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This  
MUNITIONS

"business"

Continue the Senate Exposures

HOLD IN YOUR CITY

A

"Repeat Hearing

A drama, with full directions for staging, based on THE OFFICIAL TESTIMONY

Arranged by

Paul Harris, Jr. and Research Staff

of the

NATIONAL COUNCIL FOR PREVENTION OF WAR

532 Seventeenth Street, Northwest

Washington, D. C.

"Lets Advertise This"

## FOREWORD

You can have in your city a "REPEAT HEARING" on the Senate Hearings on the Munitions Industry.

This is an unusual opportunity to help the cause of world peace.

Nothing so timely or interesting to the public in connection with war preparedness has ever been put in your hands before.

You will be able to inform your fellow-citizens in a striking way of one of the greatest factors making for war today.

You will show them the steps taken by the Senate to learn what can be done to control munition makers and thus greatly help prevent war. You can give your community an opportunity to register the munitions-control sentiment upon your own Senators, the President and the Senate Committee.

A danger faces the munitions investigation. In the highest circles it is considered very likely that all sorts of pressure will be brought to bear upon Senators to weaken this investigation or even to stop it.

It is considered likely that pressure will be put upon newspapers all over the country to ridicule or even oppose the investigation and suggestions for control.

This nation-wide campaign of "REPEAT HEARINGS" is under way to bring the fullest publicity to our citizens about these investigations. What you do may contribute greatly to the success of the investigation, particularly if you have a hearing or trial as is outlined below, if you arouse your entire community through the press, the pulpit and other ways and if you are instrumental in having similar hearings held in other communities near yours.

## HOW TO START IT

To have a good hearing or trial of the munitions industry, you must have complete facts to give to the public, a carefully arranged room or stage, and a committee in charge of all arrangements.

This committee should be divided into (1) a Committee on Stage Setting; (2) a Committee on Participants; (3) a Committee on Publicity; (4) a Committee on "REPEAT HEARINGS" Elsewhere.

## HOW TO STAGE IT

Real care should be given to the arrangements of the room in which you propose to hold the "HEARING." We suggest an arrangement based upon the actual arrangement of tables and persons in the Senate Office Building, where the hearings were held.

If possible, have your "HEARING" on an elevated stage or platform. Lacking this be sure to arrange for a large open space at the front of your room where the participants can easily be seen.

You will require the following properties: "two tables, each about five feet long by two or three feet wide; one table about three feet long by two feet wide; chairs for "Senators," "Investigators," "munition makers," and the "press" ; pads of paper and pencils for "reporters"; several piles of documents and papers for "Senators" and "munition makers"; a clicker, or telegraph key, or typewriter.

Place one of your longer tables at the left of the stage at right angles to the audience. Place your small table directly in front of this table. Place your other long table at the back of the stage, extending from the backstage end of your first long table toward the middle of the backstage. This will give you in rough form two sides of a square, with the left side pointing toward the audience and the adjoining side extending toward the middle of the backstage.

Several "Senators" (the Committee is composed of seven) and the "Investigators" sit at the first long table facing the middle of the stage and with the audience on their right hands. Several munitions makers sit at the short table facing the "Senators" and with the audience on their left. The "press" sits at the second long table, facing the audience. Movement and atmosphere will be aided by the clicking of typewriters offstage or the clicking of telegraph instruments, and the occasional entrance of messenger boys serving the "Senators" and the "press." At no time should the clicking of the telegraph instruments be loud enough to distract the attention of the audience.

### HOW TO PUBLICIZE IT

Widespread publicity throughout your city should be given to the "REPEAT HEARING" which you propose to hold.

Have your Publicity Committee see that a brief, well-written story of every committee meeting you have is taken to the local editor and given to him, courteously requesting that he use it. Give names of people who will take part, addresses where meetings are held and full information about the "REPEAT HEARING" itself.

Your Publicity Committee may be able to enlist the cooperation of ministers who might be willing to preach a sermon prior to the "REPEAT HEARING." Certainly, the Committee should be able to get announcements made in the churches.

Clubs and societies should be asked to give programs or have speeches made or give announcements about the "REPEAT HEARING." Mimeographed or printed announcements should be distributed from door to door over as wide an area as possible and people should be urged to attend.

Bulletins in churches, schools and elsewhere can be used. Posters can be made, and clippings from the newspapers, pasted in the middle of large sheets of blank paper, can be used on bulletin boards.

A radio broadcasting company might allow announcements to be made.

Prominent citizens should be interviewed and their comments, when permitted, should be given publicity in the newspapers.

Clippings, programs, statements of prominent citizens should be sent to your own Senators and Congressman, the Senators on the Munitions Investigation Committee and to the President.

Photographs should be taken and put in the papers. Church, farm and labor papers, subscribed to by people in your community, should be sent stories of the "HEARING." An indispensable part of your meeting should be the following:

At the dose of your "HEARING," have a statement urging Congressional appropriations for continuing the investigation read to the audience, approved and sent immediately to the members of the Senate Committee, your own Senators and Congressman and the President.

Specify how many of those present give approval.

Following the "HEARING," study courses should be encouraged in churches, schools and other places. They could study (1) What Is the Best Thing To Do To Control the Munitions Industry? (2) What Can Ordinary Citizens and Voters Do? Write to any of the national peace organizations for help and further suggestions.

Following your "HEARING," your committee should examine the possibilities of stimulating similar "REPEAT HEARINGS" in nearby communities. You should try to encourage each community to put on its own "HEARING," using its own citizens for the parts.

Copies of this program are available for all communities that will attempt to use them. If you cannot get another community to arrange its own "HEARING," consider offering to repeat your own "HEARING" in their community, using the same participants you have already trained.

#### ADVICE TO P ARTICIPANTS

The following text gives statements to be spoken by the various participants. These need not be memorized; they can be read by each speaker from a sheaf of papers lying before him on the table. Naturally, each participant should be acquainted with the things he is to say and should study them in advance. The "HEARING" as here given requires about one hour and a half, including the opening and closing speeches of the chairman. If this is too long, omit one or two sections.. In order to keep the audience from tiring, a five-minute intermission in the middle of the "HEARING" is suggested, with music or a collection for peace.

If the number of your participants is limited, it will not seriously affect the "HEARING" if one participant takes the parts of several "munition makers." There are no

statements for the "press" to make. The function of those representing the press is to (1) listen carefully to the testimony; (2) make rapid notes at significant testimonies; (3) whisper among themselves and give evidence of deep interest or of cynicism at appropriate places; (4) send messages by messenger boys to the telegraph operators backstage. Occasionally a "reporter" can move from his place and hold a whispered conversation with one or more of the "Senators," requesting some document for his newspaper.

Each "Senator" should have a pile of documents on the table before him. Whenever a letter or memorandum is read into the testimony, the participant should seem to be reading from one of the "documents" before him. When questioning a "munition maker" a "Senator" can frequently submit to him a document for his recognition.

Each "Senator" and each "munition maker" taking part should have a full copy of this text before him during the proceedings.

He should follow the lines and promptly play the role assigned to him whenever his time comes.

All participants should remain seated through out the "HEARING," except the Chairman of the meeting when addressing the audience, "Senator Nye" when opening and closing the "HEARING," and the "newspaper correspondents" who may from time to time leave their places and examine some of the documents entered as evidence.

Naturally, the messenger boys will move quickly and quietly, and should not be used very often during the "HEARING." Because of the nature of the testimony, every speaker should speak *clearly and loudly and not too rapidly*.

The entire "HEARING" should be conducted with decorum and courtesy. It is not a debate nor an attempt to embarrass munition makers. All statements should be made in measured tones and loud enough to be heard at the back of the room. The audience should never take part, even by applause.

The "HEARING" should begin with the calling of the meeting to order by the Chairman for the meeting, not the "Senator Chairman" of the "HEARING." This Chairman of the meeting should be a citizen of some influence who can preside well.

He should make a brief statement and turn the meeting over to the "Senator Chairman" of the "HEARING." At the close of the "HEARING," the Chairman of the meeting should take charge again and make a strong statement. As a climax, he should have prepared, and should offer to the assembly, an emphatic message to be sent to your own Senators and Congressman, to the Senate Committee on Munitions, to President Roosevelt, and to your local papers.

#### CAST OF CHARACTERS

*The Senate Committee:* Senators Nye (chairman), Barbour, Bone, Clark, George, Pope, Vandenberg.

*Investigators:* Messrs. Raushenbush and Hiss.

