

The pioneer of the arms investigation suggests a feasible programme for Senator Nye's Committee to follow during its December hearings and afterward.

A Programme for Senator Nye

By THE EDITOR
OF THE LIVING AGE

DISCLOSURES in THE LIVING AGE had so much to do with bringing about Senator Nye's investigation of the munitions industry that we printed an editorial article six months ago suggesting some points the investigation might cover. To-day, in the light of the new facts produced by the Nye Committee, we offer a few more suggestions. For, when the Committee resumes its hearings in December, it must begin to unfold some plan of action in order to yield the results that the facts already warrant. By the end of the year the original appropriation of \$50,000 will be exhausted, and the public will expect not only an accounting but some promise of benefits to follow.

The September hearings of the Nye Committee proved to the hilt the charge that the munitions industry depends for its very existence on corruption as well as on war. 'We all know that the foundation of South

American business is graft,' wrote Lawrence Y. Spear, a vice president of the Electric Boat Company, to an official of Vickers-Armstrong, and in a summary of the September hearings, entitled "*One Hell of a Business*" H. C. Engelbrecht, co-author of *Merchants of Death* and one of Senator Nye's investigators, wrote: 'Bribery also played a part in the Du Pont hearings. The Du Ponts do not like bribery and have declined business when "commissions" are necessary. None the less, the files show that in some Chinese transactions somebody received large "commissions."' In his correspondence with Electric Boat, Sir Basil Zaharoff, the greatest authority of them all, made no secret of the necessity of bribery in the arms traffic—'doing the needful,' he called it.

American diplomats, soldiers, and sailors all lent themselves to this business, on at least one occasion

to the detriment of their own country's national defense. Not only did the Department of State help private American concerns to secure arms contracts in Latin America, the Department of War allowed army pilots to demonstrate American-made planes to foreign governments, and the Navy Department sent an American naval vessel to Turkey as a floating showcase of American guns. War Department officials even gave out secret designs for anti-aircraft guns, knowing that the guns were to be sold abroad.

II

Besides exposing the corruption of the arms industry, the Nye investigation also started a number of other hares that must be run down before any valid recommendations can be offered. For one thing, it revealed the arms industry as a definite menace to world peace. The Du Pont interests, for example, helped to block Congressman Hamilton Fish's proposal of a world-wide embargo on munitions shipments and promoted the sales of Du Pont products to Nazi Germany through a hired spy, who had previously served eighteen different foreign governments. Nor did the arms merchants deny their responsibility—witness this confessional gem from a Remington Arms salesman, who unwittingly provided Mr. Engelbrecht with a title for his book: 'We certainly are in one hell of a business, where a fellow has to wish for trouble so as to make a living, the only consolation being, however, that if we don't get the business, someone else will. It would be a terrible state of affairs if my conscience started to bother me now.'

Previous exposés showed that the arms merchants of Europe have done more than 'wish for trouble.' Hitler has never denied the charge that he received funds from the French armament firm of Schneider-Creusot, which tried to encourage a war scare in France by helping the Nazis in Germany. When *Fortune's* masterly survey, 'Arms and the Men,' appeared, it lacked sufficient proof to accuse the American munitions industry of deliberately fomenting war; its concluding paragraphs pointed out that the worst armament scandals had occurred in Europe because the industry bulked larger there than it did in the United States. Thanks, however, to the Nye investigation we now know that the European arms makers not only have no monopoly on corruption but that the American arms makers work in close association with them. Between 1919 and 1930 the Electric Boat Company paid Sir Basil Zaharoff over three-quarters of a million dollars in commissions and tried to help him evade American income tax payments in 1917 on a still larger sum. Imperial Chemical Industries and Du Pont employ the same salesmen, share their trade secrets, and agree, through interlocking directorates, to divide world markets. Curtiss-Wright has sold supplies to both China and Japan as eagerly as Schneider-Creusot ever did. In short, the myth that the American arms merchant operates on a higher code of ethics than his European competitor has gone glimmering. Instead, we discover American firms working closely with all the foreign firms that have figured in the great arms scandals of the past twenty years.

A year ago the news that Fritz

Thyssen, head of the German steel trust and one of the greatest arms makers in the country, had contributed two million marks (\$500,000) to Hitler's presidential campaign fund caused an international sensation. On October 29 of this year incomplete reports made public by the Nye Committee showed that twenty-five officers and directors of the Du Pont company had contributed \$432,000 to the Republican and Democratic Parties between 1919 and 1934. In 1928 Lamont Du Pont gave \$42,000 to the Republicans; this year Irénée Du Pont, who gave the Democrats \$5,000 in 1933, gave the Republicans \$35,249. Not even the largest of these gifts ever gave the Du Ponts such control over the Republicans as Thyssen gained over the Nazis, but they can fairly be compared to the favors that Tardieu has received in France from the Comité des Forges.

