What in Hell Is JPMorgan Chase?

by Nancy Spannaus

June 24—The very name JPMorgan Chase encapsulates the legacy of British banking in America. On the one side, there's JPMorgan, which is essentially the American arm of a British bank founded by Americans in London in the early 19th Century. On the other, there's the offspring of Manhattan Bank (best known as Chase Manhattan), an institution chartered in 1799 by Aaron Burr, on the basis of a fraudulent claim that the company would supply New York City with fresh water.

Lest anyone think this legacy is not alive and well at JPMorgan Chase, now headed by the in-your-face Jamie Dimon, note the following: In the anteroom outside Dimon's office, there is displayed the brace of pistols with which traitor Aaron Burr assassinated the founder of the American System of economics, Alexander Hamilton.

Origins and Evolution

In 1835, Massachusetts-born George Peabody founded a merchant bank in London, George Peabody & Co., which grew into the top American banking house in London (and reportedly helped NM Rothschild with its U.S. investments). In 1854, the American, Junius Spencer Morgan (1813-1890), joined the bank, which then became Peabody, Morgan & Co. Peabody retired in 1864, and the bank became J.S. Morgan & Co.

Junius's son J. (John) Pierpont Morgan (1837-1913) joined his father's bank. Then he returned to the U.S. in 1857, to work for the American representative of J.S. Morgan & Co., Duncan, Sherman & Co. In 1871, J.P. Morgan founded an American bank in partnership with Anthony Drexel of Philadelphia, called Drexel, Morgan & Co. In 1895, Drexel, Morgan became JP Morgan & Co. When Junius Morgan died in 1890, son J.P. Morgan (1867-1943) took control of J.S. Morgan & Co. (which was renamed Morgan Grenfell in 1910). After his death, J.P. Morgan, Jr. (also known as "Jack") took over.

The Glass-Steagall Act of 1933 forced the bank to split its commercial- and investment-banking arms. JP Morgan & Co. became a commercial bank, and in 1935, spun off its investment banking arm as Morgan Stanley, run by JP Morgan partners Henry S. Morgan (a grandson of J. Pierpont) and Henry Stanley. Morgan Stanley became the premier white-shoe investment bank on Wall Street.

In 1959, JP Morgan merged with the much larger but less powerful Guaranty Trust Company of New York to form Morgan Guaranty Trust. Circa 1969, the bank formed a bank holding company, JP Morgan & Co., to own Morgan Guaranty Trust.

In 2000, JP Morgan was acquired by Chase Manhattan Bank, which itself was the name adopted by Chemical Bank after it acquired Chase (Chemical had earlier acquired Manufacturers Hannover). After the merger, the combined bank adopted the name JPMorgan Chase & Co.

In 2004, JPMC acquired Bank One of Chicago, a large super-regional bank, which at the time was headed by Jamie Dimon, the former protégé of Rothschild/Lazard operative Sandy Weill. Dimon is now the CEO of JPMorgan Chase & Co.

New York Historical Society

In the anteroom outside Jamie Dimon's JPMorgan Chase office, are displayed the pistols (shown in the photo) used by Aaron Burr to assassinate Alexander Hamilton.

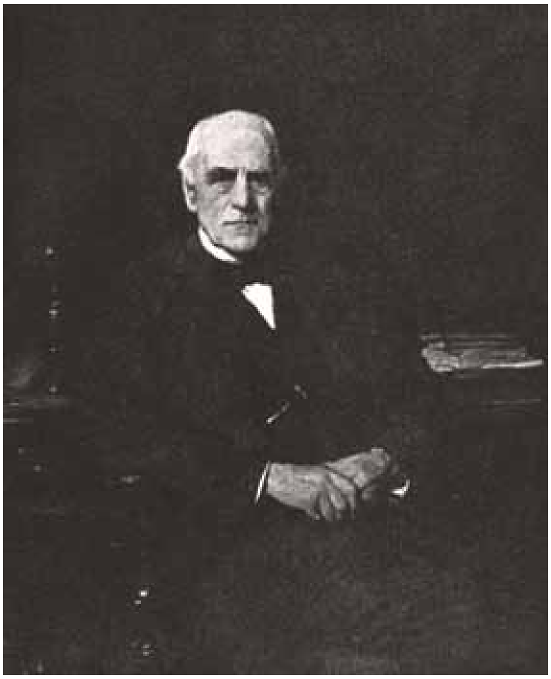
Destroying the American System

The three generations of Morgans and their bank became the leading British agents in the United States, and appear to have been tasked with the destruction of the American System.

The bank came to control a nest of corporate interests, including General

Electric and U.S. Steel, railroads, and others. J.P. Morgan, Sr. was a key player in the British operation known as the Panic of 1907, after which the British consolidated their hold over American finance. The Panic of 1907, and the orchestrated financial warfare panics which preceded it, led to the formation in 1913 of the Federal Reserve System—in which the Morgan interests played a big role. J.P. Morgan, Sr. died that year, and was replaced at the helm by his son.

During this early period of the 20th Century, the Morgan empire gained partial ownership and/or considerable control over American industry, including GE, US Steel, International Harvester, AT&T, American Bridge, and a host of railroads including the Atchison, Topeka and Santa Fe, the Pennsylvania Railroad, and the Northern Pacific. In general, it would appear that Morgan and his cohorts ran financial warfare which bankrupted large sections of American industry and rail, took the firms over, and built them into market-dominating/competition-choking conglomerates.


