

## Chapter 7

### THE BOLSHEVIKS RETURN TO NEW YORK

**Martens is very much in the limelight. There appears to be no doubt about his connection with the Guarantee [sic] Trust Company, Though it is surprising that so large and influential an enterprise should have dealings with a Bolshevik concern.**

*Scotland Yard Intelligence Report, London, 1919<sup>1</sup>*

*Following on the initial successes of the revolution, the Soviets wasted little time in attempting through former U.S. residents to establish diplomatic relations with and propaganda outlets in the United States. In June 1918 the American consul in Harbin cabled Washington:*

*Albert R. Williams, bearer Department passport 52,913 May 15, 1917 proceeding United States to establish information bureau for Soviet Government for which he has written authority. Shall I visa?<sup>2</sup>*

*Washington denied the visa and so Williams was unsuccessful in his attempt to establish an information bureau here. Williams was followed by Alexander Nyberg (alias Santeri Nuorteva), a former Finnish immigrant to the United States in January 1912, who became the first operative Soviet representative in the United States. Nyberg was an active propagandist. In fact, in 1919 he was, according to J. Edgar Hoover (in a letter to the U.S. Committee on Foreign Affairs), "the forerunner of LCAK Martens anti with Gregory Weinstein the most active individual of official Bolshevik propaganda in the United States."<sup>3</sup>*

*Nyberg was none too successful as a diplomatic representative or, ultimately, as a propagandist. The*

*State Department files record an interview with Nyberg by the counselors' office, dated January 29, 1919. Nyberg was accompanied by H. Kellogg, described as "an American citizen, graduate of Harvard," and, more surprisingly, by a Mr. McFarland, an attorney for the Hearst organization. The State Department records show that Nyberg made "many misstatements in regard to the attitude to the Bolshevik Government" and claimed that Peters, the Lett terrorist police chief in Petrograd, was merely a "kind-hearted poet." Nyberg requested the department to cable Lenin, "on the theory that it might be helpful in bringing about the conference proposed by the Allies at Paris."<sup>4</sup> The proposed message, a rambling appeal to Lenin to gain international acceptance appearing at the Paris Conference, was not sent.<sup>5</sup>*

## *A RAID ON THE SOVIET BUREAU IN NEW YORK*

*Alexander Nyberg (Nuorteva) was then let go and replaced by the Soviet Bureau, which was established in early 1919 in the World Tower Building, 110 West 40 Street, New York City. The bureau was headed by a German citizen, Ludwig C. A. K. Martens, who is usually billed as the first ambassador of the Soviet Union in the United States, and who, up to that time, had been vice president of Weinberg & Posner, an engineering firm located at 120 Broadway, New York City. Why the "ambassador" and his offices were located in New York rather than in Washington, D.C. was not explained; it does suggest that trade rather than diplomacy was its primary objective. In any event, the bureau promptly issued a call for Russian trade with the United States. Industry had collapsed and Russia direly needed machinery, railway goods, clothing, chemicals, drugs — indeed, everything utilized by a modern civilization. In exchange the Soviets offered gold and raw materials. The Soviet Bureau then proceeded to arrange contracts with American firms, ignoring the facts of the embargo and nonrecognition. At the same time it was providing financial support for the emerging Communist Party U.S.A.<sup>6</sup>*

*On May 7, 1919, the State Department slapped down business intervention in behalf of the bureau (noted elsewhere),<sup>7</sup> and repudiated Ludwig Martens, the Soviet Bureau, and the Bolshevik*

government of Russia. This official rebuttal did not deter the eager order-hunters in American industry. When the Soviet Bureau offices were raided on June 12, 1919, by representatives of the Lusk Committee of the state of New York, files of letters to and from American businessmen, representing almost a thousand firms, were unearthed. The British Home Office Directorate of Intelligence "Special Report No. 5 (Secret)," issued from Scotland Yard, London, July 14, 1919, and written by Basil H. Thompson, was based on this seized material; the report noted:

