

The Dollar Barons

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W. 22 William Pub. Co. NY
1973

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the Chase Manhattan Bank was far from being a doctor to the disadvantaged. As a member of a group of eighty banks pledged to lend \$100 million for the rehabilitation through mortgages of homes in Brooklyn, the bank had committed a mere \$700,000 more than two years after its initial announcement. The entire group of eighty banks had committed a total of \$8 million.

In another part of the film Representative Wright Patman, chairman of the House Banking and Currency Committee, suggested that high mortgage interest rates of 7 1/2 to 8 1/2 percent had stopped home construction in its tracks, and that Chase Manhattan was really more interested in backing gambling casinos operated in the Bahama Islands by a company named Resorts International. To this charge Rockefeller replied that the investment in gambling had been made on behalf of a trust customer by Chase Manhattan's Fiduciary Investment Department, implying that the investment was an arms-length one in which the bank was concerned only with the well-being of its trust customers. In a give-and-take sequence Patman retorted that the department was just as much a part of the bank's money-making operations as were its checking account services, personal loan department, and every other department. The retort went unanswered in the film, but official records show that the bank was far more interested in the possible return from gambling than it was admitting. According to testimony taken by the House Judiciary Committee, the Chase Manhattan Bank's Fiduciary Investment Department in January, 1969, planned to use trust funds to help Resorts International (known previously as the Mary Carter Paint Company) to take over, i.e., to raid, Pan American World Airways. A takeover attempt was denied, but the plan was for Chase Manhattan to sell 1.5 million shares of Pan American stock held in trust to Resorts International, which intended to buy another 900,000 shares of the airline's stock from a conglomerate corporation named Gulf and Western. The takeover attempt came to the attention of the House Antitrust Subcommittee, which began an inquiry to learn the "working re-

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relationship" between Gulf and Western, a seller of Pan American shares to Resorts International, and Chase Manhattan, also a seller to Resorts International, a company speculating in land and gambling. How deeply interested Chase Manhattan was in the gambling operation can be determined from its own analysis. The bank estimated that hotel rooms and cabaret operations would be profitable enough, but the gleam in the eye of its Fiduciary Investment Department was put there by profit projections based on gambling. The bank's analyst said:

"All projects are currently making money; however, the Paradise Island Casino is by far the largest money maker. In addition to the 350 slot machines on Paradise Island, each earning a profit of \$10,000 to \$12,000 per year, gaming enthusiasts can play roulette, dice, black jack and chemin de fer [sic]. The casino and related areas employ 15 people and the operating costs per night, including top name entertainment, approximates \$20,000. Based on one year operations, management estimates that each room on the island accounts for \$30.00 in gaming net income per day. It has been estimated that \$53 million to \$54 million will be wagered at the casino in 1969 and of this 34 percent or \$18 million will be gross winnings to the casino. After overhead, operating expenses and government taxes, \$9 million in net income is projected. Another \$3 million is projected from the hotel operations, golf course, beach and restaurants, etc. Management estimates that Resorts International (RTA) should net at least \$3,000 annually per room from hotel and ancillary activities.

Looking out 3 to 4 years Resorts is planning on having 5,000 hotel rooms available. While only 1,500 or so will be owned and operated by RTA, it is estimated that the RTA hotels and related areas will contribute \$10 million. With 5,000 rooms on the island, initial projections for the casino's gross win are placed at \$50 million of which \$30 million could conceivably be brought down to net.

In January, 1969, three research officers of the Chase Manhattan Bank visited Paradise Island, after which the bank agreed to sell its 1.5 million shares of Pan American World Airways stock to Resorts International and to become a major investor itself in Resorts International. The bank not only bought \$15

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million in notes issued by Resorts International, but also 1.5 million warrants to buy 1.5 million shares of the company's stock at \$40 a share and another 1.5 million warrants to purchase the company's shares at \$60 each. Then, using the trusts, it held with full discretion, i.e., those it could buy and sell securities for without consulting the beneficiaries, Chase Manhattan sold stock in such going companies as Eastman Kodak, United States Time, Mack Trucks, Southern Railway, General Motors, and Standard Oil Company of New Jersey (now Exxon). The exchange of such stocks for so highly speculative an issue as Resorts International was clearly questionable, as was the bank's willingness to sell shares in Pan American World Airways to assist a company in which the bank had a major interest, i.e., Resorts International, to raid another company.

The question here, however, is whether bankers have the right, as David Rockefeller apparently believes, to closet themselves and refuse to reveal facts that are not necessarily complementary. The public nature of banking and its intimate tie-in with the public economy suggests there should be public accountability. Banks, though public corporations, are unique because they are so vital to the nation's economic health. In return, banks have been permitted to deal for themselves at a profit in the nation's currency by lending it. Indeed, banks are permitted to create money to lend and thus profit by. The moment a bank credits the account of a borrower with a loan, the bank's own deposits are increased, since the act of extending credit in itself creates money, or a deposit the borrower can draw on. But the creation of money does not stop there. As the borrower draws on his loan by writing checks, the checks, as they are deposited in other banks, in turn raise the deposits of those banks and therefore their lending power. It has been estimated, in fact, that in the process a dollar can be increased thirty-three times, or to \$33. Obviously, banks have been granted a very special mandate, one that separates them from the rest of U.S. business. That mandate also implies that banks act with public approval

of their actions, and can act only as long as that public approval continues.

In David Rockefeller's case, the decision to grant audiences only to supporters of his bank's policies and to refuse to see those he judges hostile is especially questionable, since Rockefeller tends to address leaders of other nations as though he were speaking for the United States. For example, in 1970 at a meeting of the Council of Foreign Relations, he attempted to be the broker between the "sovereignities all over the world" (his own phrase), who were in conflict with the aggressive investment tactics of American corporations abroad, the so-called multinationals. It is his habit of his of addressing nations as an official of the United States that has led some observers to say that though Rockefeller would not want to be President of the United States because of the rough and tumble of politics, he would accept an offer to become Secretary of State. A journalist who knows David Rockefeller well says that "it is an open secret that Rockefeller would like to be Secretary of State. Once he confided that it was a thrill in 1972 to be called by a Russian trade delegation that was in the United States and asked to spend some time with them. I'm sure that though he achieved very little in the way of business for the bank, he was quite pleased that they thought of calling him, and my impression is that he probably spoke about business in general rather than how the Chase might help the Russians finance trade. Obviously to some extent the journalist was wrong for the Chase Manhattan was one of the first banks to establish itself in a trade deal with the Russians. Still another journalist with access to David Rockefeller sees him as "a fantastically decent human being with his own personal ethic, but the translation of his own principles into action so far has been something he is not yet willing to pay the price for." The journalist was talking about Rockefeller's unwillingness to become bloodied for the thing he has said he believes in, e.g., the housing in Brooklyn, that never got built.

In politics, however, Rockefeller would have to be account-