

## Chapter 9

### GUARANTY TRUST GOES TO RUSSIA

**Soviet Government desire Guarantee [sic] Trust Company to become fiscal agent in United States for all Soviet operations and contemplates American purchase Eestibank with a view to complete linking of Soviet fortunes with American financial interests.**

William H. Coombs, reporting to the U.S. embassy in London, June 1, 1920 (U.S. State Dept. Decimal File, 861.51/752). ("Eestibank" was an Estonian bank)

In 1918 the Soviets faced a bewildering array of internal and external problems. They occupied a mere fraction of Russia. To subdue the remainder, they needed foreign arms, imported food, outside financial support, diplomatic recognition, and — above all — foreign trade. To gain diplomatic recognition and foreign trade, the Soviets first needed representation abroad, and representation in turn required financing through gold or foreign currencies. As we have already seen, the first step was to establish the Soviet Bureau in New York under Ludwig Martens. At the same time, efforts were made to transfer funds to the United States and Europe for purchases of needed goods. Then influence was exerted in the U.S. to gain recognition or to obtain the export licenses needed to ship goods to Russia.

New York bankers and lawyers provided significant — in some cases, critical — assistance for each of these tasks. When Professor George V. Lomonosoff, the Russian technical expert in the Soviet Bureau, needed to transfer funds from the chief Soviet agent in Scandinavia, a prominent Wall Street attorney came to his assistance — using official State Department channels and the acting secretary of state as an intermediary. When gold had to be transferred to the United States, it was American International

Corporation, Kuhn, Loeb & Co., and Guaranty Trust that requested the facilities and used their influence in Washington to smooth the way. And when it came to recognition, we find American firms pleading with Congress and with the public to endorse the Soviet regime.

Lest the reader should deduce — too hastily — from these assertions that Wall Street was indeed tinged with Red, or that Red flags were flying in the street (see frontispiece), we also in a later chapter present evidence that the J.P. Morgan firm financed Admiral Kolchak in Siberia. Aleksandr Kolchak was fighting the Bolsheviks, to install his own brand of authoritarian rule. The firm also contributed to the anti-Communist United Americans organization.

## **WALL STREET COMES TO THE AID OF PROFESSOR LOMONOSSOFF**

The case of Professor Lomonossoff is a detailed case history of Wall Street assistance to the early Soviet regime. In late 1918 George V. Lomonossoff, member of the Soviet Bureau in New York and later first Soviet commissar of railroads, found himself stranded in the United States without funds. At this time Bolshevik funds were denied entry into the United States; indeed, there was no official recognition of the regime at all. Lomonossoff was the subject of a letter of October 24, 1918, from the U.S. Department of Justice to the Department of State.<sup>1</sup> The letter referred to Lomonossoff's Bolshevik attributes and pro-Bolshevik speeches. The investigator concluded, "Prof. Lomonossoff is not a Bolshevik although his speeches constitute unequivocal support for the Bolshevik cause." Yet Lomonossoff was able to pull strings at the highest levels of the administration to have \$25,000 transferred from the Soviet Union through a Soviet espionage agent in Scandinavia (who was himself later to become confidential assistant to Reeve Schley, a vice president of Chase Bank). All this with the assistance of a member of a prominent Wall Street firm of attorneys!<sup>2</sup>

The evidence is presented in detail because the details themselves point up the close relationship between certain interests that up to now have been thought of as bitter enemies. The first indication of Lomonossoff's problem is a letter dated January 7, 1919, from Thomas L. Chadbourne of Chadbourne, Babbitt & Wall of 14 Wall Street (same Address as William Boyce Thompson's) to Frank Polk, acting

secretary of state. Note the friendly salutation and casual reference to Michael Gruzenberg, alias Alexander Gumberg, chief Soviet agent in Scandinavia and later Lomonossoff's assistant:

Dear Frank: You were kind enough to say that if I could inform you of the status of the \$25,000 item of personal funds belonging to Mr. & Mrs. Lomonossoff you would set in motion the machinery necessary to obtain it here for them.

