]</sup>

Foreign capital did nonetheless continue to do business with the USSR<sup>[59]</sup> as best as it was able, but the promising start that some capitalists saw in the March and November revolutions for a new Russia that would replace the antiquated Czarist system with a modern economy from which they could reap the rewards was, as the 1923 CFR report warned, short-lived. Gorbachev and Yeltsin provided a brief interregnum of hope for foreign capital, to be disappointed again, with the

rise of Putin and a revival of nationalism and opposition to the oligarchs. The policy of continuing economic relations with the USSR even during the era of the Cold War was promoted as a strategy in the immediate aftermath of World War II when a CFR report by George S Franklin recommended attempting to work with the USSR as much as possible, “unless and until it becomes entirely evident that the U.S.S.R. is not interested in achieving cooperation...”

The United States must be powerful not only politically and economically, but also militarily. We cannot afford to dissipate our military strength unless Russia is willing concurrently to decrease hers. On this we lay great emphasis.

We must take every opportunity to work with the Soviets now, when their power is still far inferior to ours, and hope that we can establish our cooperation on a firmer basis for the not so distant future when they will have completed their reconstruction and greatly increased their strength.... The policy we advocate is one of firmness coupled with moderation and patience.<sup>[60]</sup>

Since Putin, the CFR again sees Russia as having taken a “wrong direction” The current recommendation is for “selective cooperation” rather than “partnership, which is not now feasible.”<sup>[61]</sup>

### **Revolutionary Nature of Capital**

Should this scenario of international capital having viewed the March and even the November Revolutions with optimism be seen as an anomaly of history? Oswald Spengler was one of the first historians to expose the connections between capital and revolution. In *The Decline of The West* he called socialism “capitalistic” because it does not aim to replace money-based values, “but to possess them”. H G Wells, it will be recalled, said something similar. *Spengler* stated of socialism that it is “nothing but a trusty henchman of Big Capital, which knows perfectly well how to make use of it”. He elaborated in a footnote:

Herein lies the secret of why all radical (i.e. poor) parties necessarily become the tools of the money-powers, the *Equites*, the *Bourse*. Theoretically their enemy is capital, but practically they attack, not the *Bourse*, but Tradition on behalf of the *Bourse*. This is as true today as it was for the Gracchuan age, and in all countries...<sup>[62]</sup>

As noted above Spengler referred revolutions as far back as the Gracchuan age of Rome, as serving the interests of the wealthy:

It was the *Equites*, the big-money party, which made Tiberius Gracchu’s popular movement possible at all; and as soon as that part of the reforms that was advantageous to themselves had been successfully legalized, they withdrew and the movement collapsed.<sup>[63]</sup>

In our own time we can see for ourselves the role played by “big-money” in assisting revolutions - whether one views them as for good or ill being a matter of personal perspective - by the backing George Soros in particular gives to the so-called “colour revolutions” especially in the former Soviet bloc. The Russian Revolutions were then neither the first nor the last of political

upheaval to get the support of such interests.

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<sup>[1]</sup>Robert Cowley, “A Year in Hell”, *America and Russia: A Century and a Half of Dramatic Encounters*, ed. Oliver Jensen (New York: Simon and Schuster, 1962), pp. 92- 121. Cowley quotes historian Thomas A Bailey as stating of Kennan: “No one person did more to cause the people of the United States to turn against their presumed benefactor of yesteryear”. (A reference to Czarist Russia’s support for the Union during the American Civil War). Cowley, *ibid.*, 118.

<sup>[2]</sup>*Ibid.*, 120.

<sup>[3]</sup>*New York Times*, 24 March, 1917, 1-2.

<sup>[4]</sup>Jacob H Schiff, “Jacob H Schiff Rejoices, By Telegraph to the Editor of the New York Times”, *New York Times*, 18 March, 1917. This can be viewed in The New York Times online archives: <http://query.nytimes.com/mem/archive-free/pdf?res=9802E4DD163AE532A2575BC1A9659C946696D6CF> (Accessed January 12, 2010).

<sup>[5]</sup>“Loans easier for Russia”, *The New York Times*, 20 March 1917. <http://query.nytimes.com/mem/archive-free/pdf?res=9B04EFDD143AE433A25753C2A9659C946696D6CF> (accessed January 12, 2010).

<sup>[6]</sup>“Is A People’s Revolution”, *The New York Times*, March 16, 1917.

