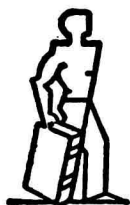


THE EMPIRE OF HIGH FINANCE

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By VICTOR PERLO

Author of American Imperialism



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CONTENTS

PART ONE: STRUCTURE

CHAPTER

1. INTRODUCTION 11
2. WALL STREET STILL RULES 18
Concepts of Monopoly Structure, 18; Finance Capital, 20; Rising Industrial Concentration, 21; Apologists of the Vanishing Banker, 23; The Auto Industry and the Banks, 27; Wall Street, 30; Centralization of World-Wide Profits, 33
3. THE OWNERSHIP AND CONTROL OF CORPORATIONS 36
The Controlling Large Stockholders, 36; Bankers' Role in Corporate Control, 40; The Oligarchy, 42; The "Managerial Revolution," 47; The Fruits of Control, 53; Standard Power and Light, 59
4. THE SPIDER WEB 61
Commercial Banks, 63; The Twenty Giant Banks, 66; Trust Companies and Trust Departments, 67; Investment Bankers, 72; Life Insurance Companies, 79; Fire and Casualty Insurance Companies, 85; Investment Trusts, 86; Foundations and College Endowment Funds, 87; Law Firms, 89
5. DETAILS OF CORPORATE CONTROL 91
Secrecy of Large Stockholders, 91; The Wall Street Banks as Dominant Stockholders, 93; Personal Union, 95; Stock Ownership and Control in a "Morgan" Company, 96; Joint Control by Alliance of Wall Street Interests, 98; Shifts in Corporate Stockholdings and Corporate Control, 100; American Telephone and Telegraph, 102
6. FINANCIAL MARRIAGES AND SHOTGUN WEDDINGS 107
Merger Movements, 107; Merger by Judo, 110; Young and The New York Central, 113; Joint Companies and Exclusive Contracts, 115; Public Utility Holding Companies, 118; Retention of Morgan Utility Empire, 120; The Dixon-Yates Scandal, 121

PART TWO: THE EMPIRES

7. THE EIGHT MAJOR GROUPS 125
The Eight Interest Groups, 126; The Duumvirate, 130; Oil Versus Steel, 132; Evidence of Shift in Power, 133; Joint Power and Rivalry, 136

- 8. THE EBB OF MORGAN POWER** 140
 Historical Role of the Morgans, 140; Scope of Morgan Empire, 142; Weakening of Foreign Connections, 145; World War II Militarization, 147; Popular Antagonism Towards the Morgans, 148; Tactical Errors, 149; Major Losses in Corporate Control and Connections, 149; Morgan Comeback?, 152
- 9. THE RISE OF THE ROCKEFELLERS** 153
 Development of the Rockefeller Fortune, 153; Who's Who in the Rockefeller Group, 156; The Rockefellers and Oil, 161; Economic Reasons for Rockefeller Gains, 164; Allied Standard Oil Families, 164; Alliances with Other Groups, 167; Public Relations, Charities and Sanctimony, 167; Political Gains of the Rockefellers, 171
- 10. NATIONAL CITY AND THE LESSER NEW YORK GROUPS** 174
 First National City Bank, 174; The Hanover Bank, 178; Kuhn, Loeb and Company, 179; Brown Brothers Harriman and Company, 180; Dillon, Read and Company, 181; Lehman Brothers-Goldman-Sachs, 182; Other Large New York Banks, 187
- 11. DUPONT, MELLON, AND BEACON HILL** 189
 The DuPonts, 189; DuPont-Morgan Alliance, 194; The Mellons of Pittsburgh and Kuwait, 196; Aluminum, 197; Oil, 199; Mellon Alliances, 201; The Boston Financiers, 204; Boston Alliances, 206; Stone and Webster, 207; Philadelphia, 211
- 12. THE MIDWESTERN GROUPS** 212
 Hanna, Mather, Eaton, and Young, 214; Dependencies and Alliances, 216; Eaton-Young's Campaign Against Wall Street, 218; Chicago Group, 221
- 13. BANKERS AND BOMBERS IN CALIFORNIA** 226
 The Old San Francisco Group, 230; The Los Angeles Group, 233; Bank of America, 235; The "People's Bank," 236; Trans-america Corporation, 239; Kaiser and Heavy Industry, 241; Bank of America Abroad, 242; Connections with Wall Street, 243
- 14. THE TEXAS MILLIONAIRES** 247