I have communicated with Mr. Lomonossoff with respect to it, and he tells me that Mr. Michael Gruzenberg, who went to Russia for Mr. Lomonossoff prior to the difficulties between Ambassador Bakhmeteff and Mr. Lomonossoff, transmitted the information to him respecting this money through three Russians who recently arrived from Sweden, and Mr. Lomonossoff believes that the money is held at the Russian embassy in Stockholm, Milmskilnad Gaten 37. If inquiry from the State Department should develop this to be not the place where the money is on deposit, then the Russian embassy in Stockholm can give the exact address of Mr. Gruzenberg, who can give the proper information respecting it. Mr. Lomonossoff does not receive letters from Mr. Gruzenberg, although he is informed that they have been written: nor have any of his letters to Mr. Gruzenberg been delivered, he is also informed. For this reason it is impossible to be more definite than I have been, but I hope something can be done to relieve his and his wife's embarrassment for lack of funds, and it only needs a little help to secure this money which belongs to them to aid them on this side of the water.

Thanking you in advance for anything you can do, I beg to remain, as ever,

Yours sincerely,  
Thomas L. Chadbourne.

In 1919, at the time this letter was written, Chadbourne was a dollar-a-year man in Washington, counsel and director of the U.S. War Trade Board, and a director of the U.S. Russian Bureau Inc., an official front company of the U.S. government. Previously, in 1915, Chadbourne organized Midvale Steel and Ordnance to take advantage of war business. In 1916 he became chairman of the Democratic Finance

Committee and later a director of Wright Aeronautical and of Mack Trucks.

The reason Lomonossoff was not receiving letters from Gruzenberg is that they were, in all probability, being intercepted by one of several governments taking a keen interest in the latter's activities.

On January 11, 1919, Frank Polk cabled the American legation in Stockholm:

Department is in receipt of information that \$25,000, personal funds of .... Kindly inquire of the Russian Legation informally and personally if such funds are held thus. Ascertain, if not, address of Mr. Michael Gruzenberg, reported to be in possession of information on this subject. Department not concerned officially, merely undertaking inquiries on behalf of a former Russian official in this country.

Polk, Acting

Polk appears in this letter to be unaware of Lomonossoff's Bolshevik connections, and refers to him as "a former Russian official in this country." Be that as it may, within three days Polk received a reply from Morris at the U.S. Legation in Stockholm:

January 14, 3 p.m. 3492. Your January 12, 3 p.m., No. 1443.

Sum of \$25,000 of former president of Russian commission of ways of communication in United States not known to Russian legation; neither can address of Mr. Michael Gruzenberg be obtained.

Morris

Apparently Frank Polk then wrote to Chadbourne (the letter is not included in the source) and indicated that State could find neither Lomonossoff nor Michael Gruzenberg. Chadbourne replied on January 21, 1919:

Dear Frank: Many thanks for your letter of January 17. I understand that there are two Russian legations in Sweden, one being the soviet and the other the Kerensky, and I presume your inquiry was directed to the soviet legation as that was the address I gave you in my letter, namely, Milmskilnad Gaten 37, Stockholm.

Michael Gruzenberg's address is, Holmenkollen Sanitarium, Christiania, Norway, and I think the soviet legation could find out all about the funds through Gruzenberg if they will communicate with him.

Thanking you for taking this trouble and assuring you of my deep appreciation, I remain,

Sincerely yours,  
Thomas L. Chadbourne

We should note that a Wall Street lawyer had the address of Gruzenberg, chief Bolshevik agent in Scandinavia, at a time when the acting secretary of state and the U.S. Stockholm legation had no record of the address; nor could the legation track it down. Chadbourne also presumed that the Soviets were the official government of Russia, although that government was not recognized by the United States, and Chadbourne's official government position on the War Trade Board would require him to know that.

Frank Polk then cabled the American legation at Christiania, Norway, with the address of Michael Gruzenberg. It is not known whether Polk knew he was passing on the address of an espionage agent, but his message was as follows:

To American Legation, Christiania. January 25, 1919. It is reported that Michael Gruzenberg is at Holmenkollen Sanitarium. Is it possible for you to locate him and inquire if he has any knowledge respecting disposition of \$25,000 fund belonging to former president of Russian mission of ways of communication in the United States, Professor Lomonosoff.

Polk, Acting

The U.S. representative (Schmedeman) at Christiania knew Gruzenberg well. Indeed, the name had figured in reports from Schmedeman to Washington concerning Gruzenberg's pro-Soviet activities in Norway. Schmedeman replied:

January 29, 8 p.m. 1543. Important. Your January 25, telegram No. 650.

