

# Politics in "The City"

By J. T. WALTON NEWBOLD

## I.

THE announcement of the fact that Mr. E. C. Grenfell, partner in Morgan, Grenfell and Co., merchants, of 22, Old Broad Street, E.C., has been elected by an overwhelming majority of votes as the candidate of the City of London Conservative and Unionist Association for the representation of the City of London, in succession to Mr. Arthur J. Balfour, now raised to the Peerage of the United Kingdom as the Earl of Balfour, provokes interest indeed on the part of those who study not the semblance, but the substance of political events. Equally of interest was the comment passed thereon by the *Financial Times* in a special article:—

"If there is one thing the House of Commons has conspicuously lacked during the past three years it has been the presence in it of men who could speak with real financial authority. Finance is perhaps the only interest that is inadequately represented in Parliament. . . . This is a defect in our national legislature which will, at any rate, be remedied if Mr. E. C. Grenfell is elected as member for 'the City.' What Mr. Grenfell does not know about finance, and, and about 'big business,' generally, can hardly be worth knowing."

A statement like this, appearing in the columns of a financial organ, owned by the family of Berry, the mushroom millionaire, whose father was political agent to Lord Rhondda when, as D. A. Thomas, M.P., he sat for Merthyr Tydfil, is gratifyingly frank. Mr. E. C. Grenfell is, in its opinion, "a real financial authority." What then are the Goulds, the Davies and the others of the new *bourgeoisie* of Cardiff, who adorn the benches of the present Parliament and who have affiliations with the house of Berry in the realms of company promotion and trust finance? Cannot they speak "with real financial authority?"

But this by the way. What we have more in mind is to enquire into the deeper significance of the candidature for Parliament of a banker and of this banker in particular.

"The pulse of English trade," says Mr. Grenfell, "beats through the City of London." With that statement no one will be disposed to quarrel. It is obvious. That the reading of the pulse should be communicated to Parliament by the senior partner in Morgan Grenfell and Co., the London representatives of J. P. Morgan and Co., of New York, is, indeed, symptomatic of the change that has come over British capitalist politics.

We knew that it was J. P. Morgan and Co. who negotiated for the British Government the transfer to American purchasers of American securities bought by the British Government from its own subjects and by means of which payments for munitions required in the Great War were, in large part, made. We did not know, however, that:—

"It was Mr. E. C. Grenfell who first appreciated the huge losses and confusion and bad deliveries that were resulting from the uncontrolled purchases of American supplies and munitions, not

only by all the Allied Governments in competition with one another, but by nearly every department in every Government. He diagnosed the evil and prescribed the right remedy, and eventually, as the result of his hammering persistence, it was adopted and all allied buyings were placed under a single directing organisation. . . . That was a genuine and an invaluable achievement of commercial statesmanship. Mr. Grenfell supplemented it . . . by taking personal charge of the preliminaries for the huge offerings, running to some £400,000,000, of British Government securities that were made in the United States through J. P. Morgan and Co."—(*Financial Times*, 3/5/22.).

Mr. E. C. Grenfell, like his father and his grandfather, before him, is a Director of the Bank of England. His great-grandfather was "Governor of the Royal Exchange—then the blue riband of commerce—and was as much to the fore in politics as in the City."

The Grenfells are of Cornish origin, and it was as proprietors of tin and copper mines in the early nineteenth century that they came into the forefront. To-day, as for half a century, they constitute the very cream of the mercantile community. They belong to the same social order as the Barings, the Glyns, the Mills, the Gibbs, the Hoares, and others of the great ones who got in on "the ground floor" of 19th century investment in home and foreign railways, land and mortgage companies and the like. They are British to the backbone. They have no apparent affiliations with the Semitic elements who came hither in successive waves of immigration from Amsterdam, Hamburg, and Frankfurt-on-Main. They made their wealth in trade not so much in bullion, in stocks and shares, as in dry goods. They dealt in textiles and their trade was with the United States rather than with Europe and with South Africa and with Australasia.

The house of Morgan, Grenfell and Co. took its origin in 1838 as Geo. Peabody and Co. Peabody had been a dry goods merchant in that street of dry goods dealers—Wall Street, New York City. Thence, he had come to London, and had transacted business for the United States Government and, thereafter, had placed Maryland bonds on the British market. From 1843, he devoted all his attention to merchant banking and made his home a general *rendez-vous* for Americans visiting this country. He took into partnership Cubitt Gooch, an influential London business man and railway magnate, and, later, promoted Julius Spencer Morgan to be a member of the firm.