*Witnesses for munitions firms:* Electric Boat Company-Messrs. Carse, Spear and Sutphen; E. L du Pont de Nemours & Co.-Messrs. Lamot du Pont, Pierre S. du Pont, Casey; United Aircraft Export Co.-Mr. Love; Driggs Ordnance and Engineering Co.-Mr. Driggs; Federal Laboratories-Mr. Young; American Armament Corporation-Mr. Miranda; Curtiss-Wright Export Corporation-Messrs. Allard and Webster; Pratt & Whitney Aircraft Company-Messrs. Deeds and Brown.

Note: If the number of your participants is limited, it will not seriously affect the "HEARING" if one participant takes the parts of several munition-makers or of more than one Senator.

### OPENING STATEMENT OF CHAIRMAN OF MEETING

*Ladies and Gentlemen:*

We have met here this evening to listen to a "REPEAT HEARING" of the United States Senate's Committee Hearings on the Munitions Industry.

In accordance with Senate Resolution No. 206, a committee of seven Senators early in 1934 undertook an investigation of the manufacture of and traffic in munitions. They were served for months by a corps of investigators, under the leadership of Mr. Stephen Raushenbush. On September 4, 1934, official hearings began in Room 318 of the Senate Office Building in Washington, D. C. Those hearings continued for three weeks and produced a volume of testimony running to over two thousand pages.

Tonight, we attempt to present in very brief form some of the highlights of this testimony. The words you will hear are extracts from the exact testimony taken from the unrevised galley proofs.

Manifestly, much must be omitted. The exact order of the examinations cannot be followed. (Note: the Chairman may say: "Also, it is necessary for one participant to represent several characters.") This "HEARING" tonight will endeavor to present testimony that corroborates the following charges: Munition makers have formed international profit-sharing combines; stimulated arms races between countries and factions; paid Zaharoff for "assistance"; opposed disarmament conferences; fought arms embargoes, with War Department aid; helped rearm Germany; sold arms to Paraguay and Bolivia; used Government departments as sales agencies; revealed abroad secret patents and designs used in our national defense, sometimes with the aid of the War Department.

Other charges will be evidenced in the testimony. Many charges which were proved in the Senate Hearings can not be reproduced here for lack of time.

(Here the Chairman reads the list of participants, giving the names of the companies they represent. This is important.) We will assume tonight that each witness has been duly sworn before testifying.

At the close of the "HEARING" I shall take charge of the meeting and, before its adjournment, I shall have an important statement to make. I surrender the meeting now to the "Honorable Gerald P. Nye Senator from North Dakota," who is the Chairman of the Senate Committee on Investigating the Munitions Industry. Senator Nye!

### THE "REPEAT REARING"

THE CHAIRMAN (Senator Nye): The committee will be in order.

This committee, a select committee of the Senate, is met in compliance with and in consideration of Senate Resolution 206, which the Chair asks to have made a part of the record at this point in the proceedings. . . .

For three weeks the committee will engage in what will amount to a very general study, though perhaps not a detailed study, of the American munitions industry. It should not be felt that the appearance of witnesses at this 3-weeks' session indicates that at the end there has been a completion of the study of the specific cases in which those witnesses might be concerned. . . .

THE CHAIRMAN: Mr. Carse, what is your connection with the Electric Boat Co.?

MR. CARSE: I am president.

THE CHAIRMAN: Where are the headquarters of the Electric Boat Co.?

MR. CARSE: New York City.

THE CHAIRMAN: And where is your plant or plants?

MR. CARSE: Groton, Conn.

THE CHAIRMAN: You have only the one plant?

MR. CARSE: We also have other plants at Bayonne, N. J.

THE CHAIRMAN: What is the business of the Electric Boat Co., generally speaking?

MR. CARSE: The Electric Boat Co. designs and builds submarine boats, motor boats, and also electric machinery primarily designed for use in submarine boats. We also design and construct Diesel engines primarily for use in submarine boats.

THE CHAIRMAN: With whom is the business of the Electric Boat Co. primarily? With whom do you deal primarily?

MR. CARSE: With different governments of the world.

THE CHAIRMAN: . . . Mr. Carse, there is before you a statement which the committee understands has been approved by you showing the payments made by the Electric Boat Co. to Mr. Henry R. Carse, as president of the corporation during the period from 1919 to 1934; is that correct?

MR. CARSE: Yes, sir.

THE CHAIRMAN: Down to and including August 15?

MR. CARSE: Yes, sir.

THE CHAIRMAN: Let that statement be marked as "Exhibit No. 1" and be made a part of the record.

Mr. Spear, I call your attention to a statement which we shall have marked Exhibit No. 2, and which will be made part of the record, showing the payments in salary and expenses made to L. Y. Spear, vice president.

. . . This shows the total salaries to have been paid you in that period to be \$414,218.75; with the total of the expenses being \$28,396.44, or a total altogether of \$442,615.19.

MR. SPEAR: Yes, sir.

THE CHAIRMAN: Referring back to Exhibit No. 1, Mr. Carse, that statement shows your salary to have been during that period a total of \$459,218.75, and expenses paid to you total \$2,729.57, or a grand total of \$461,948.32; is that correct?

MR. CARSE: Yes, sir; that is correct.

### **Form International Profit-Sharing Combines**

SENATOR POPE: Mr. Chairman, I would suggest that the total of the amount of royalties received by the Electric Boat Co. in connection with this foreign business be inserted in the record. . . . the amount is \$3,869,637.38. That is the total of the figures as shown on Exhibit 5.

SENATOR BARBOUR: Is the range of time over which that is spread stated?

SENATOR POPE: Yes. They cover the years 1916 to 1927.

THE CHAIRMAN: What was the nature of these royalties? For what were these royalties paid?

MR. CARSE: For the granting of a license . . . to use our patents on submarine boats.

THE CHAIRMAN: You have told us, Mr. Carse, that the receipts from royalties was for patent rights.

MR. CARSE: Yes, sir.

THE CHAIRMAN: Did that include other items; that is, did it include such items as that of supervision in other plants than your own in America?

MR. CARSE: Supervision in plants in this country?

THE CHAIRMAN: Yes; did it provide for supervision of plants in Europe?

MR. CARSE: Oh, yes; but that supervision was paid for also. The wages of the men were paid for in addition to the license fee.

THE CHAIRMAN: You mean the Vickers, or the boat builder abroad, paid the salary of that supervisor?

MR. CARSE: Yes, sir.

THE CHAIRMAN: As well as paying you the royalties?

MR. CARSE: Yes, sir.

THE CHAIRMAN: Does the American Navy use your submarine patents?

MR. CARSE: Well, any submarine boat that has ever been built has been obliged to use our patents.

SENATOR BONE: I did not get your last answer. They are obliged to use your patents?

MR. CARSE: Yes, they are obliged to use our patents.

SENATOR BARBOUR: I think Mr. Carse means the committee to understand their patents are basic patents.

MR. CARSE: They were; yes.

THE CHAIRMAN: The payment of royalties by Vickers and others would indicate they recognized your right to those patents and plans. . . . In any event, you made a percentage on all of the submarine building that Vickers did for the British Government?

MR. CARSE: Yes, sir.

THE CHAIRMAN: It resolves itself to this, does it not, Mr. Carse, that whether you did or whether Vickers built for the British Government, you got a profit out of it? .

MR. CARSE: Yes.

THE CHAIRMAN: And to the extent that Vickers is a competitor, you profit even when your competitor gets the business?

MR. CARSE: Yes, sir.

THE CHAIRMAN: I offer now as a committee Exhibit No. 11, this paper, being an agreement between the Electric Boat Co., and Vickers.

. . . The Electric Boat Company will also agree to the following disposition of any profits which may be gained in the continental business conducted by the Vickers Company, viz:

1st. In the event of any boats being constructed for continental countries in the Vickers' yards in Great Britain, 60% to Vickers Limited and 40% to the Electric Boat Company.

2nd. In the event of such boats being constructed in any other yard in Great Britain or Ireland approved by the Electric Boat Company, 50% to Vickers Limited and 50% to the Electric Boat Company, after deducting the profits allowed to the building firm.

3rd. In case such boats are built in continental Europe, or patents or licenses thereunder are sold, 50% to Vickers Limited and 50% to the Electric Boat Company.

. . . So then you had an agreement, I take it, Mr. Carse, that gave you consideration and profits for whatever boat Vickers built for Britain or for continental Europe.

MR. CARSE: Yes, sir.

THE CHAIRMAN: Does that continue true today?

MR. CARSE: Yes.

THE CHAIRMAN: Who was the Whitehead Co., Ltd.?

MR. CARSE: That was a concern organized to build submarines down in Trieste, Austria, wasn't it?

MR. SPEAR: No; it was not organized to build submarines, but it was organized to build torpedoes.

THE CHAIRMAN: Where?

MR. SPEAR: In Fiume.