Before departing to-day for Russia, Michael Gruzenberg informed our naval attache that when in Russia some few months ago he had received, at Lomonossoff's request, \$25,000 from the Russian Railway Experimental Institute, of which Prof. Lomonossoff was president. Gruzenberg claims that to-day he cabled attorney for Lomonossoff in New York, Morris Hillquitt [*sic*], that he, Gruzenberg, is in possession of the money, and before forwarding it is awaiting further instructions from the United States, requesting in the cablegram that Lomonossoff be furnished with living expenses for himself and family by Hillquitt pending the receipt of the money.<sup>3</sup>

As Minister Morris was traveling to Stockholm on the same train as Gruzenberg, the latter stated that he would advise further with Morris in reference to this subject.

Schmedeman

The U.S. minister traveled with Gruzenberg to Stockholm where he received the following cable from Polk:

It is reported by legation at Christiania that Michael Gruzenberg, has for Prof. G. Lomonossoff, the . . . sum of \$25,000, received from Russian Railway Experimental Institute. If you can do so without being involved with Bolshevik authorities, department will be glad for you to facilitate transfer of this money to Prof. Lomonossoff in this country. Kindly reply.

Polk, Acting

This cable produced results, for on February 5, 1919, Frank Polk wrote to Chadbourne about a

"dangerous bolshevik agitator," Gruzenberg:

My Dear Tom: I have a telegram from Christiania indicating that Michael Gruzenberg has the \$25,000 of Prof. Lomonossoff, and received it from the Russian Railway Experimental Institute, and that he had cabled Morris Hillquitt [*sic*], at New York, to furnish Prof. Lomonossoff money for living expenses until the fund in question can be transmitted to him. As Gruzenberg has just been deported from Norway as a dangerous bolshevik agitator, he may have had difficulties in telegraphing from that country. I understand he has now gone to Christiania, and while it is somewhat out of the department's line of action, I shall be glad, if you wish, to see if I can have Mr. Gruzenberg remit the money to Prof. Lomonossoff from Stockholm, and am telegraphing our minister there to find out if that can be done.

Very sincerely, yours,  
Frank L. Polk

The telegram from Christiania referred to in Polk's letter reads as follows:

February 3, 6 p.m., 3580. Important. Referring department's january 12, No. 1443, \$10,000 has now been deposited in Stockholm to my order to be forwarded to Prof. Lomonossoff by Michael Gruzenberg, one of the former representatives of the bolsheviks in Norway. I informed him before accepting this money that I would communicate with you and inquire if it is your wish that this money be forwarded to Lomonossoff. Therefore I request instructions as to my course of action.

Morris

Subsequently Morris, in Stockholm, requested disposal instructions for a \$10,000 draft deposited in a Stockholm bank. His phrase "[this] has been my only connection with the affair" suggests that Morris was aware that the Soviets could, and probably would, claim this as an officially expedited monetary transfer, since this action *implied* approval by the U.S. of such monetary transfers. Up to this time the Soviets had

been required to smuggle money into the U.S.

Four p.m. February 12, 3610, Routine.

With reference to my February 3, 6 p.m., No. 3580, and your February 8, 7 p.m., No. 1501. It is not clear to me whether it is your wish for me to transfer through you the \$10,000 referred to Prof. Lomonossoff. Being advised by Gruzenberg that he had deposited this money to the order of Lomonossoff in a Stockholm bank and has advised the bank that this draft could be sent to America through me, provided I so ordered, has been my only connection with the affair. Kindly wire instructions.

Morris

Then follows a series of letters on the transfer of the \$10,000 from A/B Nordisk Resebureau to Thomas L. Chadbourne at 520 Park Avenue, New York City, through the medium of the State Department. The first letter contains instructions from Polk, on the mechanics of the transfer; the second, from Morris to Polk, contains \$10,000; the third, from Morris to A/B Nordisk Resebureau, requesting a draft; the fourth is a reply from the bank with a check; and the fifth is the acknowledgment.

Your February 12, 4 p.m., No. 3610.