<sup>[7]</sup>“Bankers here pleased with news of revolution”, *ibid.*

<sup>[8]</sup>“Stocks strong – Wall Street interpretation of Russian News”, *ibid.*

<sup>[9]</sup>Michael Pearson, *The Sealed Train: Journey to Revolution: Lenin – 1917* (London: Macmillan, 1975).

<sup>[10]</sup>Paul Warburg, prior to immigrating to the USA, had been decorated by the Kaiser in 1912.

<sup>[11]</sup>Col. William Wiseman, head of the British Secret Service, was the British equivalent to America’s key presidential adviser, Edward House with whom he was in constant communication. Wiseman became a partner in Kuhn, Loeb & Co. From London on May 1, 1918 Wiseman cabled House that the allies should intervene at the invitation of the Bolsheviks and help organise the Bolshevik army then fighting the White Armies in a bloody Civil War at a time when the Bolshevik hold on Russia was doubtful. Edward M House, ed. Charles Seymour, *The Intimate Papers of Col. House* (New York: Houghton, Mifflin Co., 1926), Vol. III, 421.

<sup>[12]</sup>Olof Aschberg of the Nye Banken, Stockholm, the so-called “Bolshevik Banker” who became head of the first Soviet international bank, Ruskombank, channelled funds to the Bolsheviks. On September 6, 1948 *The London Evening Star* commented on Aschberg’s visit to Swiss bankers that

he had “advanced large sums to Lenin and Trotsky in 1917. At the time of the revolution Mr Aschberg gave Trotsky money to form and equip the first unit of the Red Army.”

[13]Gompers was president of the American Federation of Labor.

[14]Samuel Gompers, “Soviet Bribe fund Here Says Gompers, Has Proof That Offers Have Been Made, He Declares, Opposing Recognition. Propaganda Drive. Charges Strong Group of Bankers With Readiness to Accept Lenin's Betrayal of Russia”, *The New York Times*, May 1, 1922. Online at *Times'* archives: <http://query.nytimes.com/gst/abstract.html?res=9E00E3D81739EF3ABC4953DFB3668389639EDE>

[15]Henry Wickham Steed, *Through Thirty Years 1892-1922 A personal narrative*, The Peace Conference, The Bullitt Mission, Vol. II. (New York: Doubleday Page and Co., 1924), 301.

[16]Alleged Jewish involvement with Bolshevism was at the time widely commented upon by diplomatic sources, while prominent individuals such as Wickham Steed and Winston Churchill saw Bolshevism and Zionism to be rivals in securing the loyalty of the Jewish people, both Steed and Churchill being in favour of Zionism. (See for e.g. Winston Churchill, “Zionism vs. Bolshevism: A Struggle for the Soul of the Jewish People”, *Illustrated Sunday Herald*, February 8, 1920, 3.

[17]Henry Wickham Steed, op.cit.

[18]Ibid.

[19]Ibid.

[20]Charles Seymour, op.cit., 165-166. House was assigned by Wilson to draw up the constitution for the League of Nations, and in 1918 formed a think tank at Wilson's request, called *The Inquiry*, to advise on post-war policy, which became the Council on Foreign Relations. House was the US chief negotiator at the Peace Conference in Paris, 1919-1920.

[21]Henry Wickham Steed, “Peace with Honour”, *Paris Daily Mail*, 28 March 1922; quoted in Steed (1924).

[22]Crane was a member of a 1917 Special Diplomatic Mission to Russia, and a member of the American Section of the Paris Peace Conference in 1919.

[23]Steed, 1924, op.cit.

[24]Antony Sutton, *Wall Street and the Bolshevik Revolution* (New York: Arlington House Publishers, 1974), 71.

[25]Sutton, op.cit., p. 75.

[26]Sutton, ibid., p. 73.

[27]William Harlan Hale, “When the Red Storm Broke,” *America and Russia: A century and a half of dramatic encounters*, ed. Oliver Jensen, (New York: Simon and Schuster, 1962) 150.

[28]Ibid., 151.

[29]“Gives Bolsheviki a Million”, *Washington Post*, 2 February 1918, cited by Sutton, *ibid.*, pp. 82-83.

[30]Sutton, *ibid.*, p. 8.

[31]William Harlan Hale, *op.cit.*, 151.