PART THREE: POLITICS

- 15. THE GRAND MERGER WITH THE STATE** 253
 Debt and Taxes, 256; Aircraft and Allied Industries, 258; The Generals' \$140 Billion Enterprise, 260; Government Plants and Stockpiles, 263; Atomic Energy Industry, 265; Export of Capital, 267; Regulatory Agencies, 270; Public Authorities and Toll Roads, 270

16. WASHINGTON, INCORPORATED	274
Mechanics of Business-Government Personal Union, 276; The "Cadillac Cabinet," 279; Will White and Nelson Rockefeller, 281; Dulles, 284; Informal Contacts, 286; Comparative Influence of Different Financial Groups, 287; National Security Council, 288; Checks and Balances, 291	
17. WALL STREET ABROAD AND FOREIGN POLICY	293
Oil, 297; Investments in Europe and the Morgans, 299; Corporate Foreign Policy and its Instruments, 302; Standard Oil Foreign Policy, 306; The Morgans and Foreign Policy, 310; Conflicts in Interests and Policies, 311	
APPENDICES	317
REFERENCE NOTES	337
INDEX	346

TABLES

1. The DuPont, Mellon and Rockefeller Fortunes, 1837 and 1956	45
2. "Outside" and "Inside" Directors of Ten Largest Non-Financial Corporations, 1955	51
3. Return on Different Capitals	54
4. Stock Ownership and Supply of Corporate Funds by Leading Types of Financial Institutions, 1954	63
5. Twenty Largest Commercial Banks, December 31, 1955	67
6. Principal Centers of Personal Trust Assets, 1954	70
7. Ten Largest Wall Street Trust Departments	71
8. Leading Investment Banking Houses, 1950-1955	78
9. The Big Four Life Insurance Companies	84
10. Principal Fire and Casualty Insurance Companies, 1955	85
11. Banks and Others Appearing Most Frequently Among Large Stockholders in Ten Largest Corporations, 1938	94
12. Interlocking Directorates, Mid-1955	95
13. General Electric Stockholdings, 1938	97
14. Large Stockholders and Directors of General Foods Corp., 1938	99
15. Union Pacific Stockholders, 1938 and 1954	101
16. Shareholdings in A. T. & T.	105
17. Size of Eight Major Interest Groups by Assets Controlled, 1955	128

18. Resources of Main Morgan and Rockefeller Banks and First National City Bank, 1929 and 1955	133
19. Leading Financial Interests in Ten Largest Non-Financial Corporations, 1935 and 1955	135
20. Assets Controlled by Morgan and Rockefeller Groups, 1931, 1935 and 1955	135
21. Old San Francisco Banks	231
22. Leading Aircraft Manufacturers and Financial Interests	260
23. Principal Occupations of Top Executives of Eisenhower Administration, Mid-1955	280
24. Business Generated by Export of Capital and by Exports of Goods, 1955	294
25. U.S. Investments Abroad, Selected Years, 1914-55	295
26. Profits on Direct Foreign Investments and Total Profits, U.S. Corporations 1940 and 1946-50	296
27. Foreign Investments and Total Investments, Major Industries, 1955	298
28. Income from Direct Foreign Investments, 1940 and 1955	299

CHARTS

1. Growth of Great Family Fortunes	44
2. Growth in Profits of Eight Financial Groups, 1929-1955	127
3. The Realm of the Morgans	143
4. The Rockefellers	154
5. Rockefeller-Mellon-Boston Alliances	203
6. Cleveland	213
7. National Security Council	289

APPENDICES

1. Corporate Shareholdings of DuPont, Mellon and Rockefeller Families, April 1956	317
2. Financial Connections of Big Four Life Insurance Companies	319
3. Leading Corporation Law Firms	320
4. Morgan and Boston Group Large Stockholdings in General Electric, 1938	322

5. Main Components of Leading Former Utility Holding Systems	322
6. Companies Included in Calculations for Chart II	324
7. Morgan Control of United States Steel Co.	324
8. Companies and Assets in Morgan Sphere of Influence	325
9. Companies and Assets in Rockefeller Sphere of Influence	327
10. Sphere of Influence of First National City Bank	329
11. Companies and Assets in DuPont Sphere of Influence	339
12. Companies and Assets in the Mellon Sphere of Influence	330
13. Cleveland Group Companies and Assets	331
14. Chicago Group Companies and Assets	332
15. Companies and Assets in Bank of America Sphere of Influence	334

Part One: Structure

CHAPTER I

Introduction

FOUR BANKS AND insurance companies have more combined assets today than all American financial institutions did in 1912. Ten industrial corporations make more taxable profits than all such companies did in the boom year 1929.