Money may be transmitted direct to Thomas L. Chadbourne, 520 Park Avenue, New York City,

Polk, Acting

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Dispatch, No. 1600, March 6, 1919:

The Honorable the Secretary of State,



Washington

Sir: Referring to my telegram, No. 3610 of February 12, and to the department's reply, No. 1524 of February 19 in regard to the sum of \$10,000 for Professor Lomonossoff, I have the honor herewith to enclose a copy of a letter which I addressed on February 25 to A. B. Nordisk Resebureau, the bankers with whom this money was deposited; a copy of the reply of A. B. Nordisk Resebureau, dated February 26; and a copy of my letter to the A. B. Nordisk Resebureau, dated February 27.

It will be seen from this correspondence that the bank was desirous of having this money forwarded to Professor Lomonossoff. I explained to them, however, as will be seen from my letter of February 27, that I had received authorization to forward it directly to Mr. Thomas L. Chadbourne, 520 Park Avenue, New York City. I also enclose herewith an envelope addressed to Mr. Chadbourne, in which are enclosed a letter to him, together with a check on the National City Bank of New York for \$10,000.

I have the honor to be,  
sir, Your obedient servant,  
Ira N. Morris

\* \* \* \* \*

A. B. Nordisk Reserbureau,

No. 4 Vestra Tradgardsgatan, Stockholm.

Gentlemen: Upon receipt of your letter of January 30, stating that you had received \$10,000 to be paid out to Prof. G. V. Lomonossoff, upon my request, I immediately telegraphed to my Government asking whether they wished this money forwarded to Prof. Lomonossoff. I am today in receipt of a reply authorizing me to forward the money direct to Mr. Thomas L. Chadbourne, payable to Prof. Lomonossoff. I shall be glad to forward it as instructed by my

Government.

I am, gentlemen,

Very truly, yours,  
Ira N. Morris

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Mr. I. N. Morris,

American Minister, Stockholm

Dear Sir: We beg to acknowledge the receipt of your favor of yesterday regarding payment of dollars 10,000 — to Professor G. V. Lomonossoff, and we hereby have the pleasure to inclose a check for said amount to the order of Professor G. V. Lomonossoff, which we understand that you are kindly forwarding to this gentleman. We shall be glad to have your receipt for same, and beg to remain,

Yours, respectfully,  
A. B. Nordisk Reserbureau  
E. Molin

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A. B. Nordisk Reserbureau.

Stockholm

Gentlemen: I beg to acknowledge receipt of your letter of February 26, inclosing a check for \$10,000 payable to Professor G. V. Lomonossoff. As I advised you in my letter of February

25, I have been authorized to forward this check to Mr. Thomas L. Chadbourne, 520 Park Avenue, New York City, and I shall forward it to this gentleman within the next few days, unless you indicate a wish to the contrary.

Very truly, yours,  
Ira N. Morris

Then follow an internal State Department memorandum and Chadbourne's acknowledgment:

Mr. Phillips to Mr. Chadbourne, April 3, 1919.

Sir: Referring to previous correspondence regarding a remittance of ten thousand dollars from A. B. Norsdisk Resebureau to Professor G. V. Lomonossoff, which you requested to be transmitted through the American Legation at Stockholm, the department informs you that it is in receipt of a dispatch from the American minister at Stockholm dated March 6, 1919, covering the enclosed letter addressed to you, together with a check for the amount referred to, drawn to the order to Professor Lomonossoff.

I am, sir, your obedient servant  
William Phillips,  
Acting Secretary of State.

Enclosure: Sealed letter addressed Mr. Thomas L. Chadbourne, enclosed with 1,600 from Sweden.

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Reply of Mr. Chadbourne, April 5, 1919.

Sir: I beg to acknowledge receipt of your letter of April 3, enclosing letter addressed to me, containing check for \$10,000 drawn to the order of Professor Lomonossoff, which check I have to-day delivered.

I beg to remain, with great respect,  
Very truly, yours,  
Thomas L. Chadbourne

Subsequently the Stockholm legation enquired concerning Lomonossoff's address in the U.S. and was informed by the State Department that "as far as the department is aware Professor George V. Lomonossoff can be reached in care of Mr. Thomas L. Chadbourne, 520 Park Avenue, New York City."