*. . . Every effort was made from the first by Martens and his associates to arouse the interest of American capitalists and there are grounds for believing that the Bureau has received financial support from some Russian export firms, as well as from the Guarantee [sic] Trust Company, although this firm has denied the allegation that it is financing Martens' organisation.<sup>8</sup>*

*It was noted by Thompson that the monthly rent of the Soviet Bureau offices was \$300 and the office salaries came to about \$4,000. Martens' funds to pay these bills came partly from Soviet couriers — such as John Reed and Michael Gruzenberg — who brought diamonds from Russia for sale in the U.S., and partly from American business firms, including the Guaranty Trust Company of New York. The British reports summarized the files seized by the Lusk investigators from the bureau offices, and this summary is worth quoting in full:*

*(1) There was an intrigue afoot about the time the President first went to France to get the Administration to use Nuorteva as an intermediary with the Russian Soviet Government, with a view to bring about its recognition by America. Endeavour was made to bring Colonel House into it, and there is a long and interesting letter to Frederick C. Howe, on whose support and sympathy Nuorteva appeared to rely. There are other records connecting Howe with Martens and Nuorteva.*

*(2) There is a file of correspondence with Eugene Debs.*

*(3) A letter from Amos Pinchot to William Kent of the U.S. Tariff Commission in an*

*envelope addressed to Senator Lenroot, introduces Evans Clark "now in the Bureau of the Russian Soviet Republic." "He wants to talk to you about the recognition of Kolchak and the raising of the blockade, etc."*

*(4) A report to Felix Frankfurter, dated 27th May, 1919 speaks of the virulent campaign vilifying the Russian Government.*

*(5) There is considerable correspondence between a Colonel and Mrs. Raymond Robbins [sic] and Nuorteva, both in 1918 and 1919. In July 1918 Mrs. Robbins asked Nuorteva for articles for "Life and Labour," the organ of the National Women's Trade League. In February and March, 1919, Nuorteva tried, through Robbins, to get invited to give evidence before the Overman Committee. He also wanted Robbins to denounce the Sisson documents.*

*(6) In a letter from the Jansen Cloth Products Company, New York, to Nuorteva, dated March 30th, 1918, E. Werner Knudsen says that he understands that Nuorteva intends to make arrangements for the export of food-stuffs through Finland and he offers his services. We have a file on Knudsen, who passed information to and from Germany by way of Mexico with regard to British shipping.<sup>9</sup>*

*Ludwig Martens, the intelligence report continued, was in touch with all the leaders of "the left" in the United States, including John Reed, Ludwig Lore, and Harry J. Boland, the Irish rebel. A vigorous campaign against Aleksandr Kolchak in Siberia had been organized by Martens. The report concludes:*

*[Martens'] organization is a powerful weapon for supporting the Bolshevik cause in the United States and... he is in close touch with the promoters of political unrest throughout the whole American continent.*

*The Scotland Yard list of personnel employed by the Soviet Bureau in New York coincides quite*

*closely with a similar list in the Lusk Committee files in Albany, New York, which are today open for public inspection.<sup>10</sup> There is one essential difference between the two lists: the British analysis included the name "Julius Hammer" whereas Hammer was omitted from the Lusk Committee report.<sup>11</sup> The British report characterizes Julius Hammer as follows:*

*In Julius Hammer, Martens has a real Bolshevik and ardent Left Wing adherent, who came not long ago from Russia. He was one of the organizers of the Left Wing movement in New York, and speaks at meetings on the same platform with such Left Wing leaders as Reed, Hourwich, Lore and Larkin.*

*There also exists other evidence of Hammer's work in behalf of the Soviets. A letter from National City Bank, New York, to the U.S. Treasury Department stated that documents received by the bank from Martens were "witnessed by a Dr. Julius Hammer for the Acting Director of the Financial Department" of the Soviet Bureau.<sup>12</sup>*

