

# OPM, Alcoa, Nazi Firm Linked in Metal 'Shortage'

Senate Committee Shows OPM Cooperated with Aluminum Trust to Maintain Monopoly with German Co. for Huge Profits

By Adam Lapin

(Sunday Worker Washington Bureau)

WASHINGTON, May 24.—Slowly and bit by bit there has come to light within the last few days the sensational story of the aluminum trust which reveals perhaps more clearly than any other incident that profits come first in the Roosevelt "defense" program.

But a few short months ago high OPM officials were assuring the nation that there would be ample supplies of aluminum for both peace-time and military purposes.

Now these same OPM officials state frankly that there is no aluminum at all available for consumers and that there is even a shortage for their arms program.

## BEHIND THE SHORTAGE

Behind this shortage are the following key factors:

First, the monopolistic policies of the Mellon-controlled Aluminum Company of America which believes that a limited supply helps keep prices up and insures huge profits.

Second, agreements between the Mellon company and the great Nazi chemical trust, I. G. Farbenindustrie, to keep down the production of magnesium which is an indispensable factor in making aluminum.

Third, the policies of the OPM in strengthening the monopolistic grip of Alcoa in such a manner as to make an aluminum shortage inevitable.

These facts were all established beyond any reasonable doubt at hearings of the Senate Committee investigating the arms program headed by Senator Harry Truman of Missouri.

## OPM SHARES BLAME

Evidence presented to the Truman committee made it amply plain that the OPM shares a major burden of the responsibility for the present shortage of aluminum and that the OPM was concerned more with continuing the monopolistic



KNUDSEN

position of Alcoa than with assuring adequate supplies of aluminum.

William L. Batt, Deputy Director of OPM's Production Division, admitted frankly to the Truman committee the existence of an acute aluminum shortage.

"As far as I can see," Batt said in discussing the situation for the next year, "there will be very little aluminum for civilian requirements. We will have just enough aluminum for our aircraft and direct military requirements, and no aluminum for civilians."

One of the key elements in this situation is the shortage of magnesium, an important alloy used to make aluminum stronger and harder. Not only is magnesium used for aluminum but lately has

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been in great demand for flares and incendiary bombs.

And there is only one producer of magnesium in this country—the Dow Chemical Co. which works hand in hand with the Aluminum Company.

Senator Mon Wallgren of Washington remarked dryly that one could always estimate the price of magnesium because the Dow company "always kept it just about 50 per cent higher than aluminum and controlled the price."

Dow Chemical, the Aluminum Company, the American Magnesium Corporation which is jointly owned by Alcoa and General Aniline and Film Company, and the I. G. Farbenindustrie were recently indicted by the Department of Justice for forming "a combination in restraint of trade."

The Justice Dept. charged that on March 4, 1927, a conspiracy was formed by these four companies for the following purposes:

## COMPLETE CONTROL

To prevent any company, other than Dow Chemical, from producing magnesium in the United States.

To limit the production and sale of magnesium products to the parties of the agreement and to eliminate competition among magnesium fabricators.

To control the price of magnesium and magnesium products and prevent price competition.

To pool all patents relating to the production and fabrication of magnesium, and to cross-license all patents already in effect.

Alcoa also promised to cease producing magnesium and buy from the Dow Chemical Co.

## STRENGTHENED CONTROL

Later the Aluminum Company and I. G. Farben decided to make their collaboration even more efficient.

Another agreement was signed between the two companies on March 10, 1931, which set up a third company, jointly owned, to be known as the Magnesium Development Company. To insure complete control, the Board of Directors of the company was to be composed of six members, three named by Alcoa and three by I. G. Farben.

Both companies agreed that they would assign the patents they owned on magnesium to the new

firm. The Magnesium Development Company was granted royalty free fabrication licenses under all fabrication patents to Alcoa and I. G. Farben, and no licenses were to be granted to others without approval of the Board of Directors.

Neither party to the agreement could engage in the production of magnesium in the United States without offering the other party equal participation. And in any event the production of Alcoa was not to exceed 4,000 tons of magnesium yearly without the consent of I. G. Farben.

## NAZI COLLABORATION

In other words, Alcoa agreed in effect to limit its production of aluminum in exchange for collaboration with the Nazi company.

So at the present time as a result of this agreement there is only one producer of magnesium in this country and prices are maintained at artificially and unreasonably high levels.

As a matter of fact it was revealed by the Justice Department that Dow Chemical sells magnesium at cheaper prices to foreign companies abroad than it does in the United States.

The Justice Department charged that the development and use of magnesium products were restricted and discouraged. It also pointed out that because new plants which should have been constructed never materialized, there is now a serious shortage of foundry facilities for the fabrication of magnesium products.

Aluminum is selling at the present time for 17 cents a pound. The company itself has estimated that its average cost is only 10 cents. So it reaps the amazing profit of 7 cents per pound or 70 per cent.

## BATT DOESN'T KNOW

When Batt was asked by the Truman Committee whether he had ever thought about how high the price of aluminum was, he stated:

"But I was never able to decide exactly what the cost was as they saw it, whether that included the administrative and selling experience of the business, or whether that was a so-called factory cost of aluminum. I just haven't had the time or the occasion to follow that thing through sufficiently to say myself whether the aluminum companies were making an unreasonable profit or not. I have no convictions on the matter."

It was pointed out at the com-

mittee hearings that Germany now produces 400 p. c. more aluminum than the United States. And it was more than implied that Alcoa has kept down the production of aluminum in this country as a result of its agreement with the Nazi I. G. Farbenindustries.

Aluminum is made from bauxite, a type of clay, 60 per cent of which is at present imported from Dutch Guiana. It was stated by committee members that there are bauxite resources in Arkansas, but that Alcoa has never seen fit to fully develop this area, or invent new processes for getting bauxite. Alcoa has deliberately kept down the supply of aluminum in order to peg prices and keep control of the entire market.

## PLAYS BOTH ENDS

The Aluminum Company not only has a complete monopoly of the raw product, aluminum, but it also manufactures and fabricates aluminum. In this way it manages to meet its competitors both coming and going.

One of the paradoxes of the situation is that while the Aluminum Company is making full use of government-owned power at unusually low rates, it is charging the government exceptionally high prices. Reynolds estimates that it can produce aluminum at 10 cents a pound. However OPM officials do not appear to be concerned about that.

When it was pointed out that aluminum double its price in the last World War to 33 cents a pound, Batt stated:

"I think we have been concerned about getting enough aluminum, and as long as the price wasn't high, we have just let that ride for somebody else to worry about."

But then the OPM has become notorious for the way it has favored Alcoa. Grenville R. Holden, formerly of the Eastman Kodak Company which has large inventories of aluminum, is Consultant in Aluminum and Magnesium for the OPM.

## SHOCKS COMMITTEE

Holden shocked even the Senate Committee with his regard and solicitude for Alcoa. When he was chided for accepting the facts and figures regarding aluminum requirements and supplies submitted by the Aluminum Company, and asked why he didn't consult other experts, Holden said:

"I think it would be difficult to find an expert on aluminum who

had not had some connection with the Aluminum Company."

And despite criticism that he and OPM officials had favored Alcoa, Holden defiantly stated:

"We have cooperated, we have gotten the cooperation of the Aluminum Company, we have depended heavily on them in the past, we are depending on them now, and as far as I am concerned if we can get aluminum from the Aluminum Company, we will go on depending on them in the future, without any regard for the charge that they are a monopoly."

(A second article will appear tomorrow in the Daily Worker.)