It is evident that the State Department, for the reason either of personal friendship between Polk and Chadbourne or of political influence, felt it had to go along and act as bagman for a Bolshevik agent — just ejected from Norway. But why would a prestigious establishment law firm be so intimately interested in the health and welfare of a Bolshevik emissary? Perhaps a contemporary State Department report gives the clue:

Martens, the Bolshevik representative, and Professor Lomonossoff are banking on the fact that Bullitt and his party will make a favorable report to the Mission and the President regarding conditions in Soviet Russia and that on the basis of this report the Government of the United States will favor dealing with the Soviet Government as, proposed by Martens.  
March 29, 1919.<sup>4</sup>

## **THE STAGE IS SET FOR COMMERCIAL EXPLOITATION OF RUSSIA**

It was commercial exploitation of Russia that excited Wall Street, and Wall Street had lost no time in preparing its program. On May 1, 1918 — an auspicious date for Red revolutionaries — the American League to Aid and Cooperate with Russia was established, and its program approved in a conference held in the Senate Office Building, Washington, D.C. The officers and executive committee of the league represented some superficially dissimilar factions. Its president was Dr. Frank J. Goodnow, president of Johns Hopkins University. Vice presidents were the ever active William Boyce Thompson, Oscar S. Straus, James Duncan, and Frederick C. Howe, who wrote *Confessions of a Monopolist*, the rule book

by which monopolists could control society. The Treasurer was George P. Whalen, vice president of Vacuum Oil Company. Congress was represented by Senator William Edgar Borah and Senator John Sharp Williams, of the Senate Foreign Relations Committee; Senator William N. Calder; and Senator Robert L. Owen, chairman of the Banking and Currency Committee. House members were Henry R. Cooper and Henry D. Flood, chairman of the House Foreign Affairs Committee. American business was represented by Henry Ford; Charles A. Coffin, chairman of the board of General Electric Company; and M. A. Oudin, then foreign manager of General Electric. George P. Whalen represented Vacuum Oil Company, and Daniel Willard was president of the Baltimore & Ohio Railroad. The more overtly revolutionary element was represented by Mrs. Raymond Robins, whose name was later found to be prominent in the Soviet Bureau files and in the Lusk Committee hearings; Henry L. Slobodin, described as a "prominent patriotic socialist"; and Lincoln Steffens, a domestic Communist of note.

In other words, this was a hybrid executive committee; it represented domestic revolutionary elements, the Congress of the United States, and financial interests prominently involved with Russian affairs.

Approved by the executive committee was a program that emphasized the establishment of an official Russian division in the U.S. government "directed by strong men." This division would enlist the aid of universities, scientific organizations, and other institutions to study the "Russian question," would coordinate and unite organizations within the United States "for the safeguarding of Russia," would arrange for a "special intelligence committee for the investigation of the Russian matter," and, generally, would itself study and investigate what was deemed to be the "Russian question." The executive committee then passed a resolution supporting President Woodrow Wilson's message to the Soviet congress in Moscow and the league affirmed its own support for the new Soviet Russia.

A few weeks later, on May 20, 1918, Frank J. Goodnow and Herbert A. Carpenter, representing the league, called upon Assistant Secretary of State William Phillips and impressed upon him the necessity for establishing an "official Russian Division of the Government to coordinate all Russian matters. They asked me [wrote Phillips] whether they should take this matter up with the President."<sup>5</sup>

Phillips reported this directly to the secretary of state and on the next day wrote Charles R. Crane in New

York City requesting his views on the American League to Aid and Cooperate with Russia. Phillips besought Crane, "I really want your advice as to how we should treat the league .... We do not want to stir up trouble by refusing to cooperate with them. On the other hand it is a queer committee and I don't quite 'get it.'"<sup>6</sup>

In early June there arrived at the State Department a letter from William Franklin Sands of American International Corporation for Secretary of State Robert Lansing. Sands proposed that the United States appoint an administrator in Russia rather than a commission, and opined that "the suggestion of an allied military force in Russia at the present moment seems to me to be a very dangerous one."<sup>7</sup> Sands emphasized the possibility of trade with Russia and that this possibility could be advanced "by a well chosen administrator enjoying the full confidence of the government"; he indicated that "Mr. Hoover" might fit the role.<sup>8</sup> The letter was passed to Phillips by Basil Miles, a former associate of Sands, with the expression, "I think the Secretary would find it worthwhile to look through."