*The Hammer family has had close ties with Russia and the Soviet regime from 1917 to the present. Armand Hammer is today able to acquire the most lucrative of Soviet contracts. Jacob, grandfather of Armand Hammer, and Julius were born in Russia. Armand, Harry, and Victor, sons of Julius, were born in the United States and are U.S. citizens. Victor was a well-known artist; his son — also named Armand — and granddaughter are Soviet citizens and reside in the Soviet Union. Armand Hammer is chairman of Occidental Petroleum Corporation and has a son, Julian, who is director of advertising and publications for Occidental Petroleum.*

*Julius Hammer was a prominent member and financier of the left wing of the Socialist Party. At its 1919 convention Hammer served with Bertram D. Wolfe and Benjamin Gitlow on the steering committee that gave birth to the Communist Party of the U.S.*

*In 1920 Julius Hammer was given a sentence of three-and-one-half to fifteen years in Sing Sing for criminal abortion. Lenin suggested — with justification — that Julius was "imprisoned on the charge of practicing illegal abortions but in fact because of communism."<sup>13</sup> Other U.S. Communist Party*

*members were sentenced to jail for sedition or deported to the Soviet Union. Soviet representatives in the United States made strenuous but unsuccessful efforts to have Julius and his fellow party members released.*

*Another prominent member of the Soviet Bureau was the assistant secretary, Kenneth Durant, a former aide to Colonel House. In 1920 Durant was identified as a Soviet courier. Appendix 3 reproduces a letter to Kenneth Durant that was seized by the U.S. Department of Justice in 1920 and that describes Durant's close relationship with the Soviet hierarchy. It was inserted into the record of a House committee's hearings in 1920, with the following commentary:*

*MR. NEWTON: It is a matter of interest to this committee to know what was the nature of that letter, and I have a copy of the letter that I want inserted in the record in connection with the witness' testimony. MR. Mason: That letter has never been shown to the witness. He said that he never saw the letter, and had asked to see it, and that the department had refused to show it to him. We would not put any witness on the stand and ask him to testify to a letter without seeing it.*

*MR. NEWTON: The witness testified that he has such a letter, and he testified that they found it in his coat in the trunk, I believe. That letter was addressed to a Mr. Kenneth Durant, and that letter had within it another envelope which was likewise sealed. They were opened by the Government officials and a photostatic copy made. The letter, I may say, is signed by a man by the name of "Bill." It refers specifically to soviet moneys on deposit in Christiania, Norway, a portion of which they waist turned over here to officials of the soviet government in this country.<sup>14</sup>*

*Kenneth Durant, who acted as Soviet courier in the transfer of funds, was treasurer lot the Soviet Bureau and press secretary and publisher of Soviet Russia, the official organ of the Soviet Bureau. Durant came from a well-to-do Philadelphia family. He spent most of his life in the service of the Soviets, first in charge of publicity work at the Soviet Bureau then from 1923 to 1944 as manager of the Soviet Tass bureau in the United States. J. Edgar Hoover described Durant as "at all times . . .*

*particularly active in the interests of Martens and of the Soviet government."*<sup>15</sup>

*Felix Frankfurter — later justice of the Supreme Courts — was also prominent in the Soviet Bureau files. A letter from Frankfurter to Soviet agent Nuorteva is reproduced in Appendix 3 and suggests that Frankfurter had some influence with the bureau.*

*In brief, the Soviet Bureau could not have been established without influential assistance from within the United States. Part of this assistance came from specific influential appointments to the Soviet Bureau staff and part came from business firms outside the bureau, firms that were reluctant to make their support publicly known.*

## **CORPORATE ALLIES FOR THE SOVIET BUREAU**

***On February 1, 1920, the front page of the New York Times carried a boxed notation stating that Martens was to be arrested and deported to Russia. At the same time Martens was being sought as a witness to appear before a subcommittee of the Senate Foreign Relations Committee investigating Soviet activity in the United States. After lying low for a few days Martens appeared before the committee, claimed diplomatic privilege, and refused to give up "official" papers in his possession. Then after a flurry of publicity, Martens "relented," handed over his papers, and admitted to revolutionary activities in the United States with the ultimate aim of overthrowing the capitalist system.***

