

Defense, Inc., the New du Pont Trust

How the merchants of death have taken over the vast business of "national defense." William S. Knudsen, sales manager in chief. Interlocking directorates with the Nazis and the British.

WALL STREET has reopened its Washington branch offices, hung out the "War for Sale" shingle, and started raking in the cash. The sales quota is \$14,000,000,000; the price all that the market will bear, and then some. Salesmen and buyers—they are one and the same—are quartered in the government's choicest air-conditioned, FBI-guarded office suites. The merchants of death and destruction offer their wares in the guise of "preparedness," "arms for the national defense," and "the preservation of democracy." The sales policy is one designed to reintroduce militarism and imperialist war, to pave the way for intervention in Europe and conquest of markets in Central and South America. Meanwhile, to help out the sales campaign, hysteria-bitten congressmen, whooped on by President Roosevelt and his pack of turncoat liberal followers, have handed big business control of the government and the combination to the Treasury safe.

William S. Knudsen, \$340,000-a-year General Motors-du Pont executive, is sales manager in chief, armed with actual and potential dictatorial powers that many a Nazi chieftain would envy. Edward R. Stettinius, ex-General Motors-du Pont executive, ex-chairman of US Steel Corp., and Morgan handyman, is assistant chief salesman. These two Wall Street emissaries, together with five less well connected associates, make up the NDAC (National Defense Advisory Commission). Assisting them in the congenial job of transforming a record defense appropriation into booty for the Lords of Creation are some fifty bankers, board chairmen, presidents and vice presidents of America's biggest corporations, and about five hundred employees. Symbolic of finance capital's bloodless capture of Washington is the announcement that on its completion next month the NDAC will take over the new Social Security Board building. Vanquished New Dealers have invited their new allies to carry on their work of handing industry about \$40,000,000 a day in contracts in the very rooms which were once to be devoted to the development of a social security program for the American people.

WHAT GOES ON?

What goes on behind the doors of NDAC offices, protected by an edict of secrecy imposed by the commission itself? Information seekers find themselves up against as effective a censorship as that intended for the whole country when M-Day plans move another step ahead. No word is allowed to come from the commission except by way of canned, tell-nothing publicity releases which rehearse the "great patriotism" of American industry. Interviews are forbidden unless questions and answers are approved in advance. The full

story of what is happening behind the locked doors may never be told until some future Nye or Graham committee digs into the secret files of Wall Street and the White House. And if investigators ever swing into action again they will have to begin at the very point where the munitions inquiry left off. They will have to call pretty much the same witnesses, for the cast of participants in the current raid on the Treasury is largely the same cast which once before trooped past Congress to confess World War sins and be piously urged to go and sin no more.

Dollar-a-year men, the country remembers well, were invented by President Wilson in August 1916 when he picked the National Defense Council Advisory Commission and in July 1917 when the War Industries Board was set up. The job of conducting national defense buying was then turned over to representatives of industry with scandalous results. Some of the corporations which contributed executives to this first adventure in business dictatorship—a program enveloped in "an almost impenetrable fog of waste, incompetence, and graft"—are worth remembering: US Steel, Dillon, Read & Co., Sears, Roebuck & Co., American Telephone & Telegraph, and the predecessors of General Motors. The notable thing about this partial list is that without exception representatives of these corporations have returned for another rich harvest. They are the ones who so arranged matters that while millions poured into the pockets of business, one-fourth of the shells ordered during the war were manufactured after the Armistice, only sixteen American-made tanks reached France by the end of the war, no American-made guns appeared until September 1918, and no Ameri-

can-made fighting plane of any description ever reached the front.