In early June the War Trade Board, subordinate to the State Department, passed a resolution, and a committee of the board comprising Thomas L. Chadbourne (Professor Lomonosoff's contact), Clarence M. Woolley, and John Foster Dulles submitted a memorandum to the Department of State, urging consideration of ways and means "to bring about closer and more friendly commercial relations between the United States and Russia." The board recommended a mission to Russia and reopened the question whether this should result from an invitation from the Soviet government.

Then on June 10, M. A. Oudin, foreign manager of General Electric Company, expressed his views on Russia and clearly favored a "constructive plan for the economic assistance" of Russia.<sup>9</sup> In August 1918 Cyrus M. McCormick of International Harvester wrote to Basil Miles at the State Department and praised the President's program for Russia, which McCormick thought would be "a golden opportunity."<sup>10</sup>

Consequently, we find in mid-1918 a concerted effort by a segment of American business — obviously prepared to open up trade — to take advantage of its own preferred position regarding the Soviets.

## GERMANY AND THE UNITED STATES STRUGGLE FOR RUSSIAN BUSINESS

In 1918 such assistance to the embryonic Bolshevik regime was justified on the grounds of defeating Germany and inhibiting German exploitation of Russia. This was the argument used by W. B. Thompson and Raymond Robins in sending Bolshevik revolutionaries and propaganda teams into Germany in 1918. The argument was also employed by Thompson in 1917 when conferring with Prime Minister Lloyd George about obtaining British support for the emerging Bolshevik regime. In June 1918 Ambassador Francis and his staff returned from Russia and urged President Wilson "to recognize and aid the Soviet government of Russia."<sup>11</sup> These reports made by the embassy staff to the State Department were leaked to the press and widely printed. Above all, it was claimed that delay in recognizing the Soviet Union would aid Germany "and helps the German plan to foster reaction and counter-revolution."<sup>12</sup> Exaggerated statistics were cited to support the proposal — for example, that the Soviet government represented ninety percent of the Russian people "and the other ten percent is the former propertied and governing class .... Naturally they are displeased."<sup>13</sup> A former American official was quoted as saying, "If we do nothing — that is, if we just let things drift — we help weaken the Russian Soviet Government. And that plays Germany's game."<sup>14</sup> So, it was recommended that "a commission armed with credit and good business advice could help much."

Meanwhile, inside Russia the economic situation had become critical and the inevitability of an embrace with capitalism dawned on the Communist Party and its planners. Lenin crystallized this awareness before the Tenth Congress of the Russian Communist Party:

Without the assistance of capital it will be impossible for us to retain proletarian power in an incredibly ruined country in which the peasantry, also ruined, constitutes the overwhelming majority — and, of course, for this assistance capital will squeeze hundreds per cent out of us. This is what we have to understand. Hence, either this type of economic relations or nothing ....<sup>15</sup>

Then Leon Trotsky was quoted as saying, "What we need here is an organizer like Bernard M.

Baruch."<sup>16</sup>

Soviet awareness of its impending economic doom suggests that American and German business was attracted by the opportunity of exploiting the Russian market for needed goods; the Germans, in fact, made an early start in 1918. The first deals made by the Soviet Bureau in New York indicate that earlier American financial and moral support of the Bolsheviks was paying off in the form of contracts.

The largest order in 1919-20 was contracted to Morris & Co., Chicago meat packers, for fifty million pounds of food products, valued at approximately \$10 million. The Morris meat packing family was related to the Swift family. Helen Swift, later connected with the Abraham Lincoln Center "Unity," was married to Edward Morris (of the meat packing firm) and was also the brother of Harold H. Swift, a "major" in the 1917 Thompson Red Cross Mission to Russia.

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Table: CONTRACTS MADE IN 1919 BY THE SOVIET BUREAU WITH U.S. FIRMS

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Ludwig Martens was formerly vice president of Weinberg & Posner, located at 120 Broadway, New York City, and this firm was given a \$3 million order.

## **SOVIET GOLD AND AMERICAN BANKS**

Gold was the only practical means by which the Soviet Union could pay for its foreign purchases and the international bankers were quite willing to facilitate Soviet gold shipments. Russian gold exports, primarily imperial gold coins, started in early 1920, to Norway and Sweden. These were transshipped to Holland and Germany for other world destinations, including the United States.

