

# How and Why International Bankers Make Wars

 [web.archive.org/web/20200515041745/https://www.bigeye.com/bankers\\_make\\_war.htm](https://web.archive.org/web/20200515041745/https://www.bigeye.com/bankers_make_war.htm)

In June of 1919, the victorious powers were in Paris deliberating over the best way to carve up Europe. With each national delegation came a coterie of financial advisors: Paul Warburg negotiating for the Americans and Max Warburg defending the interests of the Germans. Woodrow Wilson found his hour amongst this milieu of dignitaries.

Wilson forbade copies of the Treaty of Versailles being given to the Senate, Congress or any common American. He did not discuss the deals he made on behalf of the American people with their representatives. While British, French and German delegates regularly informed their governments and people of the terms of this “peace,” the Americans were conspicuously kept in the dark.

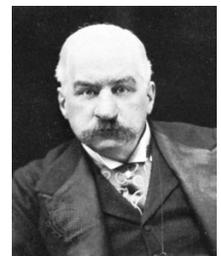
But not every American. A few select personages in New York were kept informed about the terms of the treaty. Eventually Senator Borah of Idaho learned the source of these leaked government documents. Mr. Jacob Schiff, Mr. J. P. Morgan, Mr. Paul Warburg, Mr. Thomas Lamont, Mr. Henry P. Davison and Mr. Frank A. Vanderlip were subpoenaed to testify before the Committee on Foreign Relations of the United States Senate. [1]

The Witnesses:

Five years before Paul Warburg had been appointed to the Federal Reserve Board and J.P. Morgan (the elder) was a driving force behind the Bank's creation. **Warburg had designed the Fed system: its aims were the centralization of banking control and a bottomless source of credit for the US Congress. Jacob Schiff was also in the business of lending to governments; he was partner in Kuhn Loeb and Company and related to Warburg by marriage. All three had ties to the older banking houses in Frankfurt and London.**

The less famous men were no less interesting:

- Henry P. Davison was a member of the J.P. Morgan & Co., chairman of the American Red Cross and League of Red Cross Societies. The Red Cross had privileged access to both sides of the Great War under their neutral flag.
- Thomas Lamont was a member of JP Morgan & Co. too, and the US Treasury's advisor to the American Peace Delegation in Paris (the negotiators of the Versailles Treaty). Both sides of the Federal Reserve partnership were represented in this man.



- Frank A. Vanderlip was a journalist who became president of the National City Bank (now Citibank). In between these positions he was Assistant Secretary of the US Treasury. It was under Vanderlip's guidance that **National City became the first American bank to expand overseas**. He also created the International American Corporation: a banking conglomerate which had **17 branches world wide by the end of the First World War**. Vanderlip was also a trustee of the Carnegie Foundation for the Advancement of Teaching. [2]

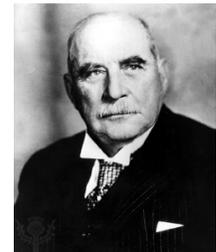


## Comedy

The hearing was a political battle between senators concerned with American national interests and compromised senators desperately trying to absolve the witnesses. From the financiers subpoenaed, only J.P. Morgan Jr., Davison and Vanderlip bothered to show up.



The Senate committee was methodical in the order of witnesses. Firstly, Senator Borah recounted his information about the existence in New York of copies of the peace treaty with Germany. Specifically, powerful financiers had secured copies and were using them to their private advantage. It was illegal to have copies of the undisclosed text: the best information that the Senate had about the treaty was just one Associated Press dispatch.



Senator Henry Cabot Lodge volunteered to testify that he had seen a copy of the treaty in New York, but it was shown to him by a friend with absolutely no ties to financial circles. Senator Lodge had never heard of anyone in finance ever seeing the treaty. He repeated this message several times.



President Wilson wrote to the committee himself to reaffirm that unauthorized possession of the treaty in the US was against the law. This was interesting, seeing as his closest advisors were the source of the leak.

The Secretary of State Frank Lyon Polk asserted that all copies of the treaty legally in the United States were in his possession — specifically, they were locked in a safe in his office with the diplomatic seals unbroken.