THE NEWCOMERS

But while old hands are back in the cash register, a new group has seized the reins of power and control. The newcomers are the du Ponts, who profited vastly from the last war but didn't run it. Gross war receipts exceeding \$1,000,000,000 turned the du Pont holdings into a great industrial empire, and made the du Ponts themselves members of the select company of business rulers of the earth. Their factories produced 40 percent of all the propellant powders used by the Allies and the United States, and earnings were so great that, on top of fat bonuses and swollen salaries, dividends were paid on du Pont stock which amounted to 458 percent of its original par value. Enough profit was left over to pick up for a mere \$47,000,000 working control of mammoth General Motors, and to reestablish relationships with the great chemical and munitions trusts of both Germany and England. Formal and informal post-war agreements were reached which had the effect of dividing up the world for sales purposes among du Pont-General Motors, England's Imperial Chemical Industries, and Germany's Hitler-backed I. G. Farbenindustrie. Subsequently the du Ponts swallowed up the Remington Arms Co., the Peters Cartridge Co., and some of their principal competitors in the chemical field. Later the United States Rubber Co. and the National Bank of Detroit came under du Pont influence. Through General Motors the du Ponts are heavily interested in a number of aviation plants, including North American Aviation, Inc. (makers of military planes), Bendix Aviation Corp. (aircraft accessories), Engineering Products, Inc. (airplane propellers), and Allison (motors). There are strong links with the Morgan banks through the bankers' substantial interest in General Motors and through their role as du Pont bankers and underwriters. The ramifications of du Pont power, now vastly expanded through capture of the defense program, are almost too great to comprehend. John J. Raskob summed up the picture some years ago when he wrote (in the course of a letter urging the du Ponts to "organize" to protect society against "communistic elements"): "I believe there is no group, including the Rockefellers, the Morgans, the Mellons, or anyone else, that begins to control and be responsible for as much industrially as is the du Pont company."

It is well known that the army's industrial mobilization plans contemplate investing absolute dictatorial power in the defense commission. Just how far the du Ponts will go



William S. Knudsen

they get the green light from their friends remains to be seen. Just now the commission is busy writing checks. But there are persistent questions that daily become more urgent. Has this country, in the three months since the NDAC was created, already crossed the slender line which separates a covertly business-controlled democracy from an openly business-controlled fascist state? It is most significant that it was the German friends of the du Pont group who established Hitler in power, while here at home financial backing was being provided for the Sentinels of America, the Black Legion, the Crusaders, the Liberty League, and the National Association of Manufacturers. It is also significant that both du Pont and General Motors have recruited specialists from the staff of J. Edgar Hoover's government Gestapo to look into union activity.

Who are the du Pont agents in charge of the nation's defense? First and foremost is William S. Knudsen, now on leave of absence from his posts of president, chairman of the Administrative Committee, member of the Policy Committee, and director of General Motors. He is substantially interested in the corporate alliance with which, as production commissioner, he has already had considerable dealings. In addition to his other holdings, last year the corporation voted him a stock bonus of 4,626 shares valued at \$222,900. Mr. Knudsen's business interests give him a very large stake in the affairs of both combatants in Europe's war. As second highest GM executive Mr. Knudsen has necessarily been in close touch with General Motors' European divisions. Some of these are very far from being small potatoes. General Motors Acceptance Corp., which transacted \$94,591,429 of foreign business in 1938, owns 100 percent of the stock of the Allgemeine Finanzierungs-Gesellschaft of Russelsheim, a. M., Germany, and of the Vauxhall & General Finance Corp. of Luton, Bedfordshire, England. General Motors also owns the entire ordinary shares and 71 percent of the preferred shares of Vauxhall Motors, Ltd., English truck and automobile manufacturers. This extremely prosperous British outpost of GM paid a 15 percent dividend in 1939. The Vauxhall plants are now manufacturing tanks for the British Army.