In August 1920, a shipment of Russian gold coins was received at the Den Norske Handelsbank in Norway as a guarantee for payment of 3,000 tons of coal by Niels Juul and Company in the U.S. in behalf of the Soviet government. These coins were transferred to the Norges Bank for safekeeping. The coins



were examined and weighed, were found to have been minted before the outbreak of war in 1914, and were therefore genuine imperial Russian coins.<sup>17</sup>

Shortly after this initial episode, the Robert Dollar Company of San Francisco received gold bars, valued at thirty-nine million Swedish kroner, in its Stockholm account; the gold "bore the stamp of the old Czar Government of Russia." The Dollar Company agent in Stockholm applied to the American Express Company for facilities to ship the gold to the United States. American Express refused to handle the shipment. Robert Dollar, it should be noted, was a director of American International Company; thus AIC was linked to the first attempt at shipping gold direct to America.<sup>18</sup>

Simultaneously it was reported that three ships had left Reval on the Baltic Sea with Soviet gold destined for the U.S. The S.S. *Gauthod* loaded 216 boxes of gold under the supervision of Professor Lomonosoff — now returning to the United States. The S.S. *Carl Line* loaded 216 boxes of gold under the supervision of three Russian agents. The S.S. *Ruheleva* was laden with 108 boxes of gold. Each box contained three pounds of gold valued at sixty thousand gold rubles each. This was followed by a shipment on the S.S. *Wheeling Mold*.

Kuhn, Loeb & Company, apparently acting in behalf of Guaranty Trust Company, then inquired of the State Department concerning the official attitude towards the receipt of Soviet gold. In a report the department expressed concern because if acceptance was refused, then "the gold [would] probably come back on the hands of the War Department, causing thereby direct governmental responsibility and increased embarrassment."<sup>19</sup> The report, written by Merle Smith in conference with Kelley and Gilbert, argues that unless the possessor has definite knowledge as to imperfect title, it would be impossible to refuse acceptance. It was anticipated that the U.S. would be requested to melt the gold in the assay office, and it was thereupon decided to telegraph Kuhn, Loeb & Company that no restrictions would be imposed on the importation of Soviet gold into the United States.

The gold arrived at the New York Assay Office and was deposited not by Kuhn, Loeb & Company — but by Guaranty Trust Company of New York City. Guaranty Trust then inquired of the Federal Reserve Board, which in turn inquired of the U.S. Treasury, concerning acceptance and payment. The

superintendent of the New York Assay Office informed the Treasury that the approximately seven million dollars of gold had no identifying marks and that "the bars deposited have already been melted in United States mint bars." The Treasury suggested that the Federal Reserve Board determine whether Guaranty Trust Company had acted "for its own account, or the account of another in presenting the gold," and particularly "whether or not any transfer of credit or exchange transaction has resulted from the importation or deposit of the gold."<sup>20</sup>

On November 10, 1920, A. Breton, a vice president of the Guaranty Trust, wrote to Assistant Secretary Gilbert of the Treasury Department complaining that Guaranty had not received from the assay office the usual immediate advance against deposits of "yellow metal left with them for reduction." The letter states that Guaranty Trust had received satisfactory assurances that the bars were the product of melting French and Belgium coins, although it had purchased the metal in Holland. The letter requested that the Treasury expedite payment for the gold. In reply the Treasury argued that it "does not purchase gold tendered to the United States mint or assay offices which is known or suspected to be of Soviet origin," and in view of known Soviet sales of gold in Holland, the gold submitted by Guaranty Trust Company was held to be a "doubtful case, with suggestions of Soviet origin." It suggested that the Guaranty Trust Company could withdraw the gold from the assay office at any time it wished or could "present such further evidence to the Treasury, the Federal Reserve Bank of New York or the Department of State as may be necessary to clear the gold of any suspicion of Soviet origin."<sup>21</sup>

There is no file record concerning final disposition of this case but presumably the Guaranty Trust Company was paid for the shipment. Obviously this gold deposit was to implement the mid-1920 fiscal agreement between Guaranty Trust and the Soviet government under which the company became the Soviet agent in the United States (see epigraph to this chapter).