THE CHAIRMAN: A little before the war you granted Whitehead a license to build submarines in accordance with patents, secrets, and designs belonging to the said American company. I have before me the agreement of June 11, 1912, which I shall ask to be incorporated as Exhibit No. 13.

. . . That means Austria-Hungary was building these submarines from your patents just before the war?

MR. SPEAR: Yes, sir.

THE CHAIRMAN: Is it also true Germany got hold of these patents?

MR. SPEAR: Yes, sir; and we were allowed some compensation in the Mixed Claims Commission for infringement of our patents by the German Government.

THE CHAIRMAN: How many submarines did Germany build under those patents?

MR. CARSE: We claimed they used one or more of our patents in every one of their boats, but they did not allow that.

THE CHAIRMAN: Did you recover anything from Germany?

MR. CARSE: We had a very trivial recovery; yes.

SENATOR CLARK: What was the amount of that claim with the Claim Commission?

MR. CARSE: According to the record with the Navy Department there, Germany had built, or was building, 441 submarine boats, and we thought a royalty of \$40,000 a

boat was about fair, and that would amount to about \$17,000,000.

TRE CHAIRMAN: Does it not pretty nearly come to this, that about the only thing that is left to be honored at all in time of war is a patent on war machines?

MR. CARSE: They ignored the patents over there.

TRE CHAIRMAN: Haven't you stated there was some recovery from them?

MR. CARSE: Based on the judgment of the German court in 1913, and the recovery was only \$125,000.

TRE CHAIRMAN: Well, all the same where there was a recovery on the rights to manufacture a machine, there has been no right to recovery for any life or other property. . . .

Mr. Carse, we find that, in addition to having very positive working agreements and understandings as to divisions of profit and territory, the Vickers people even went so far as to assume the right occasionally to reproach your company for your method of doing business abroad. Here is a letter dated July 30, 1932, addressed to you by Mr. Craven, which I introduce as Exhibit No. 21. A portion of that letter reads as follows:

First may I suggest that even in code it is better not to mention any names of ships, as I am rather afraid that such telegrams might get into the hands of our clients, and it would be awkward if they asked me about our agreement with you. I am sure you will appreciate what I mean.

Is the conclusion to be drawn from that statement that the British Admiralty had no knowledge at all of the agreement between Vickers and you?

MR. CARSE: I think that is what Mr. Craven means, that the British Admiralty might raise some objection to an American concern receiving any money on account of business with the British Government, the same as you asked me, apparently with intent, whether we paid Vickers anything on American business. Vickers have behaved in a straightforward manner with us in all of our arrangements since early 1900.

TRE CHAIRMAN: Has the British Government had knowledge of the existence of this understanding between you and Vickers?

MR. CARSE: I do not know. We have never had-

TRE CHAIRMAN: Has the United States Navy or has the American Government had knowledge of this agreement between you and Vickers?

MR. CARSE: Undoubtedly.

TRE CHAIRMAN: You say "undoubtedly." How do you know that they knew?

MR. SPEAR: I, for one, have talked to them.

MR. CARSE: We have told them many times.

TRE CHAIRMAN: You, Mr. Spear, have advised them of it?

MR. SPEAR: Yes, sir.

TRE CHAIRMAN: Did it ever occasion any embarrassment at all?

MR. SPEAR: Not the slightest.

### **Stimulate Arms Races Between Countries**

SENATOR CLARK (to Spear): Now, in 1920 you were trying to sell the Peruvians some destroyers, were you not?

MR. SPEAR: Yes.

SENATOR CLARK: At that time, Mr. Spear, the Peruvians were attempting to buy some submarines from the United States Government, were they not?

MR. SPEAR: I understand they did.

SENATOR CLARK: You were informed by Mr. Chapin that the Navy would not sell any submarines to Peru or Chile on the score this might be encouraging an outbreak of war between Chile and Peru. . . . If the United States Government refused to sell submarines to Chile or Peru on the ground that it might be encouraging an outbreak of war between Peru and Chile, it indicated a very strong opinion on the part of the authorities in the United States that the sale of submarines would foment a war down there, did it not?

MR. SPEAR: Not that I know of.

SENATOR CLARK: Would not that be your deduction from the language in this letter?

MR. SPEAR: My deduction would be that any government would be very chary of it supplying to either side in that dispute something that might be used in the event of an outbreak of hostilities.

SENATOR CLARK: The delivery of submarines to either of those countries on the verge of war would be calculated to promote a war?

MR. SPEAR: I would not say it would be that, but I would say it was calculated to stop it.

SENATOR CLARK: That has not been the experience of mankind throughout the history of the world. . . . Mr. Spear, at the time of the writing of that letter Mr. Chapin had been endeavoring to get the United States Government to send several submarines around South America as a sort of an exhibit of their efficiency, had he not?

MR. SPEAR: He says here that he had talked about that subject.

SENATOR BONE (to Spear) : It was seriously suggested that the Navy, at the expense of the taxpayers, send a fleet down there to promote the sale of wares of a private company. Was that actually done or actually seriously suggested ?

MR. SPEAR: I do not know that it was ever done.

SENATOR CLARK (to Spear) : And now, I want to recur for just a moment to the letter of June 3. . . . in which Mr. Chapin describes his interview with Admiral Niblack . . . this is Chapin speaking, and he says (reads):

He (Admiral Niblack) tells me that the whole balance of power has been destroyed by Chile getting 6 submarines and 2 warships from England, and it has caused a great deal of uneasiness on the part of the Argentine, while Peru is absolutely helpless.

Are you familiar with the fact in connection with the submarines which Chile got from England?

MR. SPEAR: I think that was a piece of misinformation myself.

I do not think they did get them.

SENATOR CLARK: This order from Peru you were negotiating in 1920 was expected to be a fairly large order, was it not? You referred in one of your letters to it probably running between eleven and twelve million dollars. . . . Now, to pay for all of this armament procurement, Peru was at that time, through Commander Aubry, endeavoring to float a loan in this country through the sale of its securities?

MR. SPEAR: I think so.

SENATOR CLARK (to Sutphen): I call your attention to a letter dated July 29, 1920, which I asked to be marked "Exhibit No. 60" (reads) :

. . . It appears there has been quite an agitation in Bolivia, as you know, and a revolution occurred there recently and in the opinion of the bankers it has been instigated largely by Peru to have Bolivia join with her in opposition to Chile.

So that this unfounded rumor of armament on the part of Chile not only caused Chile to seek to add 50 per cent to its national debt for the purchase of armament but also caused the revolution in Bolivia for the purpose of forcing Bolivia into the alliance. Is that not correct? That is the statement in your letter.

MR. SUTPHEN: Apparently I had that information at that time.

SENATOR CLARK: Mr. Carse . . . I call your attention to a letter dated August 6, 1920 (reads):

. . . Naturally, if Peru were badly defeated, the persons who advanced them money for the armament could not expect any great liberality from the victor. . . .

MR. CARSE: That is the bankers' view.

SENATOR CLARK (reading):

Our business of course is to sell armament, but we have to look at the other side of the question as well.

MR. CARSE: Of course, why should you want to sell some stuff and not get paid for it?

The whole Government is urging in every way the extension of foreign commerce and yet you criticize us for trying to sell things to foreign governments.

SENATOR CLARK: I do not desire to enter into an argument with you at this point, Mr. Carse, but it might be said very briefly that there is a contention in this country that some of the efforts of armament salesmen to sell arms are undesirable and may in the future cost the United States Government in taxes to support a war, and in lives of its citizens, a great deal more than can possibly be gained by the small profit which you would make in extending the commerce of the United States.

SENATOR BONE (to Carse): The thing . . . is: We are using the Navy as a sales agency. And that is the interesting feature of this thing, and I am rather inclined to think, since this is a private venture, it might be the part of wisdom for the Government to refrain from that expenditure, at least if it is going into the thing as a public policy, and that the people should be advised, so that the people will know about it. The people have the right to know about the policies and weigh the value and merits of the administration on what it is doing.

MR. CARSE: It seemed to me it was more a gesture of good will to the South American countries.

SENATOR BONE: It could hardly be said to be a gesture of good will-building submarines, battleships, and shipping TNT into the country-could it? . . .

In connection with this activity, we are sending men to Geneva and assuring the world that we are trying to promote peace and bring about disarmament. That is what I am trying to get at. On the one hand we are using a Government agency to promote the sale of battleships, munitions of war, and so forth, and with the other hand we are making a gesture of peace at Geneva.

MR. CARSE: Senator, we have always considered that the submarine boat was the greatest means of doing away with war that ever existed.

SENATOR BONE: Well, a submarine blew the Lusitania out of the water, and I do not think that promoted peace, do you?