In one respect only has the Nye Committee failed to show that the American arms industry duplicates that of Europe. No great newspaper, magazine, or press association has yet been identified as the property of the arms makers. But there is another field that has never been fully explored and that the Nye Committee touched just once when it revealed that Sir Basil Zaharoff owned stock in the Chase National Bank of New York and enjoyed the friendship of Albert H. Wiggin, its former chairman. That is the field of finance, banking, and credit, on which the munitions industry, like all industries, depends. For, just as war cannot be waged without munitions, so industry cannot function without credit—at least not under a capitalist system.

The Nye Committee exposed one

danger of war during its September hearings by investigating the bottleneck through which the traffic in arms flows. It has yet to inspect the bottleneck of credit through which flows the wherewithal that keeps all industry going. In our editorial article of six months ago we made the point that when the British Treasury, the last source of Allied credit, finally ran dry in March, 1917, and could not meet one of its payments, President Wilson faced the choice of putting the resources of the American Treasury at the disposition of the Allies or of creating an immediate and profound business depression by halting the nation-wide boom that Allied credit had financed. The fact that the Morgan bank in its capacity as purchasing agent for the Allied Powers had used the gilt-edged securities that the Allies provided to pay for these purchases did not mean that a handful of Morgan partners brought the United States into the War. Nor did American munitions factories receive such a preponderant share of these orders that they can be held primarily responsible. But the bankers and munitions makers did occupy highly strategic positions and worked together closely.

Rigid government control of munitions and of credit in time of war would, therefore, protect the country against an exact repetition of what happened in 1917, and for that reason we urge the Nye Committee to devote attention to both these bottle-necks. The connection of Sir Basil Zaharoff with the Chase Bank and the activities of the House of Morgan in purchasing munitions for the Allied Powers during the War bring the bankers as well as the munitions makers within the

proper sphere of the investigation. They should be inspected and questioned as closely as the Du Ponts, Electric Boat, or Curtiss-Wright.

III

The future work of the Nye Committee thus falls into two parts, both of which are defined in the original Nye-Vandenberg Resolution that brought the Committee into existence. Section A authorizes and directs the Committee 'to investigate the activities of individuals, firms, associations, and of all other agencies in the United States engaged in the manufacture, sale, distribution, import, or export of arms, munitions, or other implements of war.' Here is the clearest possible summons to the Committee to investigate all bankers who have helped to sell, distribute, import, or export munitions. But, even if the Committee should do as good a job on the armament financiers during December as it did on the armament makers during September, it would still face three more tasks. For the original resolution not only authorizes an investigation in the words already quoted, it also directs the Committee to investigate existing legislation, to review the findings of the War Policies Commission, to inquire into the desirability of establishing a government monopoly of munitions manufacture, and to submit recommendations and reports on all three of these subjects.

Now a Senate Committee possesses neither the time nor the specialized knowledge to pass on these matters. Senator Nye has therefore very properly confined himself to the task of investigation outlined in Section A of

the resolution and has uncovered a state of affairs that invites comparison between the bootlegging industry of a few years ago and the arms industry of to-day. The gun-runners, however, enjoy greater immunity than the rum-runners did in the Prohibition era, although the methods, morals, and merchandise of a Du Pont are, if anything, more harmful to society at large than those of a Capone.

Fourteen years of Prohibition finally compelled the American Government to subject the manufacture, distribution, and sale of intoxicating liquors to Federal, State, and municipal control. The disclosures of the Nye Committee have now revealed a new gang of 'public enemies' resorting to bribery and corruption on an international scale and threatening not this country only but the world at large with something a good deal more dangerous than synthetic gin. Society would therefore appear justified in taking measures to protect itself: indeed, if it does nothing in the face of what it has learned, it deserves whatever accidents may befall.

Control of the arms industry involves many more difficulties than control of the liquor industry. Whereas the liquor traffic leads a more or less independent existence, the arms traffic has connections with the army and navy, on the one hand, and with peacetime industries, on the other. It therefore presents several problems of a highly technical nature. Only military and naval experts can tell us what the maximum wartime requirements of the country may be, and only trained engineers can tell us what equipment would be needed to supply them. Already some naval vessels are built

in government-owned shipyards. Would it not be possible for the Government to take over enough additional shipyards so that Mr. Eugene Grace and his friends will not find it worth their while to pay another Mr. Shearer to 'observe' another naval conference? Even under the rugged rule of Mr. Hoover the Reconstruction Finance Corporation advanced some \$80,000,000 to save Mr. Dawes's bank in Chicago. Would not Congress be justified in appropriating a fraction of that amount to remove the Electric Boat Company from the hands of private individuals who admit that much of their business is based on graft?