It was determined at a later date that Soviet gold was also being sent to the Swedish mint. The Swedish mint "melts Russian gold, assays it and affixes the Swedish mint stamp at the request of Swedish banks or other Swedish subjects owing the gold."<sup>22</sup> And at the same time Olof Aschberg, head of Svenska Ekonomie A/B (the Soviet intermediary and affiliate of Guaranty Trust), was offering "unlimited quantities

of Russian gold" through Swedish banks.<sup>23</sup>

In brief, we can tie American International Corporation, the influential Professor Lomonosoff, Guaranty Trust, and Olof Aschberg (whom we've previously identified) to the first attempts to import Soviet gold into the United States.

## **MAX MAY OF GUARANTY TRUST BECOMES DIRECTOR OF RUSKOMBANK**

Guaranty Trust's interest in Soviet Russia was renewed in 1920 in the form of a letter from Henry C. Emery, assistant manager of the Foreign Department of Guaranty Trust, to De Witt C. Poole in the State Department. The letter was dated January 21, 1920, just a few weeks before Allen Walker, the manager of the Foreign Department, became active in forming the virulent anti-Soviet organization United Americans (see page 165). Emery posed numerous questions about the legal basis of the Soviet government and banking in Russia and inquired whether the Soviet government was the de facto government in Russia.<sup>24</sup> "Revolt before 1922 planned by Reds," claimed United Americans in 1920, but Guaranty Trust had started negotiations with these same Reds and was acting as the Soviet agent in the U.S. in mid-1920.

In January 1922 Secretary of Commerce Herbert Hoover, interceded with the State Department in behalf of a Guaranty Trust scheme to set up exchange relations with the "New State Bank at Moscow." This scheme, wrote Herbert Hoover, "would not be objectionable if a stipulation were made that all monies coming into their possession should be used for the purchase of civilian commodities in the United States"; and after asserting that such relations appeared to be in line with general policy, Hoover added, "It might be advantageous to have these transactions organized in such a manner that we know what the movement is instead of disintegrated operations now current."<sup>25</sup> Of course, such "disintegrated operations" are consistent with the operations of a free market, but this approach Herbert Hoover rejected in favor of channeling the exchange through specified and controllable sources in New York. Secretary of State Charles E. Hughes expressed dislike of the Hoover-Guaranty Trust scheme, which he thought could be regarded as de facto recognition of the Soviets while the foreign credits acquired might

be used to the disadvantage of the United States.<sup>26</sup> A noncommittal reply was sent by State to Guaranty Trust. However, Guaranty went ahead (with Herbert Hoover's support),<sup>27</sup> participated in formation of the first Soviet international bank, and Max May of Guaranty Trust became head of the foreign department of the new Ruskombank.<sup>28</sup>

#### Footnotes:

<sup>1</sup>U.S. State Dept. Decimal File, 861.00/3094.

<sup>2</sup>This section is from U.S., Senate, *Russian Propaganda*, hearings before a subcommittee of the Committee on Foreign Relations, 66th Cong., 2d sess., 1920.

<sup>3</sup>Morris Hillquit was the intermediary between New York banker Eugene Boissevain and John Reed in Petrograd.

<sup>4</sup>U.S. State Dept. Decimal File, 861.00/4214a.

<sup>5</sup>*Ibid.*, 861.00/1938.

<sup>6</sup>*Ibid.*

<sup>7</sup>*Ibid.*, 861.00/2003.

<sup>8</sup>*Ibid.*

<sup>9</sup>*Ibid.*, 861.00/2002.

<sup>10</sup>ibid.

<sup>11</sup>ibid., M 316-18-1306.

<sup>12</sup>ibid.

<sup>13</sup>ibid.

<sup>14</sup>ibid.

<sup>15</sup>V. 1. Lenin, Report to the Tenth Congress of the Russian Communist Party, (Bolshevik), March 15, 1921.

<sup>16</sup>William Reswick, *I Dreamt Revolution* (Chicago: Henry Regnery, 1952), p. 78.

<sup>17</sup>U.S. State Dept. Decimal File, 861.51/815.

<sup>18</sup>ibid., 861.51/836.

<sup>19</sup>ibid., 861.51,/837, October 4, 1920.

<sup>20</sup>ibid., 861.51/837, October 24, 1920.

<sup>21</sup>ibid., 861.51/853, November 11, 1920.

<sup>22</sup>ibid., 316-119, 1132.

<sup>23</sup>ibid., 316-119-785. This report has more data on transfers of Russian gold through other countries and intermediaries. See also 316-119-846.

<sup>24</sup>ibid., 861.516/86.

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