Monopoly!—ever larger, ever more powerful, looming over the lives of the people. Small businessmen, their share curtailed and areas of operation narrowed, operate under its terms and are transformed into its hired managers. Farmers are impoverished by its price scissors and squeezed off the land by its mortgages. Each year millions of workers suffer periods of unemployment as corporate giants shut down plants in slack periods. Old communities become ghost towns when corporate head offices in New York decide to move their main industries to low-wage areas.

Monopoly!—all pay it tribute through labor, through rising prices and debts, through taxes levied under its rules and mainly for its benefit. And hundreds of millions residing abroad in the economic grip of American big business pay their toll into the same coffers.

Monopoly!—destroying the security of all. How safe is the famous “American standard of living” in an economy teetering between the brinks of war and depression? These twin evils of modern times have not been cured by the growth in monopoly power and technique, but have been rendered more devastating than ever before.

The fight against entrenched wealth has been a central theme of our country’s political history. At the start Thomas Jefferson, advocate of democratic government, stood for an independent citizenry of farmers and artisans, untrammled by centralized financial and merchant capital. His antagonist Alexander Hamilton, the monarchist, stood for rule by banker, merchant and manufacturer, with government their

servitor. The contest between the social forces these men represented continued for decades. The democrats at first won the political victories, contributing much to the rapid growth of the country, to what is good and healthy in our traditions and institutions. But they could not win final economic victory. The logic of capitalism dictated that small enterprise should give way to large, that independent farms and factories should be squeezed by great banks and railroads.

Industry multiplied after the Civil War, and soon monopolies appeared in oil, sugar and railroads, dwarfing anything dreamed of by the Hamiltonian empire-builders. The newest social class, the factory wage-earners, now became prominent politically. Gathered by the thousands on the job, onerously oppressed over a 12 to 14-hour working day, labor strove for organization and for means to deal effective blows at monopoly. The general strike of American workers for the 8-hour day, on May 1, 1886, is celebrated all over the world as a landmark in the modern labor struggle.

Millions advocated new and radical doctrines, which attacked the sanctity of concentrated private property—Populism, the Single Tax, Socialism. Anti-monopoly forces obtained great influence in the Democratic Party, and came close to national electoral victory in the 1896 campaign of William Jennings Bryan.

The fight was lost, but its imprint on American life remained. Congress passed an anti-trust law establishing an official policy against monopoly. True, it was passed as a concession to the public, and its enforcement has been sidetracked by defenders of vested interest controlling the government. But even the most reactionary Administrations have had to pay tribute to the vitality of anti-monopoly sentiment in America by lip-service to free competition, and by a pretense of "vigorous prosecution" of monopoly.

In this century the anti-monopoly movement gathered strength in the Socialist Party slogan "Let the Nation Own the Trusts," in the political campaigns of the Bull Moose and La Follette Progressive parties, and finally in the New Deal of the 1930's. For the first time labor succeeded in organizing powerful, lasting unions embracing the majority of workers in trustified heavy industry. With this backing, President Franklin D. Roosevelt's Administration put into effect a whole series of anti-monopoly measures, including humanitarian reforms designed to protect labor and farmers from destitution and unrestrained exploitation.

But the economic domination of monopoly was not shaken. As events soon showed, big business emerged from the Second World War

more powerful than before. New Deal efforts to "drive the money-changers from the Temple" were inadequate in concept, in content, and in enforcement.

They started from the traditional concept of supporting scattered private enterprise against concentrated private enterprise. But, while small business exists and will continue, its subordination and defeat is complete and final. The centripetal forces of capitalist economy, spurred by modern technology, spell its doom.

New Deal measures were limited in content to attacks on particular malpractices, but did not menace the basic structure of centralized control. The engines of vested interest, skirting the roads that were blocked, moved onwards through the many other roads in the dense network of interlocking connections they had established, and rushed to completion new roads paved smoother than those closed off.