MR. CARSE: No; but that was done by the Germans, who stole our patents.

SENATOR BONE: But that is beside the point. A submarine was actually the thing that immediately brought about war.

### Pay Zaharoff for "Assistance"

TRE CHAIRMAN (to Carse): Did you pay any commissions to anyone for business abroad outside of your Paris representative?

(Mr. Carse conferred with associates.)

THE CHAIRMAN: Did you not pay commissions to Basil Zaharoff?

MR. CARSE: That is what we were talking about. We do not pay him, but under an old agreement there a certain percentage is paid to us and we transmit it to Sir Basil Zaharoff. . . . We later get a commission which we return.

TRE CHAIRMAN: You get a commission which you return?

MR. CARSE: Spanish business only.

TRE CHAIRMAN: I offer as Exhibit No. 17 a statement by the Electric Boat Co. showing commissions paid to B. Zaharoff, starting in 1919 up to and including 1930, showing the total amount of commissions paid as \$766,099.74.

SENATOR BARBOUR: Mr. Carse, who is this Sir Basil Zaharoff? Is he a Spaniard?

MR. CARSE: Sir Basil Zaharoff is called the mystery man of Europe. He is a very able man. There have been all sorts of stories about his parentage and early youth and so forth, most of them probably just fables; but I think he probably is a Greek, but he is also Sir Basil Zaharoff, and is a Knight of the Garter of Great Britain.

SENATOR CLARK: He has also claimed to be a Frenchman at various times, has he not, Mr. Carse?

MR. CARSE: I do not think he claims to be a Frenchman, but he has lived in Paris and Monte Carlo. He is a Spanish duke also. He is a very able and a very brilliant man. There seems to be a lot of slurring around about him, but I met him in 1924 and I think he was one of the very greatest men I have had the honor to meet, and I think you will find that the President of the United States in 1919 gave Sir Basil his confidence and advised with him in relation to the matter he was in Europe for.

THE CHAIRMAN: I am surprised to hear that. I was about to remark that the only country that has not recognized Sir Basil or decorated him is the United States.

SENATOR BONE: Will you advise us why these various European governments have sought to bestow these titles on this gentleman?

MR. CARSE: Sir Basil married a Spanish duchess.

SENATOR BONE: I understand that; but you would not bestow a title on a man because he married some woman. What services did he render those countries, if you can advise us?

MR. CARSE: I do not know.

SENATOR BONE: He appears to have been supplying ammunition and munitions of war to all of them, and they were fighting one another, and I was wondering what was in the gentleman's history that led them to bestow upon him these titles. Possibly you can enlighten us.

MR. CARSE: His wife was the cousin of King Alfonso.

SENATOR BONE: It was rather a family affair, more than anything else?

MR. CARSE: It would seem so. I spent a day with Sir Basil at his country home, and I certainly did not put him on the stand and cross examine him.

THE CHAIRMAN: On September 11, 1923, Mr. Zaharoff wrote you, Mr. Carse, saying:

I quite agree with you that the era of submarine boats is now opening all over the world, and I trust it will bring much business to your company, and you may count upon my little efforts always working in your direction.

Are we to draw the conclusion that his efforts in your behalf were really little or was he engaged in your behalf in a large way, Mr. Carse?

MR. CARSE: Well, I suppose he was a very modest man. . . .

SENATOR CLARK: It is already in evidence, Mr. Carse, that the business that he brought in amounted to something like \$2,000,000 at 5 per cent. In other words, \$2,000,000 was only 5 per cent of the business that he brought? That appears from figures already put into the record.

MR. CARSE: No. I thought it was only \$700,000.

SENATOR CLARK: That is since 1919. There was put in evidence just a while ago the fact that there was \$1,350,000 in addition to that which had been paid by you to him in commissions.

MR. CARSE: That was before 1923.

SENATOR CLARK: Well, how much was it? How much did his commissions amount to during the period of the contract?

MR. CARSE: You have it there.

SENATOR CLARK: That schedule is since 1919. But we have got an additional figure of \$1,350,000 in connection with which the income tax matter was taken up.

MR. CARSE: I will have to check that out.

SENATOR CLARK: I should be glad if you would do that and furnish the information for the record, please.

THE CHAIRMAN: I offer in evidence a letter dated November 3, 1925, dated at Paris, addressed confidential to Mr. Spear, signed by Mr. Zaharoff:

Confidential.

My Dear Spear: The Germans are moving terribly in Spain, and unless we all combine against them we may find them installed there one day, and action is necessary.

The United States Ambassador in Spain is a very clever gentleman, and highly esteemed, and I think that you should arrange for instructions to be sent to him from your State Department for him to tell the Spaniards that the United States Government work very harmoniously with the Electric Boat Company, with whom they exchange ideas, and that the United States hope that the Spanish Government is satisfied with the guarantee of the Electric Boat Company, combined with that of Vickers, and will not see any necessity for any other guarantee.

The English Government will be difficult to move in the same direction, but when you inform me that your Government have given the necessary instruction to their ambassador in Madrid I will have no difficulty in persuading the British to do ditto, ditto, ditto.

I hope you are well, and with my homage to Mrs. Spear, and my kind regards to Mr. Carse for himself and family, I am,

Sincerely yours,

(S.) BASIL ZAHAROFF.

This letter, Exhibit No. 32, addressed to Mr. Spear by Zaharoff urges your Mr. Spear to get the State Department to help you against the German competition in Spain. . . .

Mr. Spear, did you approach the State Department in this connection?

MR. SPEAR: I do not remember whether I did or not. I am inclined to think I did, but I do not remember.

THE CHAIRMAN: You say you think you did approach the State Department?

MR. SPEAR: I have no real recollection of it. I would not see anything improper in it, and I probably did, but I do not know.

THE CHAIRMAN: Then sure ly there was more than one approach to the State Department in matters of that kind.

MR. SPEAR: You mean on the Spanish matter?

THE CHAIRMAN: Well, on any matter?

MR. SPEAR: Whenever we had a matter where we were negotiating with a foreign company and we found other foreign competitors were running in their embassies and legations, we endeavored to get the American Government to do its part to offset what they were doing. I cannot say, however, that we ever succeeded in obtaining an order that way.

THE CHAIRMAN: Why instead of going to the State Department in matters of this kind do you not rather approach the representatives of the Commerce Department?

MR. SPEAR: We also do, or we also have.

THE CHAIRMAN: What could the State Department do that the Commerce Department cannot do?

MR. SPEAR: Well, I should say that the ambassador in these countries, generally speaking, speaks with a more authoritative voice than the representative of the Department of Commerce. In other words, he presumably is listened to to a greater extent than the other representatives of the Government.

THE CHAIRMAN: On the other side, there are those who look upon the State Department as being the one and only Department of Government that exercises any hand in accomplishing maintenance of peace and understanding between countries, taking those steps that will prevent war or misunderstandings, taking the leading part in disarmament conventions and conferences. Is it not at least strange that the State Department should put its hand in as a helper or a salesman in selling munitions of war to another country?

MR. SPEAR: I do not think so, sir. These are questions of international competition. If the orders are placed with us, our Government at least has definite information, can obtain definite information, as to the qualities and characteristics of the vessels built, and it all gives employment to American labor. If, however, the order is placed with somebody else, there is no benefit.

### **Oppose Disarmament Conferences**

THE CHAIRMAN: Mr. Carse, what is your own personal opinion regarding the effort to accomplish agreements looking to disarmament in the disarmament conference?

MR. CARSE: I take no position at all.

THE CHAIRMAN: Here is a letter dated October 30, 1932, addressed to you by C. W. Craven, of Vickers, which is offered as Exhibit No. 22. In this letter, Exhibit No. 22, Mr. Craven says:

All that you and I gain by the transaction will be that we shall know that if the ship is built Vickers will get the order. If, on the other hand, Geneva or some other fancy convention decide that large submarines have to be abolished, no definite contract will be placed and the Admiralty can retire gracefully without having to pay us anything. I cannot, of course, commence spending any money until, say, March, but, at any rate, our competitors will not receive the inquiry.

Is not that rather a slurring of the disarmament program?

MR. CARSE: No; I do not think so.

TRE CHAIRMAN: What is the meaning of the reference to "fancy convention?"

MR. CARSE: Some people sometimes use words and phrases. I think there was perhaps a division of opinion in regard to these conferences. Some people, members of the conference, favored certain things and others favored other things. You cannot blame private citizens and so forth for having differing opinions. They have presented a design for a submarine boat which had been approved by the British Government, subject to the result of the Geneva Conference, and if the conference did not decide against the building of submarines of this size, they would get the order, and if they did decide against it, they would not get the order. So that she had to wait until the end of the Geneva Conference.