Another profitable General Motors branch is now engaged in manufacturing munitions for the German Army. Four years before Hitler came to power, GM purchased the automobile plants of Adam Opel, A.G., at Russelsheim and Brandenburg. Mr. Knudsen has himself stated that when this property was acquired it had a production of only ten cars a day. The advent of Hitler brought astonishing prosperity. Here's the sales record:

Year	Units sold
1933	39,295
1934	71,665
1935	102,765
1936	120,397
1937	128,370
1938	139,631

The extent to which these sales reflect orders in connection with the mechanization of the German Army has not been divulged. However, the 1938 gross profit, income from investments, etc., before deductions, was 163,399,443 reichsmarks.

When considering Mr. Knudsen's new power over American affairs it is informative to note who some of his fellow General Motors directors have been. They have included Fritz Opel, the German industrialist and Nazi leader; Sir Harry McGowan, head of Imperial Chemical Industries, England's great munitions and chemical trust which owns stock in General Motors, du Pont, Dynamit Aktien-Gesellschaft, I. G. Farbenindustrie, and is allied with the Westfälische Sprengstoff; and Arthur Purvis, long head of Canadian Industries, Ltd., a Canadian munitions firm which is owned jointly by the du Ponts and Imperial Chemical Industries. It is most significant that Arthur Purvis was placed in charge of the British Purchasing Commission in the United States. In this capacity he has enriched his American business associates by vast munitions and equipment contracts including a \$20,000,000 powder plant near Memphis to be constructed and operated by the du Ponts.

Query: how is Mr. Knudsen, a defense commissioner, to decide issues which affect, at one and the same time, (1) his own pocket-book, (2) the welfare of 130,000,000 Americans, (3) the greed for profit of investors in warring countries, (4) the simultaneous defense needs of Britain, Germany, and the United States?

Mr. Knudsen may well have a difficult time in steering a course which will not bring him afoul his English and German enterprises. He is certainly in an even more dubious position, both legally and morally, when he stands on both sides of the sales counter at once, as buyer and seller. For example, some eight weeks after his appointment the defense commission completed a \$15,254,786 contract with the Yellow Truck & Coach Manufacturing Co., one of General Motors' chief subsidiaries. Two weeks before this another contract was cleared with the same company for \$109,439. Negotiations are now said to be under way with General Motors for the operation of one or more aircraft cannon factories. Not all defense purchases are revealed, and no doubt the most important—or the most lucrative—are kept shrouded with the veil of secrecy applied to the commission's workings. However, it is known that between June 21 and August 3 the Knudsen commission executed sixteen contracts, aggregating about \$1,000,000, with Bendix Aviation subsidiaries in which General Motors is interested.

On August 9 the du Pont-dominated NDAC approved a \$20,000,000 purchase of smokeless powder from du Pont. Mr. Knudsen's friends and associates received an order for \$44,120 worth of Remington cartridges on June 21 and \$17,470 worth of primers on July 5 (Remington is du Pont-owned). Other



Edward R. Stettinius

du Pont contracts have been signed calling for \$175,964 worth of powder (July 6), \$412,472 worth of nitric acid equipment (July 7), and \$17,515 of surface tape (July 5). On July 29 the Hercules Powder Co., in which the du Ponts have an interest through their foreign subsidiaries, secured an order for \$458,160 of explosives. On August 2 the United States Rubber Co. (du Pont-controlled through minority stockholdings) received an order for an indefinite amount of rubber hose. The press reports that negotiations are now under way for the sale to the army of a new airplane armor plate developed by the du Ponts.

No. 2 member of the NDAC is Edward R. Stettinius, who left his \$100,000-a-year post as chairman of Morgan's US Steel to take charge of the materials division of the commission. Like Mr. Knudsen, strong ties bind him to the General Motors-du Pont group; until 1934 he was himself a ranking General Motors executive. The Morgan-du Pont links have been mentioned above. (Less well known is the fact that in the twenties the du Ponts embarked on a campaign of buying US Steel stock until the Federal Trade Commission served notice that it would investigate the relations among the three corporations.) Early in August the Morgan-controlled Baldwin Locomotive Works got a nice order from the NDAC for \$5,689,725 of tanks. But US Steel's-100 percent owned subsidiary, Federal Shipbuilding Corp., really hit the defense commission's jackpot. On one day, July 1, it received contracts for six destroyers at \$7,159,700 each, two destroyers at \$8,500,000 each, and two destroyers at \$5,277,000 each. Three weeks later two more destroyers were ordered at \$5,277,000 each, making a total of over