The reforms were limited in enforcement, first by the protection given to monopoly by the courts, and then by the capture of the responsible administrative posts in the new regulatory agencies by representatives of the very forces these agencies were supposed to restrain.

During and since World War II the anti-monopoly battle has been at a low ebb. That it will revive, multiplied in strength and effectiveness, is an historical certainty. Indeed, there is almost universal agreement that the people will not go through another major depression without insisting on changes much more fundamental than those of the 1930's. War or threats of war, large-scale military production and activity, have become a continuous feature of the system. With the knowledge of modern weapons and their destructiveness sinking into the consciousness of the people, they will not long tolerate this Sword of Damocles hanging over them.

The fact that a few hundred or at most a few thousand men of wealth determine the destinies of the nation, and are guided in so doing by the overriding principle of increasing their own profits, will some day become clear to the public. And the American people will not indefinitely tolerate economic royalism any more than they would political monarchy.

But what can we do about it? If previous attempts failed to prevent monopoly from growing bigger and stronger, what guarantee is there that history will not repeat itself?

One requisite is to understand the nature of the empire of high finance. This is all the more important nowadays because the public is asked to believe that the system has been completely transformed.

We are exposed to distortions in newspapers and broadcasts, in the speeches of politicians and the books of professors. Is a great company, employing hundreds of thousands of workers and accounting for more than half the total output in its field, a monopoly? Heavens, no! It is a public corporation owned by the multitudes. Is it run for private profit? The profits are merely incidental. It is run for service to the consumer.

Is a New York bank with billions of deposits, with ties to thousands of small banks all over the country and to even larger insurance companies, with directors on the boards of a hundred corporations, a pinnacle of unrestrained power? No longer. It is a well-behaved and modest financial agent of the depositing public and of national financial policies.

Is a man owning, with his family, billions of dollars worth of corporation shares a robber baron and an economic royalist? Not today. He has been transformed into a philanthropist and an industrial statesman. Is it true that Senators are bought by vested interests, and that the Executive is infested with those placed there by the upper crust and taken out of the top drawer? Don't believe it. Government is hostile to business, and its regulations assure against all abuses.

Do we live under capitalism, a capitalism which has long since reached its monopoly stage, which has been replaced by socialism in some countries, and which is threatened by the same fate in many others? Not us. We have something entirely different, strictly American. We have a "People's Capitalism," in which the common man owns the great corporations, poverty is eliminated, and the rich man is taxed down to the level of the mass—or so we are told.

Sophisticates may laugh, but the arguments must be answered. For the theses of "People's Capitalism" are proclaimed through all channels of communication. They are produced with the slick tricks of modern advertising. They are sometimes backed with seeming documentation as impressive as it is distorted. And they have confused, confounded, and misled millions. They have won partial, if begrudging acceptance, even from conscious foes of monopoly. Some have been unable to see through all the tricks of propaganda, or to resist the blandishments of theories sanctified by the most respected academic circles and repeated so frequently as to acquire the status of dogma.

What has really happened since the turn of the century, when the newly formed steel trust appeared to be the ultimate in monopoly, and since the years of frenzied finance which culminated in 1929? Actually the share of the giants has increased, and concentration has

become the rule in many fields formerly left to smaller enterprise. Monopolistic devices have become more effective in keeping out or eliminating competitors, and in making products more expensive to the public.

The power of monopoly has extended far beyond our own borders. Tens of billions of dollars invested in all capitalist countries, and backed by the armed might of hundreds of foreign military installations, yield billions in additional profits yearly to the very largest trusts.

The ties which interlock the monopolies have become tighter and more complex. The control of corporations is more and more centralized in knots of financial power—the banks and allied institutions, and the banker-industrialists and industrialist-bankers who run them. Control itself has become an object of major importance, bringing forth a rate of profit many times that accruing to the ordinary investor.

Those in the main positions of control determine the destinies of tens of corporations employing millions of workers. Eight prime centers of power have emerged, dividing among themselves most of the major companies and most of the profits. Through command of these systems, a few families have acquired wealth beyond all previous reckoning; they have become, literally, multi-billionaire families.