In 1861, Peabody was appointed as the financial agent of the Federal Government in London, and, as such, minted money to the detriment, so it was alleged, of his country. In 1864, Peabody retired, and the firm became known as J. S. Morgan and Co. In 1871, the family of Drexel, cotton brokers of Philadelphia, were brought into the Morgan alliance, and, thus, with the aid of these powerful agents of the English stockholders in the Pennsylvania Railroad Co.—a line running through the heart of the coal and iron tract of Pennsylvania, the Morgans began to build up an immense monetary power all the way from New York and Philadelphia to Chicago, and so throughout the United States. The Morgans and the Grenfells took the moneys of the British landed and mercantile classes and put them into what were, for the most part, secure investments. The Morgans were on Wall

Street. The Grenfells were in "the City." Between them passed millions upon millions of moneys to find employment in the development of "God's Own Country" of the United States.

In 1868, Morgans established a house in Paris under the name of Morgan, Harjes and Co. Their power there was founded doubtless on their action—

"In 1870 when France lay helpless under the German invader and Paris was isolated and the prospects about as black and uncertain as they could be, and Messrs. Rothschild had definitely turned down an appeal for help, the firm of J. S. Morgan raised a loan for the Government of National Defence at Tours."

—(*Financial Times*, 3/5/22.)

To-day, Morgan, Harjes and Co. are in close touch with Schneider-Creusot, and are deeply interested in promoting the activities of that concern, aiming, as they do, at the progressive acquisition of the coal and iron resources of bankrupt Europe. J. P. Morgan and Co. are, of course, the power behind the United States Steel Corporation and behind the great General Electric Co. of Schenectady, who stand back of the Thomson-Houston firms at Rugby, in France, and in Italy. Morgans are, also, all-powerful in the Pullman Company and in the International Harvester Company, as well as in the Baldwin Locomotive Company. They are, in fact, financiers to concerns having no intention of seeing Germany and Britain railroad and machine Russia into prosperity unaided—or unchecked.

Morgans are also, through Morgan, Grenfell and Co., very influential in India and the British East. They have close connections with the Sassoons. They are represented in the Hong-Kong and Shanghai Bank on one side of the Earth and in the Hudson Bay Co. on the other.

Mr. E. C. Grenfell's cousin, Lord Desborough, is president of the British Imperial Chamber of Commerce. In every sense, the Grenfells can be taken as predominant in English economic and political life. They are Conservatives. They stand for that new policy of subordinating Britain to the idealism of the United States and the advantage of France, which has become so evident in the new orientation of Coalition policy, and has caused such profound distress to British Industrialism and the National Liberals whose standard bearer is the hero of Cannes and the victim of Genoa—Mr. Lloyd George. We speak advisedly of English Imperialism and of British industrialism, because the latter is, characteristically, Scottish in its *personnel*. Its prototypes are Lord Inchcape, the great shipowner, and Lord Aberconway, the great coal-master.

The Grenfells are Conservatives. The Morgans are, and have been, Republicans. Once they tilted the balance so that the United States was the client of "the City." Now, they adjust it so that Britain shall be the client of Wall Street.

The course of politics in the City throughout the entire *bourgeois* period, affords a striking illustration, a startling confirmation, of our Marxist view of the underlying facts of social and political history.

## II.

### Finance and Politics

We cannot, in an article of this character, follow that struggle of economic interests, which is the history of politics in the City of

London, across the centuries from those early days when the purveyors to the Court and the Church, notably the Worshipful Company of Fishmongers, held sway at the Guildhall. We cannot describe the warring interests which, in the 17th century, played their part in the Civil War, the Restoration and the "Revolution." We must hurry by the contending factions respectively agitating in the interests of the East India Company or of the Bank of England. We must leave for the present, the secret history of Whig finance and of Whig and Tory political intrigue in the years after the Amsterdam Jews followed Dutch William across the sea, to make the London Stock Exchange their particular haunt, to inspire and to control the Bank and to worm their way, to the number of more than two hundred and fifty holders, into the stock list of the United East India Company.

