



The long arm of the U. S. Government reaches out to crush the handful of chiselers and profiteers who would victimize their own country

# WAR FRAUDS MUST BE PUNISHED, NOW

**BY FRANCIS BIDDLE**

ATTORNEY GENERAL OF THE UNITED STATES

The home-front traitors who see the nation's peril in terms of profits rather than lives aren't going to get away with it this time. Enough of them have already found this out to make our record, so far, the best in any war we've ever fought

**W**HEN Americans are called upon to show how they can bear up under the strain of a war crisis, their best is always a shock to their enemies; their worst, a shock to themselves. Along with our fighting men and the great body of grimly determined citizens ready to do their full part, we have a wretched little handful of chiselers and cheats, who would victimize their own country—the shoddy scattering of profiteers, black marketeers, ration-card loopholers, and perpetrators of war frauds. Unmindful that their own skins are being saved from Axis terrorism, they go on twisting and devising and squeezing, trying to fatten on the patriotism of their neighbors and the war emergency.

The picture they make in the midst of war is not a pretty one. Part of it has come before the public in the war-fraud disclosures made to date by the Department of Justice. Many of us have been shocked, some alarmed. It is hard for us to believe that while our men are facing death on distant battlefields any-

one here at home could send them defective equipment for the sake of larger profits to himself.

Yet looking at the isolated instances of fraud, within the broader picture of our vast war program as a whole, we need not be alarmed. We are not losing this war to our enemies within. Against the volume of our war production, the amount of real damage has been trifling. And we are going after those who are responsible, and hitting hard—not after the war is over, but now.

Anyone who thinks that war fraud is a modern innovation need only consult the record. Fraudulent transactions have, unhappily, entered every war we've fought. Charges were flying thick and fast during the Revolution—one, for example, brought by the Committee of Safety against a man who had purchased cloth on commission for the Continental Congress and had charged fifty per cent more than its cost. There were serious abuses connected with shipping. In 1776, Congress agreed to reimburse shippers if the cargoes they sent out should fall into the hands of the enemy. The claims for losses became so heavy that the guarantee had to be dropped. George Washington wrote to the New York legislature that he had "almost incontestable proof . . . that a ship went from hence, sailed with no other view and joined the enemy at the Hook."

In the Civil War, "remarkable combinations" were reported by a Congressional committee investigating government contracts in 1861. "The profits from the sale of arms to the government have been enormous, and realized, too, in many

instances, even by our own citizens, through a system of brokerage as unprincipled and dishonest, as unfriendly to the success and welfare of the nation as the plottings of actual treason."

The report goes on to cite a \$49,000 profit on a sale of carbines "at the very best not exceeding \$60,000 in value;" a 40 per cent profit on blankets for the Army; and "great irregularities in the purchase of horses and wagons." The same kind of transactions appear in records of the Spanish-American War, especially in the furnishing of food of poor quality at exorbitant prices.

## Shipbuilders Come Under Fire

In 1934, scanning the record of the first World War, a Senate committee studying the munitions industry found the wartime performance of certain shipbuilders "close to being disgraceful. . . . They secured cost-plus contracts and added questionable charges to the costs. . . . They secured changes in contract dates to avoid war taxes. . . . They bought from the government, very cheaply, yards which had been built expensively at government costs. In one case, this was prearranged before the yard was built. . . . Profits were concealed as rentals. . . . If there were no conversations about bidding among them, there was telepathy."

Four years after the fighting ended in 1918, the Department of Justice set up a "War Transactions Section" to comb through some 30,000 ordnance contracts, in the hope of recovering overpayments. All those contracts were marked

closed." For the investigators, the going at that late date was not easy. Witnesses and evidence were missing; the cases were "cold," and so was the public, which had had enough of war and everything connected with it. Yet the War Transactions Section managed to recover more than \$11,000,000. Although a few criminal cases were developed, convictions were even more difficult than money recoveries. The section finished with only one verdict of guilty.