TRE CHAIRMAN: Is there not to be read in this paragraph which I have quoted to you a desire that the conference fail?

MR. CARSE: Naturally a person would not wish some action to be taken by any conference that would be detrimental to his interest.

TRE CHAIRMAN: Now Mr. Craven expressed the same thought as related to H.M.S. Clyde, in a letter under date of January 6, 1933, addressed to Mr. Henry R. Carse, which I will offer as Exhibit No. 23.

In Exhibit No. 23 Mr. Craven stated as follows:

At the same time the Admiralty also promised us the order for H.M.S. Clyde (another repeat of the *Thames*), but in this latter case they will not give us a contract until after the end of March.

In other words, they will have the right to withdraw their promised order for the second ship if Geneva or any other troublesome organization up sets the large submarine. In view of this, I am not saying anything publicly about the Clyde, and I would suggest that it would be wise that Spear should not let the information get into the hands of your Navy Department until after I can tell you that we really have a proper contract. Cammell Lairds will get the two small S boats. On the whole, I am very pleased, because it is impossible in these days of starvation of shipbuilding to get all the submarine orders.

Who are the "other troublesome organizations" to which he refers?

MR. CARSE: I suppose they have pacifists in England, the same as they have in the United States.

TRE CHAIRMAN: Yes, but pacifists in England could not upset their submarine program.

MR. CARSE: They might very well. Who can tell what any organization might do? He does not refer to Geneva there except "or other troublesome organizations."

TRE CHAIRMAN: That was January, 1933, and we were approaching the renewed disarmament conference.

MR. CARSE: People have different opinions about that.

TRE CHAIRMAN: You do not think Craven was referring to that?

MR. CARSE: No, sir.

TRE CHAIRMAN: Not at all?

MR. CARSE: No; because he expected to get the order when Geneva had adjourned unless some other troublesome organization should come into the picture.

SENATOR CLARK: No; he does not do that, Mr. Carse. He does not describe the other organization. He puts Geneva in the same class.

He states: "In other words, they will have the right to withdraw their promised order for the second ship if Geneva or any other troublesome organization up sets the

large submarine." So that he regarded the Geneva Conference as a troublesome organization, evidently.

MR. CARSE: I could not speak the English words for the man who wrote that.

THE CHAIRMAN: Perhaps it is better to let the language stand by itself without our undertaking to say what it does mean.

MR. CARSE: I would say so.

THE CHAIRMAN: At any rate, Mr. Carse, in this case there was a premium for Vickers and for yourself in the event that the conference failed to come to any agreement?

MR. CARSE: No; that is not it. Not come to any agreement, but if any agreement that they made did not prohibit or prevent the construction of submarine boats of the size indicated.

THE CHAIRMAN: Lieutenant Spear, did you withhold from the Navy Department and did you refrain from letting the Navy Department know what Britain's plans were, as stated in this letter?

MR. SPEAR: I said nothing about it to anybody until after it became an established fact.

THE CHAIRMAN: Why was he afraid that the information would get into the hands of the Navy Department?

MR. SPEAR: I could not tell you that. I do not know. . . .

THE CHAIRMAN: All in all, you and your associates or your company have had pretty direct understanding with Vickers all the way through regarding their plans and your plans as related to shipbuilding?

MR. SPEAR: In general; yes, sir.

SENATOR CLARK: Mr. Spear, you say that this information was confidential information of the British Admiralty. It was not so confidential to prevent Vickers giving it to you, a private concern in this country, was it?

MR. SPEAR: No.

THE CHAIRMAN: . . . Who is Aubry?

MR. CARSE: Luis Aubry was our agent in South America. He was naval attaché for Peru at Washington, and after resigning from there he took up our agency in South America and secured orders for some submarine boats in Peru and went to Brazil and Argentina endeavoring to procure business there.

Back at the time of that letter he resigned from our employ and went to Paris as the naval attaché of the Peruvian Government in Paris, and called on Sir Basil Zaharoff. I guess perhaps I gave him a letter. I am not certain. But he called on Sir Basil Zaharoff and Sir Basil Zaharoff was very much pleased with his acquaintance and arranged to have him go to Madrid and he was received very cordially down there.

THE CHAIRMAN: I offer for the record Exhibit No. 41, being a record of the receipts of salaries, commissions, and expenses from the Electric Boat Co. of Capt. Luis Aubry.

SENATOR CLARK: . . . Mr. Spear, Commander Aubry proposed to you, did he not, that he get himself appointed the Peruvian representative to the Geneva Disarmament Conference? I direct your attention to paragraph 11 . . . (reading):

It is very important that you should let me know the date at which you are going to launch the subs for many reasons, the main one being that Admiral Woodward is very much interested for obvious reasons; either myself or my wife will have to take the sponsors to the States; and then I am planning to be appointed by the Government, if you permit, delegate for Peru in

the disarmament conference that is going to take place in Geneva in June, 1925. I feel that I can do something good for Peru there, as well as for the cause for the submarines in South America. My flag will be "No quotas in submarines" construction in South America, and classify it as a "defensive weapon."

At that time, of course, Mr. Spear, Commander Aubry was your paid representative in South America, was he not?

MR. SPEAR: Yes.

SENATOR CLARK: And he was really presenting a proposition to you for you to pay his expenses to this disarmament conference, was he not?

MR. CARSE: If he had gone, he would have had to resign as our representative, or else his Government would not have given him an official appointment.

SENATOR CLARK: Well, he says in the next paragraph:

In this respect, not only do I require your opinion but also your authorization I request in this respect as soon as possible, because I will have to make some initial work here outlining a plan for the Government in case I decide to go; which, otherwise, I will not have to make.

Evidently he expected you to pay his expenses, did he not, Mr. Carse?

MR. CARSE: His expectations were not realized.

SENATOR CLARK: I understand, but you took it that he was putting a proposition up to you to pay his expenses, did you not?

MR. CARSE: I do not know.

SENATOR CLARK: In the next letter, from Mr. Carse to yourself, Mr. Spear, dated November 19, 1924, there is an indication that Mr. Carse was perfectly willing for Commander Aubry to act as a delegate to the disarmament conference for all purposes of disarmament except the submarines, but was not willing to pay for it. I offer that letter as Exhibit No. 66.

The letter reads as follows:

Dear Mr. Spear: - Your favor of the 17th instant to hand in regard to Peruvian business, and I can see no objection on our part to Aubry serving as delegate to the Disarmament Conference, only I hardly think we should pay his traveling expenses, plus \$15 per diem.

MR. CARSE: Well-

SENATOR CLARK: Now, Mr. Carse, do you know whether Commander Aubry actually served as the Peruvian delegate to the Disarmament Conference?

MR. CARSE: I do not think he did; not so far as I know. I never heard of what went on over there.

SENATOR CLARK: In other words, when you would not pay his expenses and \$15 per day, he did not want to go?

MR. CARSE: We were not taking any part in attempting to influence a world conference. We have not got quite that amount of conceit. .

### **Fight Arms Embargoes with War Department Aid**

SENATOR GEORGE (to Lamot du Pont): . . . I offer a copy of a letter from Mr. N. E. Bates, Jr., the South American agent of du Pont, but the joint agent of both the du Pont and the Imperial companies, addressed to Imperial Chemical Industries, Ltd., under date of June 11, 1934, and draw particular attention to the paragraph of the letter which refers to the embargo or the restriction of sales by American munition makers to certain South American countries, Paraguay in this case. That letter states in part as follows . . . -referring to an inquiry for prices upon military powders and explosives:

Although the inquiry distinctly states that prices are wanted c.i.J. Montevideo, we suspect that the material is for Paraguay and since we wish to cooperate with our Government in observing the embargo, we deemed it best not to quote.

A subsequent report by Mr. Bates for the South American agency confirms the same statement and discloses that the joint agency asks that the Imperial quote directly on this material.

The cablegram here to the Imperial asks that it make quotations upon this war material, this munitions, because of the embargo and because of the desire of one of the principals represented by the joint agent to meet the obligations of the Government and avoid any breach of the embargo. That is also in the record.

SENATOR BONE (to Lammot du Pont): It might be pertinent to inquire if the agent in this case, living strictly up to the obligation which would be due to his American principal, nevertheless finds himself in an embarrassing position of having the spirit defeat the very purpose of the embargo by having the other principal actually quote terms upon the war material, military explosives, for one of the countries which the United States desired to exclude shipments from, so far as this country is concerned.

MR. LAMMOT DU PONT: That is the usual embarrassment, Senator, of anyone who acts as an agent for two people.