We can only commence seriously to study the financial influences in the City when the Whig oligarchy and the directing minds of the expansionist wars of the 18th century had induced to settle amongst us the da Costas, the Mocattas, the Pereiras, the Goldsmids, the Henriques, the Montefiores and others of the Portuguese Jews who thronged the Exchange and who traded in bills and bullion in the orbits of West and East India commerce. These brokers, with their connections, here, there, and everywhere, acquired immense influence in the first three-quarters of the 18th century. Thereafter, perhaps because of the rise of the Scottish merchants in the financial scale and because of the commercial expansion which was lifting the wool, linen and corn factors and their banking allies above the level of mere shop-keepers, the Dutch Jews become, for a while, less conspicuous. The occupation of Holland by the armies of Revolutionary and Bonapartist France cut the communications between Amsterdam and London. Pitt turned to a group of bankers, of merchant bankers, more English in their connections, and more national in their sympathies. This was the period when the great house of Baring came right into the very forefront. Sir Francis Baring became Governor of the East India Company, and a great figure in the Bank. He established connections with Hope and Co., the great Scottish family, established as bankers in Amsterdam, and sent his son from there to Philadelphia, where, marrying a Bingham, he wove the fortunes of Baring into the very texture of Pennsylvanian economy.

In 1818, the Duc de Richelieu exclaimed:—

"There are six great powers in Europe—England, France, Russia, Austria, Prussia, and Baring Brothers."

They were, at this time, floating loans for the Allies (and for France), not now for war, but for reconstruction. They were fabulously rich and were, in the next decade, to avail themselves of the Monroe Doctrine and the policy of its real author, Canning, the Tory Foreign Minister, who fashioned Conservatism in the interests of the Barings and their kind, to pour millions of their own and their clients' money into South America, whose people revolted against Spain with the approval of the English merchants to whom nationalism and political independence of Madrid meant financial independence of Paris and dependence on London.

The Barings, however, potent as they were in the politics of the Exchanges, belonged to the wrong party to make headway in "the City." London returned Whigs and Tories in the proportion of

three to one or two of each at election after election, till the Reform Bill. In 1832, it returned three Whigs and a Radical banker, the historian, Grote. In 1835, it returned four Liberals, one of whom was the Governor of the Bank of England. In 1837, again four Liberals were elected. In 1841, two Conservatives and two Liberals got in. One Conservative was Masterman, a banker, and the other was the chairman of the East India Company. One of the Liberals was Lord John Russell, then the leader of the Party in the House of Commons. Two years later, Sir Thomas Baring stood as a Tory and was defeated. We learn that his brother had been Chancellor of the Exchequer to the Whig, Melbourne.

In 1847, the house of Rothschild, the unceasing antagonist of the Barings, the house for ever "bearing" the loans that Barings floated and selling dear the bullion required for those loans, put the coping stone upon its economic success, by the return of its senior partner Baron Lionel N. de Rothschild as Liberal Member for the City of London. For the next twenty-one years, almost without interruption, Rothschild sat for "the City." Rothschilds, Montefiores, Goldsmids—bullion merchants and international bankers, grown prosperous over half a century and abundantly rich during the times of peace and of reaction—they were the main-stay of the Liberal Party. Then, in 1863, appeared a new figure, another financier of note, George Joachim Goschen, of Fruhling and Goschen. He also, was a Liberal and remained as the representative for "the City" until 1880. Goschen was a director of the Bank at the time of his election, and two years later was made vice-President of the Board of Trade. He became Chancellor of the Exchequer in 1887.

The Goschens may be said to typify that section of the Liberal financiers who orientated towards Conservatism, and, under the influence of their overseas investments, became Imperialists and Unionists. To-day the Goschens are so ubiquitous in British capitalism, that one is tempted to describe the Empire as "the land of Goschen." They are credited with belonging to the Rothschild group.

In 1891, another director of the Bank, this time a Conservative, viz., H. H. Gibbs, of Antony Gibbs and Sons, merchants, was put forward by the Governor and his nomination seconded by the Deputy Governor of the Bank of England. He was elected and sat till 1892, when he was succeeded by his son, who remained M.P. until 1906, when he retired to enable Mr. Balfour, the leader of his Party, defeated at East Manchester, to secure a safe seat.

In the period when "the City" was Liberal, the bankers—the Bank of England interest—offered a seat to the leader of their Party—Lord John Russell. In the period when "the City" was Conservative, these bankers offered a seat to the leader of the Conservatives, Mr. A. J. Balfour. Throughout the period, up to 1906, there has generally been a director of the Bank sitting for "the City."

In the period of the financial supremacy of the merchants in dry goods; in the period of Free Trade, Rothschild sat for "the City." In the period when the merchants were putting money into the Near East, into India and Egypt, Turkey and China, Goschen sat for "the City." In the period when South American investment was all the rage, one of the South American merchants, one of the

Gibbs family, took up the appropriate role of Member for "the City."

To-day, when J. P. Morgan and Co. are the creditors of the entire Empire, their London representative, fitly and properly, goes to Imperial Parliament, as a symbol that economic power is the basis of political power. That is the historic significance of the candidature and election of Edward Charles Grenfell.