\$81,000,000 blown toward Mr. Stettinius' old associates. Meanwhile, the US Steel Corp. has been growing fat on the munitions boom. Profits for the first half of 1939 were \$1,970,311. This year, with steel mills running at the highest rate since 1929, profits were \$36,315,003 for the first half.

A third important du Pont-General Motors man in the defense setup is E. F. Johnson, General Motors executive in charge of parts and accessories, who has been given full charge of ordnance production. This is not a surprising assignment in view of the fact, brought out by the Munitions Committee, that the army's Ordnance Department considers du Pont to be "almost a subdivision of their own department." As early as 1934, according to another semi-official document offered before the same committee, "a very large production of war materials has been tentatively allocated to the du Pont company."

Many another man in Mr. Knudsen's position would step aside when it came to approving an order to be handed a firm with which he had been closely associated, and leave the decision to his executive assistant. This would not ensure neutrality in the present case, for Mr. Knudsen's executive assistant is John D. Biggers, president of Libbey-Owens-Ford Glass Co., the country's largest producer of safety and window glass. Some 60 percent of LOF production is used by the automobile industry, and the greatest part of that production goes to General Motors by an agreement dating back a number of years. Because of this dominant business relationship, Mr. Biggers must be counted within the du Pont-General Motors sphere of influence. It is also interesting to note that Mr. Biggers' company has a number of large foreign subsidiaries, including the Nippon Sheet Glass Co., with plants at Futashima and Yokkaichi, Japan, and the Deutsche Libbey-Owens Gesellschaft für Maschinelle Glasketstellung, A.G., of Gelsenkirchen, Germany.

Other important NDAC people drawn from the du Pont industrial hierarchy include Frederick C. Horner, assistant to the chairman of General Motors, who is acting as consultant to Ralph Budd, defense commissioner in charge of transportation, and H. J. White, chairman of the Viscose-Rayon division of du Pont, who is NDAC textile specialist.

It apparently isn't part of the du Pont game to deprive others of a few scraps from the defense banquet, for room has been made for outside interests. Two Mellon men, for example, Edward Ray Weidlein, director of the Mellon Institute, and Allen W. Martin, vice president of the Koppers Co., are active in NDAC matters. As this article was written, a New York federal grand jury was hearing charges that joint control of patents by Mellon's Aluminum Co. of America and the German dye trust, I. G. Farbenindustrie, was giving the Nazis the power to hold up the use of light magnesium alloys essential in the airplane industry. At the same time the twenty-six-month-long anti-trust case against the Aluminum Co. was being concluded in the federal courts. It was charged that the

Mellons had an absolute monopoly on this country's capacity for smelting bauxite ore into aluminum ingots and virtually all of the country's bauxite deposits, and that the Mellon company, through a Canadian affiliate, controlled world production and sales. (Aluminum increased in price 270 percent during the last war.)

Another typical member of the extraordinary company who are preparing "national defense" is William Loren Batt, American head of SKF Industries, Inc. (Aktiebolaget Svenska Kullagerfabriken, the Scandinavian-German ball and roller bearings trust). Of the five directors of the American subsidiary two have their office in Goteborg, Sweden, one is Mr. Batt, and another is a partner in the banking firm of Brown Bros. & Harriman, (W. A. Harriman of this firm is also a member of the NDAC staff) and a director of the Norwegian-American Chamber of Commerce. Mr. Batt is vice president and director of the Swedish Chamber of Commerce. SKF is linked to Skefko Ball Bearing Co., Ltd., of England, the Vereinigte Kugellagerfabriken, A.G., of Germany, and the Compagnie d'Applications Mecaniques of France.