SENATOR VANDENBERG: Mr. Chairman, I would like to get just a little bit more information about the situation in the Argentine with respect to the apparent nullification of the embargo. Here is another letter from Mr. N. E. Bates, Jr., signed for the du Pont Co. and dated June 11, 1934, and addressed to the Imperial Chemical Industries. I will read one paragraph:

We replied to the above cablegram-  
the cablegram being an inquiry apparently from Paraguay  
asking you that is, the I. C. I.-  
to inform Ferriera -  
evidently the spokesman for Paraguay

that we could not quote because of the embargo on munitions and military explosives promulgated by President Roosevelt on Paraguay and Bolivia. Since there is no embargo obtaining in England, we telegraphed LC.L, London, to quote to you direct, so that you in turn may quote Ferriera

which I assume means Paraguay.

Is Mr. Bates or the du Pant Co. under any contractual obligation to notify LC.L of an inquiry of that character?

MR. LAMMOT DU PONT: I think Mr. Bates is, because he was one of those joint agents.

SENATOR VANDENBERG: But Mr. Bates signs this letter with the E. I. du Pant de Nemours & Co.'s signature. Is your company under any obligation to do that?

MR. LAMMOT DU PONT: I think not. He signed that letter with one of his official titles.

SENATOR VANDENBERG: Does not that put your company in a very equivocal position, to be faithfully observing the embargo so far as its own shipments are concerned and yet immediately communicating with I.C.I. so that it can achieve the same net results?

MR. LAMMOT DU PONT: That is what I said before is the embarrassment of any joint agent. He must follow the rules of one of his principals and also follow the rules

of the other principal.

SENATOR VANDENBERG: But this communication is signed by your company, Mr. du Pont.

MR. LAMMOT DU PONT: That is a very difficult proposition to determine, as to how Mr. Bates should have signed that letter. He was writing to one principal. The act he disclosed was the act of the agent of another principal. Do you get the point?

SENATOR VANDENBERG: I do; and at the same time the exhibit indicates a pious observance of the embargo as a patriotic American upon one hand and then an immediate nullification of that piety on the other hand. . . . I am not yet quite clear about this embargo matter. . . . In other words, there was a very definite anxiety to observe the American embargo, so far as any shipments from America were concerned; is that correct?

MR. LAMMOT DU PONT: That is evident.

SENATOR VANDENBERG: That is evident; yes. But I fail to see how it reflects any desire to aid our Government in maintaining the embargo, except as you consult the letter rather than the spirit of the situation if immediately a way is pointed out to Paraguay to evade the embargo. It does not seem to me that that action is in good faith an effort to aid our Government in maintaining an embargo.

MR. PIERRE S. DU PONT: Surely you do not take the position that the intent of the embargo was to interfere with these countries obtaining munitions?

SENATOR VANDENBERG: Yes; in so far as we could control the situation. . . .

MR. RAUSHENBUSH: May I ask this question? Who pays Mr. Bates' salary?

MR. LAMMOT DU PONT: The du Pont Co. does.

MR. RAUSHENBUSH: The du Pont Co. pays Mr. Bates' salary?

MR. LAMMOT DU PONT: Yes.

MR. RAUSHENBUSH: I would like to ask one more question. I did not quite understand earlier in the testimony about the commission arrangement between LC.L and du Pant. Does du Pant get any kind of commission from the business which the agent whose full salary you pay, Mr. Bates, gets in South America and turns over to I.C.I? Does du Pant get any commission on that?

MR. LAMMOT DU PONT: I think the contract will determine that definitely. My impression is that du Pant does get a commission.

MR. RAUSHEINBUSH: The du Pont Co. would have gotten a commission, then, OI' did get a commission, if this business went through to Paraguay?

MR. LAMMOT DU PONT: I presume so.

SENATOR POPE: Mr. du Pont, following this designation of your attitude in 1934 with reference to the embargo act, what would you say was the attitude of your company as to previous bills or resolutions introduced in Congress providing for embargoes on war materials?

MR. PIERRE DU PONT: I was not aware there were any such. I have not been very active in that department of the business, and I do not know of any.

MR. LAMMOT DU PONT: Senator, I do not know of any.

SENATOR POPE: You were not aware of any such resolutions introduced in Congress, the Fish resolution, for instance, in 1932?

MR. LAMMOT DU PONT: I do not recall it.

SENATOR POPE: What was your attitude, if you had an attitude, towards the enactment of such a measure as that?

MR. CASEY: If all countries agree, we would have no objection.

SENATOR POPE: You would have no objection?

MR. CASEY: If all countries agreed, but if other countries are allowed to ship, then we think it is discrimination.

SENATOR POPE: Now, Mr. Casey, I am referring to a . . . memorandum . . . dated Wilmington, Del., April 7, 1932, and Washington, D. C., April 6, 1932, apparently being a report of actions by Mr. Simmons on April 6. It says:

I called by appointment an General Hof to discuss House Joint Resolution 282, proposing a resolution whereby the United States Government would join all other nations in renouncing the sale or export of armaments, munitions, or implements of war.

I think you said a few minutes ago so far as you knew, you would have no objection to an embargo for all nations?

MR. CASEY: Yes, that is right.

SENATOR POPE: This memorandum further reads:

Since Mr. Fish has introduced somewhat similar resolutions on several other occasions, the Ordnance Department had not taken the bill very seriously and was not aware that it had been reported out of committee and put on the House Calendar.

SENATOR BONE: Keeping in mind it is the policy of your company not to oppose embargoes where all of the nations enter into an agreement to impose a general embargo, I call your attention particularly to this joint resolution numbered 282 which has been referred to in this memorandum, and a copy of which has been introduced into the record. This resolution provides :

That the American delegates participating in the general disarmament conference now being held at Geneva, Switzerland, be requested to propose a multi-lateral agreement renouncing the sale or export of arms, munitions, or implements of war to any foreign nations, in accordance with the intent and purpose of the Kellogg-Briand pact renouncing war as an instrument of national policy.

Now, keeping that in mind, I want to read you further from the report or' memorandum submitted to you by Mr. Aiken Simmons, as follows:

General Hof called up General Macfarland, of the office of the Assistant Secretary of War, and invited his attention to the above (now that is, H. Res. 282 and the fact it had been reported out of committee), at the same time calling attention to a letter which the Assistant Secretary of War had written to M<sup>r</sup>. Morin under date of March 6, 1928, protesting against H. J. Resolution 183, of somewhat similar purport. General Hof suggested that with slight modification the above letter would serve the purpose at the present time.

At General Hof's suggestion, called on Colonel Macfarland and discussed the matter with him. He also was not aware that the resolution had come out of committee.

Called on Admiral Larimer, Chief of the Bureau of Ordnance, U. S. N., and discussed the same matter with him. Admiral Larimer called up Capt. H. K. Cage, chief of the Material Division, Office of Chief of Naval Operations, and called his attention to the resolution and its status, of which neither of these officers had been aware until their attention was called thereto. Captain Cage will take proper action to have the bill opposed on the floor of the House.

. . . Do you know what appropriate action was taken by Captain Cage of the War Department?

MR. CASEY: I have not the slightest knowledge. We never went any further with the matter.

SENATOR POPE: Who is the president of the Federal Laboratories Co.? Do you know?

MR. CASEY: John Y. Young.

SENATOR POPE: I offer in evidence a letter from Mr. Aiken Simmons to Mr. Young, under date of December 28, 1932, just after Christmas, as Exhibit No. 482.

That letter reads as follows:

My dear John: Thank you for the very handsome dressing case which came to me on Christmas morning. I will find it very useful.

I spent a very quiet but very pleasant Christmas despite the rotten weather. Regarding the attempts of Mr. Hoover and the "cooky pushers" in the State Department to effect embargoes on munitions sent out of the country, I do not believe that there is the least occasion for alarm at present. The President and the State Department both lack authority to do anything now and in the spirit that Congress is in and with the large amount of oral business ahead I feel quite sure that no further authority will be granted.

Wishing you a very prosperous New Year.

. . . I am interested in that rather "luscious" term, "cooky pushers." Do you know what Mr. Simmons meant by "cooky pushers" in the State Department?

MR. CASEY: I have not the slightest idea, and I could not be responsible for a statement of that kind. That is a little letter thanking him for a little brief case.

SENATOR POPE: Do you think it might have anything to do with those people who might have been favorable to embargo acts and similar legislation?

MR. CASEY: I could not tell.

SENATOR POPE: Do you know whether he included Secretary Stimson in that category?

MR. CASEY: Again I cannot say. I have not the slightest idea.

SENATOR POPE: Did he ever talk to you about who were the "cooky pushers" up there?

MR. CASEY: No; in fact, I never heard the expression before, because I never saw the letter.