***Martens boasted to the news media and Congress that big corporations, the Chicago packers among them, were aiding the Soviets:***

***Affording to Martens, instead of farthing on propaganda among the radicals and the proletariat he has addressed most of his efforts to winning to the side of Russia the big business and manufacturing interests of this country, the packers, the United States Steel Corporation, the Standard Oil Company and other big concerns engaged***

***in international trade. Martens asserted that most of the big business houses of the country were aiding him in his effort to get the government to recognize the Soviet government.<sup>16</sup>***

***This claim was expanded by A. A. Heller, commercial attache at the Soviet Bureau:***

***"Among the people helping us to get recognition from the State Department are the big Chicago packers, Armour, Swift, Nelson Morris and Cudahy .... Among the other firms are . . . the American Steel Export Company, the Lehigh Machine Company, the Adrian Knitting Company, the International Harvester Company, the Aluminum Goods Manufacturing Company, the Aluminum Company of America, the American Car and Foundry Export Company, M.C.D. Borden & Sons."<sup>17</sup>***

***The New York Times followed up these claims and reported comments of the firms named. "I have never heard of this man [Martens] before in my life," declared G. F. Swift, Jr., in charge of the export department of Swift & Co. "Most certainly I am sure that we have never had any dealings with him of any kind."<sup>18</sup> The Times added that O. H. Swift, the only other member of the firm that could be contacted, "also denied any knowledge whatever of Martens or his bureau in New York." The Swift statement was evasive at best. When the Lusk Committee investigators seized the Soviet Bureau files, they found correspondence between the bureau and almost all the firms named by Martens and Heller. The "list of firms that offered to do business with Russian Soviet Bureau," compiled from these files, included an entry (page 16), "Swift and Company, Union Stock Yards, Chicago, Ill." In other words, Swift had been in communication with Martens despite its denial to the New York Times.***

***The New York Times contacted United States Steel and reported, "Judge Elbert H. Gary said last night that there was no foundation for the statement with the Soviet representative here had had any dealings with the United States Steel Corporation." This is technically correct. The United States Steel Corporation is not listed in the Soviet files, but the list does contain (page 16) an affiliate, "United States Steel Products Co., 30 Church Street, New York City."***



**The Lusk Committee list records the following about other firms mentioned by Martens and Heller: Standard Oil — not listed. Armour 8c Co., meatpackers — listed as "Armour Leather" and "Armour & Co. Union Stock Yards, Chicago." Morris Go., meatpackers, is listed on page 13. Cudahy — listed on page 6. American Steel Export Co. — listed on page 2 as located at the Woolworth Building; it had offered to trade with the USSR. Lehigh Machine Co. — not listed. Adrian Knitting Co. — listed on page 1. International Harvester Co. — listed on page 11. Aluminum Goods Manufacturing Co. — listed on page 1. Aluminum Company of America — not listed. American Car and Foundry Export — the closest listing is "American Car Co. — Philadelphia." M.C.D. Borden 8c Sons — listed as located at 90 Worth Street, on page 4.**

**Then on Saturday, June 21, 1919, Santeri Nuorteva (Alexander Nyberg) confirmed in a press interview the role of International Harvester:**

**Q: [by New York Times reporter]: What is your business?**

**A: Purchasing director tot Soviet Russia.**

**Q: What did you do to accomplish this?**

**A: Addressed myself to American manufacturers.**

**Q: Name them.**

**A: International Harvester Corporation is among them.**

**Q: Whom did you see?**

**A: Mr. Koenig.**

**Q: Did you go to see him?**

**A: Yes.**

**Q: Give more names.**

**A: I went to see so many, about 500 people and I can't remember all the names. We have files in the office disclosing them.<sup>19</sup>**

**In brief, the claims by Heller and Martens relating to their widespread contacts among certain U.S. firms<sup>20</sup> were substantiated by the office files of the Soviet Bureau. On the other hand, for their own good reasons, these firms appeared unwilling to confirm their activities.**