The problem of defense commission financial dealings with firms in which members of the staff are interested is by no means confined to the du Pont-General Motors group. Good example is Theodore P. Wright, vice president of Curtiss-Wright on the one hand, and defense commission aviation expert on the other. Curtiss-Wright, whose manufacturing facilities were valued at less than \$19,000,000 at the beginning of 1940, arranged to get a \$92,000,000 RFC loan to build two new plants (under an amortization plan which will permit Curtiss-Wright to pay off the loan in eight years with public funds) for handling defense orders. Curtiss-Wright profits this year increased nearly 100 percent over last year, and the company had booked \$248,668,549 in unfilled orders as of June 30. (Incidentally, there is reason to believe that defense commission pressure caused Attorney General Jackson to move to reopen the Bridges case in an effort to discredit or impede CIO progress in organizing the West Coast aviation industry.)

Another case worth studying is that of Robert T. Stevens, president and director of J. P. Stevens & Co., Inc., New York textile sales firm, who is interested in half a dozen textile mills. He is acting as the NDAC's textile expert. Soon after his selection "defense" contracts were approved calling for the purchase of millions of yards of cloth from J. P. Stevens & Co. Between June 13 and August 7 it is estimated that Stevens' firm received contracts for cloth amounting to \$4,346,968.

Another member of the NDAC staff is Marion B. Folsom, treasurer of the Eastman Kodak Co. In the three-week period ending August 6 Eastman was awarded six contracts for film, telephones, and telescopes, amounting in all to \$606,000. Gano Dunn, president of J. G. White Engineering Corp., who helped Willkie bludgeon the TVA into pay-

ing an exorbitant price for one of his utility companies, was named to the NDAC staff as an assistant to Stettinius. Not long afterward his firm was awarded a \$740,000 engineering job at the Brooklyn Navy Yard. Mr. Dunn is also listed as a director of RCA, a firm which has received commission-approved contracts.

This situation sums itself up as follows: our government in Washington has been taken over, lock, stock, and barrel, by the direct representatives of Big Business, the biggest Big Business. A man named Karl Marx once observed that the state under capitalism is the "executive committee of the ruling class." There have been times in American history when that ruling class control has been relatively oblique: today, under cover of emergency and "defense" preparations, such control has become open and direct. Second, it is clear that these gentlemen conceive of national defense primarily in terms of their almighty dollar, and defense of that dollar for them means offensive operations against the living standards, the liberties, the peace of the American people. Finally, the imperialist character of this situation is exemplified by the international network of General Motors and du Pont operations. At the same time that they control American industry and American politics, they have their tentacles in the industry and commerce of every important nation (the USSR excluded) among which are both belligerents—Britain and Germany—plus fascist Spain, fascist France, and totalitarian Japan. The question remains: can we really preserve democracy for the American people by permitting these men to continue their grip on Washington? Can we really expect defense of the United States in the tender claws of this international octopus?

JULIAN WEBB.

Wee Wendell Willkie

"YOU see, my family lived in the town of Elwood, Ind. When I was growing up, Elwood was a boom town, a factory town, a tough town. . . . Well, the Willkie family was somewhat of a bookish lot. . . . We weren't accepted by the kids whose fathers worked in the factories. We were outsiders and we felt it."—*The Republican presidential candidate as reported in an interview with Virginia Irwin, St. Louis "Post Dispatch."*

Roosevelt's Choice?

"THE New Deal boys have already started coining anti-Willkie slogans. The first one is 'Hopson's Choice.' Hopson is a utility man, too. Get it? And the former head of the Associated Gas & Electric Co. has run into a great deal of legal trouble recently. The other Washington report is that Roosevelt intended to name Willkie his national defense coordinator if the Republicans had failed to nominate him."—*Marquis Childs, St. Louis "Post-Dispatch."*