SENATOR POPE: You think, in the light of this statement here, just after Christmas Day, when he was at peace with the world and he said:

I do not believe that there is the least occasion for alarm at present. The President and the State Department both lack authority to do anything now and in the spirit that Congress is in and with the large amount of oral business ahead I feel quite sure that no further authority will be granted that he was making that as a disinterested party, without knowledge of what Congress might do?

MR. CASEY: Yes, sir.

### **Stimulate Arms Races Between Factions Within a Country**

SENATOR VANDENBERG: I show you the next exhibit, being a letter from Mr. Young to Mr. Carlos Mendieta at New York. . . . That is the same Mendieta who became President in January, 1934?

MR. YOUNG: That is right.

SENATOR VANDENBERG: Was Mendieta connected with the Cespedes government which immediately succeeded the Machado government?

MR. YOUNG: No; not that I know of.

SENATOR VANDENBERG: This letter, addressed to Colonel Mendieta, says: ". . . I just wanted to express our congratulations to you and your associates on the marvelous outcome in Cuba." . . .

Why should you be congratulating Colonel Mendieta unless he was part of the "new deal"?

MR. YOUNG: He expected to be, sir.

SENATOR VANDENBERG: And was not?

MR. YOUNG: I think that was the case.

SENATOR VANDENBERG: At any rate, you were very happy about this change. .

MR. YOUNG: I was.

SENATOR VANDENBERG: Why?

MR. YOUNG: I have a great admiration for the man.

SENATOR VANDENBERG: Your congratulations on the marvelous outcome in Cuba, then, does not refer to the election of President Cespedes?

MR. YOUNG: I never knew Cespedes.

SENATOR VANDENBERG : That is probably one of the reasons he could not hang on. (Laughter.)

MR. YOUNG: Thank you, Senator.

SENATOR VANDENBERG: The second paragraph of that letter states (reading): "I am so glad you did not have to go through with the big program discussed with you, General Menocal, Dr. Gomez and Mr. Texidor." . . . What was the "big program" you discussed with them?

MR. YOUNG: They were talking about an attempt to force Machado out.

SENATOR VANDENBERG: And the big program involved the acquisition of a large amount of munitions?

MR. YOUNG: That is what they wanted to do. . . .

SENATOR VANDENBERG: What I am getting at is, evidently, while Machado was still President-and if I am wrong on this you will please correct me-while Machado was still President, you were discussing with General Menocal and Dr. Gomez and Colonel Mendieta an armaments order which was to be part of the program to overthrow General Machado.

MR. YOUNG: Did you say "discussing"?

SENATOR VANDENBERG: Yes.

MR. YOUNG: Yes.

SENATOR VANDENBERG: Did you ever sell anything to this group prior to the downfall of General Machado?

MR. YOUNG: Not a penny's worth.

SENATOR CLARK: These men knew, did they not, Mr. Young, that you were one of the purveyors of munitions to the Machado Government?

MR. YOUNG: They knew we were shipping to the present Government.

SENATOR VANDENBERG: Mr. Young, I show you now what appears to be a memorandum signed by J. W. Y. That is yourself, is it not?

MR. YOUNG: That is right; yes, sir.

SENATOR VANDENBERG: It reads as follows:

In conversation with Mr. Texidor on Tuesday, Nov. 17th, I promised him a commission of 10 per cent on all business done with the Menocal-Mendieta group and commission of 15 to 20 per cent, depending on the product, on all business done with the Grau group.

On November 10, 1933, the Grau administration is still in control, is it not?

MR. YOUNG: Yes, sir.

SENATOR VANDENBERG: And at this time the Menocal-Mendieta group are anti-Grau, are they not?

MR. YOUNG: That is right, sir.

SENATOR VANDENBERG: And you are instructing your agent that if he does business with those who are on the outside, he can get 10 per cent commission on it, and if

he does business with the Government, he can have a 15 to 20 per cent commission; is that right?

MR. YOUNG: That is right, Senator.

SENATOR VANDENBERG : You are offering to do business with both sides?

MR. YOUNG: No, sir.

SENATOR VANDENBERG : Well, how can I interpret it in any other way?

SENATOR CLARK: . . . According to your own story and according to this memorandum, you had given Texidor authority to negotiate with Mendieta on a commission of 10 per cent and with Grau on a commission of 20 per cent. That certainly gave Texidor the right to negotiate with them, did it not?

MR. YOUNG: It did, sir.

SENATOR CLARK: And if he had taken orders from both parties, what would you have done about filling those orders? . . .

MR. YOUNG: I . . . did not come up against that problem.

SENATOR CLARK: What would you have done if orders from Grau had come in?

MR. YOUNG: I repeat that I did not have that question to settle.

SENATOR VANDENBERG: Let us see whether you did or not, Mr. Young. I show you a letter from yourself dated November 21, 1933, addressed to the State Department. This is 11 days after the memorandum which we have been discussing. . . . This letter reads as follows: "Referring to our letter of November 17 relative to an order for thirty Thompson sub-machine guns for the Government of Cuba, . . .

wish to advise that this order has been increased to sixty guns. . . ." Does that indicate that you are selling Thompson sub-machine guns to the Grau Government?

MR. YOUNG: It does.

SENATOR VANDENBERG : So you did sell to the Grau Government?

MR. YOUNG: Not through Texidor.

SENATOR VANDENBERG: Oh! . . . Now, I offer as the next exhibit an invoice to Martinez Saenz, from the Federal Laboratories, Inc. The Martinez Saenz to whom this invoice is directed has previously been identified as in opposition to the Grau Government. . . . This is an order for gas masks, riot guns, incendiary bombs and so forth and so on, sold to Martinez Saenz, is it not?

MR. YOUNG: That is right, sir.

SENATOR VANDENBERG: So that here again you are selling to the "outs" on the threshold of their arriving as "ins." . . . What I am trying to establish, and I say to you I am not intending to be zealous in any sense, but I am simply trying to establish the fact that here is a distinctly delicate situation respecting the diplomatic relationship between the United States and the Republic of Cuba and American munition makers were holding conferences with important officials in Havana, primarily interested in armament orders, and suggesting to the same Cuban officials the propriety of a future course of action with respect to their government. That is a correct statement, isn't it?

MR. YOUNG: The statement of facts you made is true. . . .

SENATOR VANDENBERG : This conclusion certainly is fairly drawn from the examination in which we have just been engaged: That you as a representative of the munitions business, during this episode in Cuba, clearly demonstrated that the business of importing munitions is inseparably tied with the public interest and cannot be separated at all from the public interest and the policies of the Government of the United States. That is true, isn't it?

MR. YOUNG: I should think so.

### Help Re-Arm Germany

TRE CHAIRMAN (to Love): Mr. Love, your business in Germany has picked up materially, has it, of late years?

MR. LOVE: Senator, we do not have much business; our foreign department is so new that we have not been established long enough to make a comparison. It is steadily growing for the reasons I have pointed out--that many of the major air lines over there are equipping with United States engines and propellers; and I think it would show a steady and continuous growth.

TRE CHAIRMAN: I gather your sales to Germany or German concerns are entirely of a commercial nature, having no relation to arming the German people?

MR. LOVE: Yes; we have never sold any military planes to Germany or any war equipment, such as guns or ammunition.

TRE CHAIRMAN: What would prevent your selling them planes for military purposes?

MR. LOVE: I think it is against the Treaty of Versailles, is it not, and such a thing never occurred to us.

TRE CHAIRMAN: This sale of 176 engines and 2 large Boeing transports, the 6 two-seaters and other equipment, up to August 31 of this year total \$1,445,000, as compared with last year's total business with Germany of \$272,000. How are we to account for that large increase? In addition to that, let me add that there was still on order on August 31 and undelivered 21 engines and one more large transport. How are we to account--to what are we to attribute such a great increase?

MR. LOVE: Last year there were no shipments of planes and this year there are.

TRE CHAIRMAN: In 1933, last year, you made sales to Germany in the amount of \$272,000, and from January 1 to August 31 of this year there is shown to have been sales by your company to Germany of 176 engines, two large Boeing transports - is it true that these transports are readily convertible into large bombing planes?

MR. DEEDS: I would not say that they were. It would take considerable engineering project and expenditure of money, thousands of dollars, to convert them.

SENATOR VANDENBERG: Do you know in fact where these 176 engines went?

MR. DEEDS: I do not.

MR. HISS: Mr. Deeds, there is a type sold known as the Hornet S-4D-2. You say that has no military use?

MR. DEEDS: No; I did not. I said that practically any engine that is installable in an airplane can be used for military purposes.

TRE CHAIRMAN: Have you at any time, Mr. Deeds, felt that you were aiding in this cause of rearmament over there?

MR. DEEDS: We have sold engines that are suitable for the equipment of their planes.