These empires of high finance do not have fixed boundaries. United in plunder, the rulers are rarely long agreed on its division. The interests of one group extend into the areas of others, and many corporations are divided in control. Corporate raids and mergers break out of the continuous behind-the-scenes maneuvers, through which boundaries of empire and power balances are shifted. The battles for supremacy embrace political as well as economic means, and involve major government policies affecting the entire population.

For the government and the main political parties have become increasingly merged—or submerged—in this corporate power structure. New forms of big business organization and operation have arisen, in which the line between "private" and "government" is indistinct. This trend is associated with the militarization of the entire economy. "Military necessity" becomes the excuse for the most outrageous use of government power to advance private profit interests. Military business has become permanently important to many industrial corporations, and to the big banks and insurance companies absorbing interest from the war-swollen government debt.

Washington, Incorporated, has become the alter ego of Wall Street—with a common board of directors. Positions on the Washington board become the most lucrative prizes in the battle for larger business

empires and profits. With military business at the core of government, and foreign investment the source of extra profits for the plutocracy, control of foreign policy has become the pivot of the power struggle. Political rule by big business centers around the ominous issue of war or peace, with its alternatives of atomic death or survival for the population.

This vast corporate-government structure is not operated in a planned and unified way. It works chaotically, under economic laws which the rulers of monopoly are powerless to abjure. It is subject to economic crisis, and is affected by international political crises, by domestic opposition, and by conflicts of interest among the ruling groups.

The whole giant network of corporate monopoly, involving the mechanically integrated labors of tens of millions, is run for one basic object: the realization of private profits by those in the positions of control. This object is out of harmony with the interests of the millions, renders impossible the smooth functioning of the entire machinery, and undermines the biggest boom in history. An old contradiction, this has grown to monstrous proportions with the extreme centralization of economic power.

Its effects are felt in the strain and stresses of the cold war, in such political perversions as the witchhunt and segregation, in poverty and human suffering here and abroad. These evoke resistance, better organized on a world scale than ever before. Internationally this resistance has warded off, for the moment, the danger of hydrogen war. At home it has improved the conditions of millions of people, and set limits to the exploitation of labor and the oppression of minorities.

But these checks are temporary. A fundamental change is needed to permanently avert dangers to the people, and to realize the unlimited possibilities for the good life inherent in the mechanical advances of society and the growth of scientific knowledge.

My previous book on American imperialism* examined present-day monopoly capitalism primarily in its international aspect, as a system of foreign expansion and aggression, and as the main source of the war danger following World War II.

The present volume concentrates on the domestic structure and operations of monopoly capitalism. This is a big subject, and the book does not treat all of it. The cartels and price-fixing arrangements, the methods by which distributors are subordinated to manufacturers, and

* *American Imperialism*, International Publishers, 1951.

farmers to processors, have been well covered in many works. They are not emphasized here.

Attention is focused on the most decisive, and most confused and obscured, aspect of economic concentration, *finance capital*. By this is meant the linking of banking and industrial monopolies and monopolists into super-monopolies which tower over even the greatest of the industrial combines.

Popular opposition to monopoly has traditionally seen this as the key, and concentrated its fire against the "money power," against "Wall Street." Farmers saw the bankers depriving them of their livelihood through mortgage foreclosures. Weaker manufacturers saw how New York financiers organized the trusts that strangled them. Workers saw how the golden network broke their strikes, bringing into play the press, police, troops, and credits to the employers.

Part One of the present volume deals with the relations between finance and industry, the character and fruits of corporate control, the functioning of different kinds of financial institutions in the power network, shifts in influence and battles for control among the high and mighty.

Part Two deals with the main financial empires, the scope and particular characteristics of each, their alliances and conflicts, the changes in power among them and the reasons therefor.

Part Three deals with the relations between government and big business, the financial rulers as directors of the affairs of state, the competition for leadership in this respect, the fabulous mushrooming of the world empire of American high finance, and the impact of this on vital issues of foreign policy.

It is the aim of this book to increase public understanding of the structure and operations of American monopoly capitalism. As this is written, there are signs of a resurgence of anti-monopoly sentiment, reviving the great anti-trust traditions of the American people. Today, the people can prove more effective than heretofore in reducing the power and profits of monopolies, and thereby can safeguard their own livelihoods, liberties, and lives from the harmful effects of modern capitalism and its policies. In the process, they will find the road to the ultimate elimination of private monopoly in America.