## **EUROPEAN BANKERS AID THE BOLSHEVIKS**

**In addition to Guaranty Trust and the private banker Boissevain in New York, some European bankers gave direct help to maintain and expand the Bolshevik hold on Russia. A 1918 State Department report from our Stockholm embassy details these financial transfers. The department commended its author, stating that his "reports on conditions in Russia, the spread of Bolshevism in Europe, and financial questions . . . have proved most helpful to the Department. Department is much gratified by your capable handling of the legation's business."<sup>21</sup> According to this report, one of these "Bolshevik bankers" acting in behalf of the emerging Soviet regime was Dmitri Rubenstein, of the former Russo-French bank in Petrograd. Rubenstein, an associate of the notorious Grigori Rasputin, had been jailed in prerevolutionary Petrograd in connection with the sale of the Second Russian Life Insurance Company. The American manager and director of the Second Russian Life Insurance Company was John MacGregor Grant, who was located at 120 Broadway, New York City. Grant was also the New York representative of Putiloff's Banque Russo-Asiatique. In August 1918 Grant was (for unknown reasons) listed on the Military Intelligence Bureau "suspect list."<sup>22</sup> This may have occurred because Olof Aschberg in early 1918 reported opening a foreign credit in Petrograd "with the John MacGregor Grant Co., export concern, which it [Aschberg] finances in Sweden**

***and which is financed in America by the Guarantee [sic] Trust Co."<sup>23</sup> After the revolution Dmitri Rubenstein moved to Stockholm and became financial agent for the Bolsheviks. The State Department noted that while Rubenstein was "not a Bolshevik, he has been unscrupulous in moneT' making, and it is suspected that he may be making the contemplated visit to America in Bolshevik interest and for Bolshevik pay."<sup>24</sup>***

***Another Stockholm "Bolshevik banker" was Abram Givatovzo, brother-in-law of Trotsky and Lev Kamenev. The State Department report asserted that while Givatovzo pretended to be "very anti-Bolshevik," he had in fact received "large sums" of moneT' from the Bolsheviks by courier for financing revolutionary operations. Givatovzo was part of a syndicate that included Denisoff of the former Siberian bank, Kamenka of the Asoff Don Bank, and Davidoff of the Bank of Foreign Commerce. This syndicate sold the assets of the former Siberian Bank to the British government.***

***Yet another tsarist private banker, Gregory Lessine, handled Bolshevik business through the firm of Dardel and Hagborg. Other "Bolshevik bankers" named in the report are stirrer and Jakob Berline, who previously controlled, through his wife, the Petrograd Nelkens Bank. Isidor Kon was used by these bankers as an agent.***

***The most interesting of these Europe-based bankers operating in behalf of the Bolsheviks was Gregory Benenson, formerly chairman in Petrograd of the Russian and English Bank — a bank which included on its board of directors Lord Balfour (secretary of state for foreign affairs in England) and Sir I. M. H. Amory, as well as S. H. Cripps and H. Guedalla. Benenson traveled to Petrograd after the revolution, then on to Stockholm. He came. said one State Department official, "bringing to my knowledge ten million rubles with him as he offered them to me at a high price for the use of our Embassy Archangel." Benenson had an arrangement with the Bolsheviks to exchange sixty million rubles for £1.5 million sterling.***

***In January 1919 the private bankers in Copenhagen that were associated with Bolshevik institutions became alarmed by rumors that the Danish political police had marked the Soviet***

**legation and those persons in contact with the Bolsheviks for expulsion from Denmark. These bankers and the legation hastily attempted to remove their funds from Danish banks — in particular, seven million rubles from the Revisionsbanken.<sup>25</sup> Also, confidential documents were hidden in the offices of the Martin Larsen Insurance Company.**

**Consequently, we can identify a pattern of assistance by capitalist bankers for the Soviet Union. Some of these were American bankers, some were tsarist bankers who were exiled and living in Europe, and some were European bankers. Their common objective was profit, not ideology.**

