

Backed by Documents

Arnold backed up every statement with a document—a letter, a copy of minutes, or other memoranda obtained by his staff of Department of Justice investigators.

Senator Homer Bone (Democrat) of Washington, asked Arnold whether Standard relaxed its restrictions on synthetic rubber development in the United States after Hitler came to power.

"On the contrary," said Arnold, "it intensified them."

"There's a man who wrote a book called 'You Can't Do Business With Hitler,'" Senator Bone observed. "It seems that some of our nationals could."

Hugh Fulton, counsel for the committee, popularly called the Truman Committee, was particularly interested in what Arnold had to say about butyl, the rubber substitute discovered by Standard Oil's own chemists. When Arnold told how Standard passed on full information about butyl to the I. G. Farben Co., Fulton interrupted.

"Does this mean," he asked, "that we developed in this country a cheaper synthetic rubber made from materials that were more plentiful, and that we turned it over to Germany?"

"That's right," said Arnold. "And they refused to turn it over to American companies?"

"That's right," Arnold said that butyl rubber had been found to be "quite promising"

for inner tubes and that "apparently" it could be used to make an over-all tire. No natural rubber was necessary for the carcass, he said.

He said that isobutylene, from which butyl is made, cost about one-eighth as much as Standard Oil's price for butadiene, the basic raw material for buna, and was available in larger quantities.

The cost of butyl, he testified, was between 7 and 15 cents per pound, compared with approximately 20 cents per pound for natural rubber.

Telling how Standard turned butyl over to its German associate, Arnold said:

"As a consequence, while the Hitler Government, for military reasons, was refusing to make available to this country the German buna rubber, Standard sent I. G. Farben information as to the American butyl rubber and Standard's files show that a recommendation was made that 50 pounds of sample butyl should be sent to I. G. Farben.

"Thus, full information was sent to I. G. Farben in 1938, but in 1939 Standard failed to disclose full information as to butyl rubber to a representative of our own Navy's Bureau of Construction and Repair."

Arnold, quoting from a letter, told how a Mr. Werkenthin of the Navy's Bureau of Construction and Repair in this city visited a Standard plant at Bayway in 1939 "to get some first-hand information on the compounding and general handling of these synthetic rubbers."

The Standard Oil official who wrote the letter went on to say:

"Mr. Werkenthin was particularly interested in ascertaining how far we had proceeded in the development of butyl rubber. . . . Because of the possible application of butyl rubber to some of the Navy's requirements, Mr. Werkenthin had been instructed also to look into the manufacturing process.

"You will recall that I took up this question with you before his arrival. As agreed upon, I took Mr. Werkenthin over to see the K plant when it appeared that I could not very well steer his interest away from the process.

"However, I am quite certain that he left with no picture of the operations other than that a considerable amount of distillation and refrigeration is involved in the handling of the light hydrocarbons, and that refinery gas rather than straight butadiene is the raw material."

Assistant Attorney General Arnold said that Standard, with the exception of testing arrangements with two rubber companies and some specialty users, had held back use of butyl rubber, "even in this time of rubber shortage." Only the Newark consent decree, he said, made its use available.

"It is difficult for one to explain this holding back in view of the reports in Standard's own files concerning the good qualities of butyl rubber," he said.

He added, however, that "intense pressure" had been exerted on Standard by various companies which did not wish to retard

the development of synthetic rubber but nevertheless wished to make sure that they were given priority in its development.

At this point the name of Philip Reed, who is a division chief in the War Production Board, was brought into the picture.

Arnold read a letter signed by Frank A. Howard, dated July 24, 1940, which mentioned Reed in his role as chairman of General Electric. Reed had accepted an agreement with Standard with respect to butyl samples, but the Firestone company apparently was well ahead of him.

Howard wrote:

"Mr. Reed pointed out that Firestone had a three-month head start over the industry in general, whereas General Electric would have only about six or seven weeks, if we actually release samples broadcast on September 15. I told him that I did not know what we would actually do in this connection. Pressure might require us to deliver the samples broadcast as early as September 15, but if we had our own way, we would probably delay general distribution still further. . . ."

Arnold was asked why Reed wanted a six or seven-week lead. He replied that the document spoke for itself. In response to another question, Arnold said that Reed had not been asked to explain.

Will Get Chance

The committee will give him a chance to explain," Chairman Truman said, amid laughter.

In his opening statement to the committee, Arnold said that the shortage of synthetic rubber, due to the suppression of independent experimentation, is in the limelight today because the consumer realizes more keenly than the shortage of other basic materials.

"Nevertheless," he continued, "there is essentially no difference between what the Standard Oil of New Jersey has done in this case and what other companies did in restricting the production of magnesium, aluminum, tungsten carbide, drugs, dye stuffs and a variety of other critical materials vital for the war. So long as such cartel agreements continue to exist the inevitable result will be shortages in essential materials."

Arnold promised that it was not going to happen again. A policeman was needed on the job, he said, and he would not have signed the Newark consent decree otherwise.

The trust buster, using general terms, described the cartel arrangements as follows:

"Standard Oil of New Jersey desired a world monopoly in oil and synthetic gasoline. I. G. Farben was interested in chemicals. Each wanted to be free from competition of the other and also from independent competition. They, therefore, agreed that in the chemical field, which included synthetic rubber, I. G. Farben would have control.

To implement that agreement Standard Oil was to turn over to I. G. Farben—either the information or the patents—to any chemi-

cal processes which it discovered not directly connected with its oil production. This included even the right to sell in the United States.

"In return, I. G. Farben agreed to turn over to Standard Oil any patents or discoveries which directly concerned oil production, including synthetic gasoline.

"Each company gave the other a world monopoly insofar as they were able to convey it, with the exception that Germany reserved its own market in synthetic gasoline while Standard Oil gave Germany control of synthetic rubber in the United States.

"This was done by setting up two patent pools—one for synthetic rubber and other chemicals controlled by Germany, the other for synthetic gasoline controlled by Standard Oil."

But the cartel, as Arnold went on to show, was a lopsided one in its results. He quoted from Standard Oil documents to show that in 1935 Howard was reporting that "the Hitler government does not look with favor upon turning the invention (buna rubber) over to foreign countries." The reason was "military expediency."

Howard, the documents showed, "deplored" the fact that the German government's restrictions on I. G. Farben had prevented Standard from making progress in the synthetic rubber field, "particularly as there is some indication that the American rubber companies are making independent progress."

Bringing the story of the "conspiracy" up to date, Arnold said:

"The requirements of the German army and Germany industry are now supplied by the I. G. Farben buna rubber, and German's production of rubber equals her former imports. This has freed Germany from the necessity of running the United Nations blockade on rubber.

"As we shall show, Standard Oil delayed the use of buna rubber in this country because the Hitler government did no wish to have this rubber exploited, for military reasons.

"Standard delayed the introduction of buna rubber even after it had received permission from I. G. Farben to make suitable arrangements. It is even more astonishing that on Standard's own development, namely, butyl, Standard has refused to license all but two rubber companies, with the exception of some specialty companies."

Senator Burton (Republican), of Ohio, observed that Standard Oil was "more or less taken for a ride" by Germany.

"Standard Oil was not seeking to aid or assist Germany," Arnold said. "It was looking to the establishment of its own monopoly in the United States."

Chairman Truman asked Arnold to appear again this morning at 10:30 o'clock to resume his testimony. The appearance of Secretary of Commerce Jesse Jones, scheduled for this morning, was postponed.