To investigate existing legislation, to review the findings of the War Policies Commission, and to inquire into the desirability of a government monopoly of the munitions industry as specified in Sections B, C, and D of the Nye-Vandenberg Resolution would demand military, naval, technical, legal, and financial advice of the highest order. A continuation of our comparison between the arms makers and the bootleggers therefore leads us to suggest that the President appoint a board of experts with a technical knowledge of defense problems comparable to the Wickersham Committee's technical knowledge of Prohibition problems. Since Mr. Roosevelt has declared himself heartily in favor of the investigation,—he has never referred to the private traffic in arms as a 'noble experiment,'—he could be counted on not only to set up a trustworthy commission in consultation with the men responsible for the Nye investigation but also to follow through more vigorously and more consistently than Mr. Hoo-

ver did in the case of the Wickersham Report.

Let the Nye Committee, then, consider taking these two steps. First, to concentrate its attention on the financial side of the munitions industry with a view to considering an embargo on the extension of private credit to any nation engaged in war. Second, to recommend that the President appoint a commission of experts in military and naval defense, in industrial engineering, in law, finance, and government as well as at least one senator. This commission should continue the work of investigation that the Nye Committee has begun, submit recommendations to Congress, and, above all, conduct regular public hearings.

IV

On this point there must be no compromise. It was publicity that brought about the investigation in the first place. It was public hearings that have made further progress possible. Many industrialists and bankers, many high officials in military, naval, and diplomatic circles knew about and even participated in the scandals that have just been disclosed. Yet they were either unable or unwilling to correct these abuses. Only widespread publicity can turn the trick, and that publicity must be continued at all costs. Unless the Nye Committee's recommendations include full public hearings at least every six months and full published reports, its work will yield nothing. Publicity has exposed the men in whose power it lies to clean up the traffic in arms, and it is more publicity that these men fear above all else. They have attempted to ridicule

and scuttle the public hearings from the start. They will fight them to the end. The very men who advocate soft-pedaling the investigation are the best arguments for spreading its findings the length and breadth of the land.

To accomplish this task a new appropriation will be necessary, but the information already revealed, the promise of more information to come, and the prospect of competent recommendations when the job is finished are well worth a moderate price. After all, it is going to cost about a billion dollars to put through the Vinson Naval Bill; one half of one per cent of that amount would more than pay for an equivalent of the Wickersham Report on the arms industry. Indeed, the very prospect of such a report might well frighten the arms makers into cutting some of their prices and saving the Government more than the report would cost. On grounds of economy alone the work of the Nye Committee should be continued and expanded.

Before the investigation began, Senator Nye suggested that a 98 per

cent tax on wartime profits might prove a deterrent to war. By the same token, a 98 per cent tax on peacetime profits might also prove a deterrent to the competitive system that helps to breed war. But, so long as we live in a competitive society, a 98 per cent tax on wartime profits and a 98 per cent tax on peacetime profits are equally remote. Supporters of the investigation should not, therefore, cherish extravagant hopes or believe that government control of munitions and credit, even if it could be enforced, would eliminate war. The supreme virtue of the investigation is that it has helped countless millions of Americans to gain a slightly clearer knowledge of the world in which they live in time of peace as well as in time of war. The longer the investigation continues, the further this knowledge will spread. We have therefore suggested two steps, both within the range of practical politics, that may spike a few of the guns of war and at the same time continue an investigation that has already proved one of the greatest popular educators of our time.

Meet the leading statesmen of Rumania,
Austria, and Poland, introduced by a
German émigré with liberal sympathies.

THREE Ruritanians

By WALDEMAR GRIMM

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I. TITULESCU OF RUMANIA

TO-DAY a Minister, to-morrow out of office: that has been his history for almost twenty years. At the age of twenty-nine Titulescu began his career as a deputy in the Rumania of King Carol I and Carmen Sylva, his languishing queen. The uniforms were Prussian. But what else was? The national income found its way into the pockets of the Ministers. They squandered in the bordellos of Bucharest what had been squeezed out of the peasants. The national boundaries changed almost every year.

Titulescu had become a doctor of law in the Sorbonne at the age of twenty-two and a year later was made professor of civil law in the University of Jassy. He was a tall, gangling fellow, a Mongolian type, but with the

blood of Wallachian peasants in his veins. As an earnest student, Titulescu dreamed of the old empire of Dacia, though he lived in the stinking corruption of Bucharest. To win the country back for its oppressed inhabitants and to make Rumania a European Power, that was a task.

Then he became a deputy. The voice of this young man of twenty-nine resounded loudly from the speaker's tribune in the Chamber. The people listened and asked themselves whether a man had at last appeared to fight their battles. The party bosses had to watch him, for the young people supported him. At the age of thirty-four he received a cabinet post hitherto reserved for the wire-pullers, and, as Finance Minister,