[32]Trotsky while still in the USA had made similar claims. “People War Weary. But Leo Trotsky Says They Do Not Want Separate Peace”, *The New York Times*, March 16, 1917.

[33]“Bolsheviki Will Not Make Separate Peace: Only Those Who Made Up Privileged Classes Under Czar Would Do So, Says Col. W B Thompson, Just Back From Red Cross Mission”, *The New York Times*, 27 January 1918.

[34]Robert S Rifkind, “The Wasted Mission,” *America and Russia*, *op.cit.*, 180.

[35]Peter Grosse, *Continuing The Inquiry: The Council on Foreign Relations from 1921 to 1996*, (New York: Council on Foreign Relations, 2006). The entire book can be read online at: Council on Foreign Relations: <http://www.cfr.org/about/history/cfr/index.html> (Accessed on February 27, 2010).

[36]Ibid. Chapter: “Basic Assumptions.”

[37]H G Wells, *Russia in the Shadows*, Chapter VII, “The Envoy”. Wells went to Russia in September 1920 at the invitation of Kamenev, of the Russian Trade Delegation in London, one of the leaders of the Bolshevik regime. *Russia in the Shadows* appeared as a series of articles in *The Sunday Express*. The whole book can be read online at: [gutenberg.net.au/ebooks06/0602371h.html](http://gutenberg.net.au/ebooks06/0602371h.html)

[38]V I Lenin, December 6, 1920, *Collected Works*, 4th English Edition (Moscow: Progress Publishers, 1965), Volume 31, 438-459 <http://www.marxists.org/archive/lenin/works/1920/dec/06.htm> (Accessed on August 4, 2010).

[39]Ibid.

[40]Armand Hammer, *Witness to History* (Reading, England: Hodder and Stoughton, 1988), 151-152.

[41]“Vanderlip’s Empire,” *The New York Times*, December 1, 1920, 14.

[42]“Standard Oil Joins Vanderlip Project”, *The New York Times*, January 11, 1922, 1.

[43]Ibid.

[44]Antony Sutton, *Wall Street and the Bolshevik Revolution* (New York: Arlington House Publishers, 1974), 62-63.

[45]“Scotland Yard Intelligence Report”, London 1919, US State Dept. Decimal File, 316-22-656, cited by Sutton *ibid.*, 113.



[46] Basil H Thompson, British Home Office Directorate of Intelligence, “Special Report No. 5 (Secret)”, Scotland Yard, London, July 14, 1919; cited by Sutton, *ibid.*, 115.

[47] Sutton, *op.cit.* 130-131.

[48] Sands memorandum to Lansing, p. 9; cited by Sutton, *ibid.*, 132, 134.

[49] Sutton, *ibid.*, 135.

[50] Richard B Spence, “Hidden Agendas: Spies, Lies and Intrigue Surrounding Trotsky’s American Visit, January-April 1917”, *Revolutionary Russia*, Vol. 21, #1 (2008).

[51] *Ibid.*

[52] *Ibid.*

[53] Armand Hammer, *Witness to History* (Reading, England: Hodder and Stoughton, 1988) 143.

[54] *Ibid.*

[55] *Ibid.*, 160.

[56] Leon Trotsky, Third All-Russian Congress of Trade Unions, April 6<sup>th</sup>, 1920.  
<http://www.marxists.org/archive/brinton/1970/workers-control/05.htm> (Accessed on August 4, 2010).

[57] Hammer, *op.cit.*, 217.

[58] *Ibid.*, 221.

[59] Charles Levinson, *Vodka-Cola* (West Sussex: Biblias, 1980). Antony Sutton, *National Suicide: Military Aid to the Soviet Union* (New York: Arlington House, 1973).

[60] Peter Grose, *op.cit.*, “The First Transformation.” <[http://www.cfr.org/about/history/cfr/first\\_transformation.html](http://www.cfr.org/about/history/cfr/first_transformation.html)>

[61] Jack Kemp, et al, *Russia’s Wrong Direction: What the United States Can and Should do*, Independent Task Force Report no. 57 (New York: Council on Foreign Relations, 2006) xi. The entire publication can be downloaded at:

< <http://www.cfr.org/publication/9997/>>

[62] Oswald Spengler, *The Decline of The West*, (London : George Allen & Unwin , 1971), Vol. 2, 464.

[63] *Ibid.* 402.

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