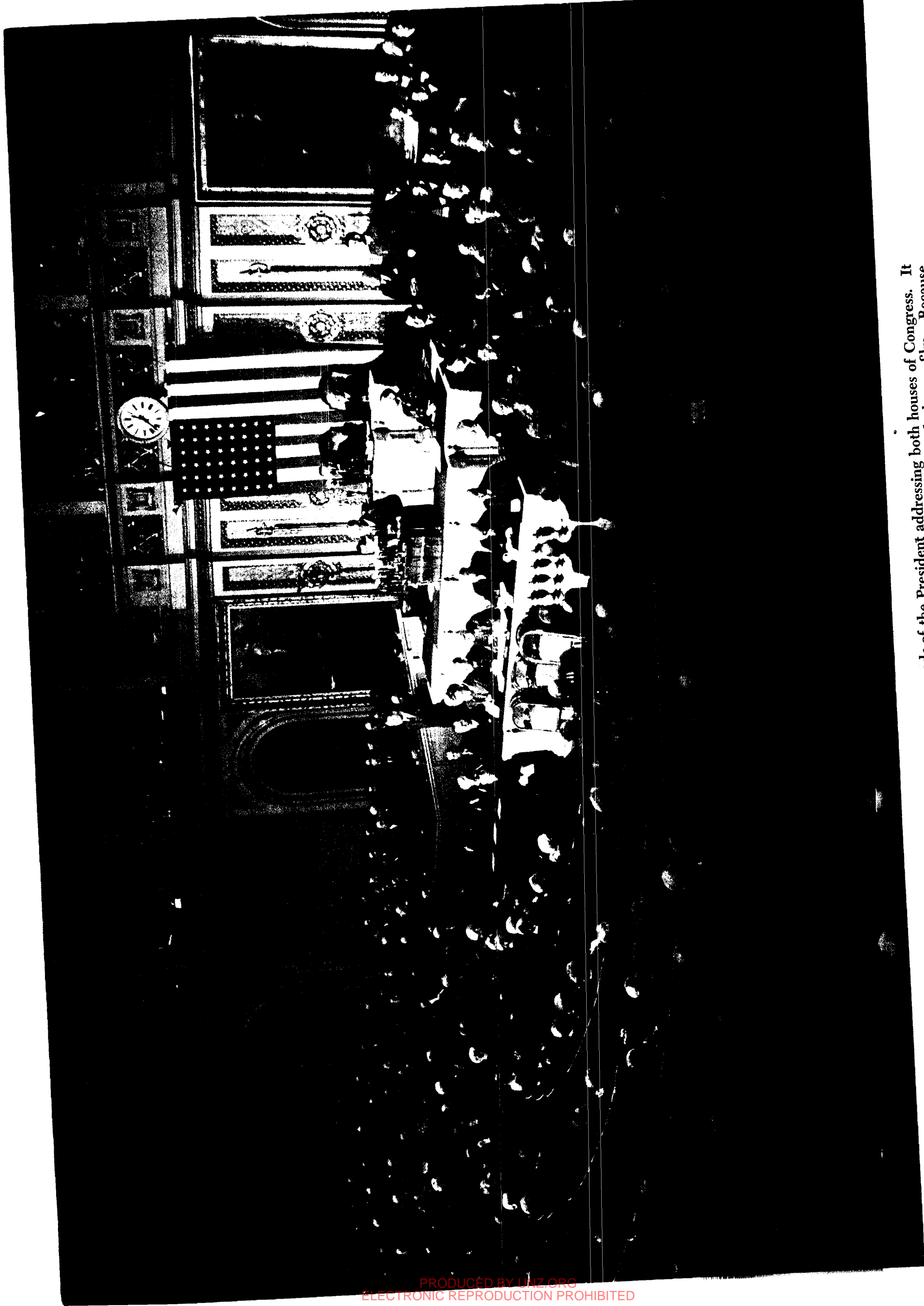
Such lag in the administration of our laws is totally unnecessary and has serious consequences on public morale. We have executed spies and saboteurs; traitors have been convicted; fraud must be punished severely, and the time for prosecution is now. With a tremendous purchase program, we should not be surprised to find a certain amount of cheating; but in a war with the Axis, any cheating is too much; and any delay in the discovery, prosecution and punishment of those guilty of it is too long. Treachery is not a matter for library research ten or twenty years hence.

As a result of a suggestion from Congressman Hatton W. Sumners of Texas, chairman of the House Judiciary Committee, who was very much concerned with our experiences in the last war (he became a member of Congress in 1913), I set up a War Frauds Unit in the Department of Justice in February, 1942.

The nucleus of the new unit was formed with personnel from the Antitrust and Criminal divisions of the Department of Justice, a staff well seasoned in the handling of kindred problems in peacetime industry. To head it, I picked Tom C. Clark, a 42-year-old Texan with a good prosecutive sense.

(Continued on page 78)

ILLUSTRATED BY D. R. FITZPATRICK



This is the first successful full-color picture ever made of the President addressing both houses of Congress. It was taken on January 6, 1943, by Bob Leavitt, with a Speed Graphic camera and Kodachrome film. Because of poor lighting conditions, Leavitt made about thirty exposures at various speeds. Only this one was good