**The questionable aspects of the work of these "Bolshevik bankers," as they were called, arises from the framework of contemporary events in Russia. In 1919 French, British, and American troops were fighting Soviet troops in the Archangel region. In one clash in April 1919, for example, American casualties were one officer, five men killed, and nine missing.<sup>26</sup> Indeed, at one point in 1919 General Tasker H. Bliss, the U.S. commander in Archangel, affirmed the British statement that "Allied troops in the Murmansk and Archangel districts were in danger of extermination unless they were speedily reinforced."<sup>27</sup> Reinforcements were then on the way under the command of Brigadier General W. P. Richardson.**

**In brief, while Guaranty Trust and first-rank American firms were assisting the formation of the Soviet Bureau in New York, American troops were in conflict with Soviet troops in North Russia. Moreover, these conflicts were daily reported in the New York Times, presumably read by these bankers and businessmen. Further, as we shall see in chapter ten, the financial circles that were supporting the Soviet Bureau in New York also formed in New York the "United Americans" — a virulently anti-Communist organization predicting bloody revolution, mass starvation, and panic in the streets of New York.**

#### **Footnotes:**

<sup>1</sup>*Copy in U.S. State Dept. Decimal File, 316-22-656.*

<sup>2</sup>*Ibid., 861.00/1970.*

<sup>3</sup>*U.S., House, Committee on Foreign Affairs, Conditions in Russia, 66th Cong., 3d sess., 1921, p. 78.*

<sup>4</sup>*U.S. State Dept. Decimal File, 316-19-1120.*

<sup>5</sup>*Ibid.*

<sup>6</sup>*See Benjamin Gitlow, [U.S., House, Un-American Propaganda Activities (Washington, 1939), vols. 7-8, p. 4539.*

<sup>7</sup>*See p. 119.*

<sup>8</sup>*Copy in [U.S. State Dept. Decimal File, 316-22-656. Confirmation of Guaranty Trust involvement tomes in later intelligence reports.*

<sup>9</sup>*On Frederick C. Howe see pp. 16, 177, for an early statement of the manner in which financiers use society and its problems for their own ends; on Felix Frankfurter, later Supreme Court justice, see Appendix 3 for an early Frankfurter letter to Nuorteva; on Raymond Robins see p. 100.*

<sup>10</sup>*The Lusk Committee list of personnel in the Soviet Bureau is printed in Appendix 3. The list includes Kenneth Durant, aide to Colonel House; Dudley Field Malone, appointed by President Wilson as collector of customs for the Port of New York; and Morris Hillquit, the financial intermediary between New York banker Eugene Boissevain on the one hand, and John Reed and Soviet agent Michael Gruzenberg*

**on the other.**

**<sup>11</sup>Julius Hammer was the father of Armand Hammer, who today is chairman of the Occidental Petroleum Corp. of Los Angeles.**

**<sup>12</sup>See Appendix 3.**

**<sup>13</sup>V. I. Lenin, *Polnoe Sobranie Sochinenii*, 5th ed. (Moscow, 1958), 53:267.**

**<sup>14</sup>U.S., House, Committee. on Foreign Affairs, *Conditions in Russia*, 66th Cong., 3d sess., 1921, p. 75. "Bill" was William Bobroff, Soviet agent.**

**<sup>15</sup>*Ibid.*, p. 78.**

**<sup>16</sup>*New York Times*, November 17, 1919.**

**<sup>17</sup>*Ibid.***

**<sup>18</sup>*Ibid.***

**<sup>19</sup>*New York Times*, June 21, 1919.**

**<sup>20</sup>See p. 119.**

**<sup>21</sup>U.S. State Dept. Decimal File, 861.51/411, November 23, 1918.**

**<sup>22</sup>*Ibid.*, 316-125-1212.**

**<sup>23</sup>U.S., Department of State, *Foreign Relations of the United States: 1918, Russia*, 1:373.**

**<sup>24</sup>*U.S. State Dept. Decimal File, 861.00/4878, July, '21, 1919.***

**<sup>25</sup>*Ibid., 316-21-115/21.***

**<sup>26</sup>*New York Times, April 5, 1919.***

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

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