Senator Elihu Root offered testimony next. The thrust of Senator Root's speech was to extol the munificence of Mr. Davison, and distance himself from this case of corporate espionage. In his effort to clear Davison, Elihu contradicted both the President's and Secretary Polk's testimony: he claimed copies of the treaty were very common in the US. According to Senator Root, every American staffer in Paris (there were

over 200) was likely to have leaked the text. It was simply a strange coincidence that he was the only US Senator able to get a copy. (Elihu's treaty had been supplied by Davison.)

## Tragedy

In his personal testimony Davison did not try to hide the fact that Thomas Lamont had given him the treaty. Instead, Davison said his power as “Secretary of the Red Cross” and an “international banker” justified his having a copy. Davison's self-importance was astounding. He claimed that only his organizations were able to rebuild Europe: firstly through the Red Cross Organization, then through a consortium of private bankers which would marshal America's resources for a massive loan. The “League of Nations” was the new world power and Davison part of that league — so the US government was inconsequential by comparison.

Davison's “consortium of private bankers” were his Kuhn Loeb, J. P. Morgan and National City Bank connections, as well as their partners in London and Frankfurt. He wanted to use the newly-established banking monopoly — the Federal Reserve System — to make loans to the European governments. **American money would be lent out, but the US government would be excluded from the process and private bankers would collect the interest.** Mr. Davison thought that the Liberty Bond organization was the perfect organ to implement this plan. (Liberty bonds provided the bulk of the American financing for the First World War.) The fact that this organization could be used outside of Washington's control provides insight into its inner workings.

“Europe must be regarded now as a whole” [3]

The testimonies of J P Morgan and Vanderlip shed more light on how this new loan process would work. JP Morgan tells us that **the US Government bought over seven billion dollars worth of European bonds** from his firm and Kuhn Loeb & Co. in the years leading up to the war. After that, Vanderlip explains why Europe's debts to the US government must be forgiven. Europe couldn't afford new loans if they had to repay the old ones.



**The reader should remember that these bankers make money by selling bonds, not by holding them until they are repaid. When financiers lobby to forgive debt, they are setting up more profits for themselves while asking the general public to eat the losses. The same trick is used today through the IMF, World Bank and their various off-shoots.**

#### Foreshadowing

The way that the new loan was designed would have created an economically unified Europe in one sweep. The bankers would become the central planners of this empire, not unlike the Bolsheviks in Russia two years before, or the planners in Brussels today.

Vanderlip disclosed why it was important that the bankers hold the new loan. He explained how European governments could pay the interest: by giving the bankers first lien on the customs of each country. This means Europe would pay the bankers with their products. The financiers would determine how the loans were parceled out to each country, and what industries get what materials. The point is that **the bankers would control the resulting monopolies**. This is exactly what international financiers liked about Communism and early Fascism.

Far from being a champion of “self-determination,” the US president assisted these financiers behind Congress's and the Senate's back. Wilson chose to ignore the fact that the House and Senate had to ratify his proposals before they became law or America's commitments. Why? It was obvious that the United States Congress was not politically disposed to the financiers' aims. In Senator Borah's words, Woodrow was acting like “President of the World.”



Le 24 juin, MM. Clemenceau, Spaak, Wilson et Balfour viennent se rendre compte, au château de Versailles, des dispositions déjà prises.

By digging into the treaty leak in New York, the Committee shed light on an attempt to end the sovereignty of at least fifteen nations: America through political disenfranchisement and those in Europe through economic dictatorship. The reader can judge for themselves how far this plan came to fruition.

[1] Investigation Relevant to the Peace Treaty With Germany: Senate Committee on Foreign Relations Hearing, Sixty-sixth Congress, First Session. Pursuant to Senate Resolution 64: Directing the Committee on Foreign Relations to investigate whether copies of the peace treaty with Germany are in the city of New York, by whom and how they were obtained, and so forth. 1919.

[2] Harvard University's "20th Century Great American Business Leaders." Accessed June 2007. The Modern History Project, as quoted from: "The Vanderlip, Van Derlip, Vander Lippe Family in America", by Charles Edwin Booth, New York, 1914.

[3] Quotation from Mr. Vanderlip's testimony before the Committee.