Wikimedia commons

Junius Spencer Morgan (1813-90), founder of the Morgan banking family.

Of course, the Morgans never gave up their international role, and close British ties. In his introduction to his book *The House of Morgan, An American Banking Dynasty and the Rise of Modern Finance,* author Ron Chernow puts it this way: "The bank's ties abroad, especially those with the British Crown, gave it an ambiguous character and raised questions about its national loyalties. The old Morgan partners were financial ambassadors whose daily business was often closely intertwined with affairs of state. Even today [1990—ed.], J.P. Morgan and Company is probably closer to the world's central banks that any other bank."

At the same time, the Morgan bank cultivated ties within the political parties in the U.S., most notably, Democrats Al Smith, Democratic Party chairman John Jakob Raskob, and John W. Davis, Morgan's lawyer. This crew within the Democratic Party did its utmost to prevent Franklin Delano Roosevelt's nomination in 1932, and, when that failed and he was elected, were part of a conspiracy to organize a military coup d'état against FDR, through Maj. Gen. Smedley Butler. The plot failed when Butler blew the whistle, and took his story to the news media and the Congress.[1]

Morgan did not give up, of course. He felt especially embittered by his treatment by Ferdinand Pecora, the prosecutor who mercilessly went after him—with the encouragement of FDR—during hearings into banking corruption in the Spring of 1933, exposing his failure to pay income taxes, and his fleecing of the public to the benefit of his friends. While Pecora's exposure did not send Morgan to jail, it treated him with the proper contempt. An angry Morgan said Pecora had "the manners of a prosecuting attorney who is trying to convict a horse thief." Totally appropriate, of course.

Financial Speculation

After the death of FDR, and then the assassination of Kennedy, the road for a more dominant role for British-style banking was increasingly open.

As the importance of industry declined and the rape of finance grew, JPM was a major player. One of its key goals was to eliminate the hated Glass-Steagall restriction, and in December 1984, JPMorgan circulated an internal pamphlet, prepared by a team of in-house economists led by William C. Dudley. The pamphlet, "Rethinking Glass Steagall," was a call for an offensive to break the Glass-Steagall Act, and return to the pre-FDR era of unbridled financier cartelization. At the time, Alan Greenspan was a JPMorgan director, and he would go on to be the single most important player in the take-

1. See Jeffrey Steinberg, "FDR's 1932 Victory Over London's Wall Street Fascists," *EIR*, April 4, 2008.

wordpress.com/raymond pronk

The Morgan bank today: JPMorgan Chase & Co. When Morgan and Chase Manhattan merged in 2000, the new bank became the second-largest bank in the world by assets, with total assets today of $2.509 trillion.

down of Glass-Steagall.

As chairman of the Fed, beginning in 1987, Greenspan testified publicly for dismantling Glass-Steagall, and began to loosen its protection, until it was repealed in almost all its features in 1999, with the passage of Gramm-Leach-Bliley.

With the repeal, JPMorgan quickly became a major force in the derivatives market, not only selling them, but also developing new types of derivatives and giving political protection to the scheme. When the LaRouche movement launched its campaign against derivatives in 1993, Morgan's Mark Brickell, in his capacity as an executive of the International Swaps and Derivatives Association (ISDA), led the defense of derivatives in Congress (and also bought 25 copies of the derivatives pamphlet, "Tax Derivatives Speculation, Pop the Financial Bubble, Rebuild the World Economy," which was published by the LaRouche movement's newspaper *The New Federalist*). Despite sympathy for the LaRouche position on the part of Rep. Henry Gonzalez (D-Tex.), chair of the House Banking Committee, Morgan and associated forces were able to save their derivatives gamble.

When Brooksley Born of the Commodities Futures Trading Commission dared question the deregulation of derivatives in 1998, Fed chairman Greenspan and Treasury's Robert Rubin and Larry Summers rose up against her, while Brickell and the ISDA led the lobbying in Congress, threatening to move the business to London if the government interfered.

In 1994—the same year the Morgan-founded Bankers Trust, seen as the shining light in the derivatives market, basically blew up, a crisis that was hidden behind revelations that it had been cheating its counterparties—Morgan banker and British subject Blythe Masters led the team that developed the credit default swap (CDS). A few years later, Masters and her team started the era of securitization, by creating a special purpose vehicle (SPV) to buy some $10 billion of the banks loans. The deal, called BISTRO, became the basis for synthetic collateralized debt obligations (CDOs).

Bailouts Over $1 Trillion!

In March 2008, as the financial crisis was growing, the Fed gave JPMC some $29 billion to take over Bear Stearns. When the crisis exploded in September 2008, JPMorgan Chase got a $25 billion cash injection from the TARP, and during the period from Dec. 1, 2007 through July 21, 2010, took $391 billion in loans from the Fed's emergency bailout facilities, and an additional $319 billion through its ownership of Bear Stearns. According to the GAO report on its audit of the Fed, JPMorgan Chase got a total of $1.269 trillion.

That's a lot of money for a bank which loudly claimed that it did not need a bailout.

Morgan was the second-largest derivatives bank in the nation when it was acquired by market leader Chase Manhattan ($9 trillion and $14 trillion, respectively, at the time of the merger). Combined, the bank became the clear market leader, peaking at a whopping $99.2 trillion in the second quarter of 2008. As of the end of 2012, the bank had reduced that exposure to a mere $69.5 trillion!

John Hoefle, Steve Komm, and Jeffrey Steinberg all contributed substantially to this report.