TRE CHAIRMAN: Have you understood that they were to be used in airplanes that had a military purpose, or would become a military plane?

MR. DEEDS: We have understood exactly the contrary.

TRE CHAIRMAN: I offer in evidence now Exhibit No. 592, which is a letter dated March 15, 1933, addressed to Mr. F. B. Rentschler, president United Aircraft & Transport Corporation, Hartford, Conn., indicating that copies of this went to Mr. Mead, Mr.

Brown, and U.A.E. Who is that?

MR. BROWN: United Aircraft Exports.

THE CHAIRMAN: Let us read this letter for the most part, being dated March 15, 1933:

. . . Germany's determination to have an air force, as previously recorded, is now taking definite form rather rapidly. One of the large bank buildings, practically half a block long, five stories high, has been taken over by the Aviation Bureau. My friend, Dr. Milch, technical director of Luft Hansa, has been made State Secretary for Air Traffic. My conversations with the various departments indicate that their interests extend far beyond matters of traffic.

THE CHAIRMAN: By the way, what is Luft Hansa?

MR. DEEDS: It is one of the largest air lines in Europe.

THE CHAIRMAN: One of the largest commercial air lines in Europe?

MR. DEEDS: One of the largest commercial air lines in Europe and a German commercial air line.

THE CHAIRMAN (continuing reading) :

My conversations with the various departments indicate that their interests extend far beyond matters of traffic.

Is not the committee to assume that this was a pretty direct report from Mr. Hamilton, to the effect that some of these activities were indicating a determination to build up her air forces for military purposes?

MR. BROWN: Perhaps, but I think at the same time, in reading this letter over, I would naturally assume that Germany had made arrangements with the other powers to have an air force.

THE CHAIRMAN: Mr. Brown, having been sent a copy of this letter at the time, is not this pretty strong indication of a military purpose in connection with the enlargement of the aviation facilities in Germany?

MR. BROWN: Yes, it is; but what I read in Mr. Hamilton's letter is the same as I have read in the press in this country.

THE CHAIRMAN: Have you reported conditions, such as this, which have come to your notice, to the Navy Department or the State Department or the Commerce Department?

MR. BROWN: It never occurred to me that I should.

THE CHAIRMAN: Of course, you would appreciate-MR. BROWN: We report, you understand, to the Navy on the production which we ship out of this country.

THE CHAIRMAN: Yes; but you would, at the same time, appreciate that your Government would not want to be compromised as respects any possible violation of the treaty, would you not?

MR. BROWN: I would not want to be a party or take any part in having our Government compromised.

### **Reveal Abroad Secrets Used by War Department**

SENATOR POPE (to Driggs): In connection with your foreign business-and I include, of course, the South American countries-you have had certain cooperation from the United States Government?

MR. DRIGGS: Yes.

SENATOR POPE: And what would you say as to the sort of cooperation that was given to you by the Government in connection with your foreign business, in your efforts to get orders in foreign fields?

MR. DRIGGS: Well, the War Department informed us-which we knew to be their policy-that they wished to encourage private ordnance manufacture, so as to have a capacity in this country in case of necessity.

SENATOR CLARK: Do I understand, Mr. Driggs, that the War Department agreed to release to you and through you to a foreign country in the sale of your guns to a foreign country, the plans of a gun that had heretofore been held secret by the War Department?

MR. DRIGGS: Merely in this way, Senator: That these designs had been developed here -

SENATOR CLARK: They were developed by you or by the War Department?

MR. DRIGGS: Both. . . .

SENATOR POPE: Now, I call your attention to a letter dated May 8, 1928, addressed to you and written by C. B. Robbins, Assistant Secretary of War, and I offer it in evidence as exhibit No. 206. This letter'. . . begins as follows:

Reference is made to your letter dated Washington, D. C., March 14, 1928, in which you request authority to utilize the latest United States Army designs of anti-aircraft material in your manufacture of anti-aircraft material for sale in European countries. . . .

It is the desire of the War Department to encourage the manufacture of munitions in the United States by commercial manufacturers. The War Department would be willing to release to your company the designs of our latest anti-aircraft material with the exceptions of certain secret portions, provided you had a contract with a foreign government for a production quantity of anti-aircraft material which you would agree to manufacture in the United States. You can readily appreciate that an order from a foreign source for only two or three of these new anti-aircraft materials would only serve to disclose to the foreign power the latest United States developments in anti-aircraft artillery, and would not develop any munitions manufacturing capacity in your plant. The size of the order will, therefore, have to receive the approval of the War Department before any design information is released to your company. . . .

SENATOR VANDENBERG: And the policy of the Department has been to give a foreign power a military advantage in return for a commercial advantage to the United States?

MR. DRIGGS: It all depends upon the country. If it is a country which is promoting peace, where its lack of resistance might result in war, it is a very great contribution to peace, I consider.

MR. RAUSHENBUSH (to Lamot du Pont): . . . On March 23, 1932, you prepared a memorandum covering relations between Mitsui and du Pont with respect to hydrogen process. Will you tell us again just what that is? That is not the ammonia process but the other one?

MR. LAMMOT DU PONT: The hydrogen process referred to, I think, is the contact conversion process referred to there.

MR. RAUSHENBUSH: The memorandum was addressed to the Assistant Secretary of State, Mr. Rodgers, the 28th of March, 1932, and simply summarizes your relations with Mitsui in regard to this contact conversion process . . .

MR. LAMMOT DU PONT: I think so.

MR. RAUSHENBUSH: And the nations of the world were considering the possibility of boycotting one of the belligerents; was not that about the time?

MR. LAMMOT DU PONT: I do not recall that.

MR. RAUSHENBUSH: It was not a matter of giving Japan a new military supply or source of supply; it was simply cheapening the way in which they could produce it.

MR. PIERRE DU PONT: That would be a military advantage and also a peace advantage in enabling them to produce fertilizer more cheaply.

MR. RAUSHENBUSH: From the military angle, a country that can produce a great deal of ammunition cheaply in peace time can prepare at less expense for a war, of course, than otherwise.

. . . it is the dealing in these processes which cheapens munitions, even if they do not give a country new sources of munitions, they seem to some of the members of the committee who have spoken to me about it, to constitute transactions of equal importance with the sending of divisions of an army; for instance, one gas process or one process might be equal to a division, . . . or perhaps two divisions, in a way.

### **Sell Arms to Paraguay and Bolivia**

MR. HISS (to Mr. Webster): The war involving the Chaco territory . . . has been going on in actual force since 1932 and is still continuing; is that not correct?

MR. WEBSTER: Yes, sir.

MR. HISS: Your company's sales of planes as reported to the committee show that the country of Bolivia in 1932 and 1933 purchased a total of 24 planes from your company. Between the countries of Colombia and Peru there has been a dispute involving the Leticia Territory. . . . There has been intermittent fighting, or there was, during 1932 and 1933. On May 24, 1934, a treaty was finally signed by both nations. During 1932, 1933, and up to April of 1934, according to the information your company has furnished the committee, a total of 50 airplanes was sold to Colombia. During that same period, 1932 and 1933, 4 planes, one of which was listed as a commercial plane, were sold to Peru; 3 were sold in 1933, all 3 of those being military planes. . . . In the year 1933 you sold to China, according to your records, a total of 54 planes. . . .

I offer in evidence as Exhibit No. 342, a letter dated August 14, 1933, from C. W. Webster to C. K. Travis. You say in this letter, Mr. Webster:

If Webster & Ashton are able to work fast enough they may be able to get the additional 9 or 16 planes closed before the war ends. . . . The consul general in New York seems to feel quite certain that the mess will be cleaned up within a month. I certainly hope we will be able to get some more business before this happens. Webster & Ashton referred to in this letter are your agent in Bogota, Colombia?

MR. WEBSTER: No, in Bolivia. .

MR. HISS: I offer as Exhibit No. 343 a letter dated September 13, 1933, from Cliff to Mr. Webster. . . . The letter proceeds as follows:

The war will probably last for months yet according to the looks of things. It will all depend upon how long Paraguay can keep going . . .

Then, at the bottom of page 3, the letter continues:

We cannot neglect Bolivia; they are our best customers at the present time. A small country but they have come across with nearly half a million dollars in the past year and are good for quite a bit more if the war lasts.

TRE CHAIRMAN: Mr. Webster, on the face of these facts or assertions, there was a large advantage accruing to you and your people through any prolonging of the conflict, was there not?

MR. WEBSTER: It meant additional sales.

MR. HISS: . . . Exhibit No. 360 is a letter of February 10, 1933, from Mr. Webster to Mr. Leon, who was then in Buenos Aires, Argentina. That letter reads in part as fol-

lows:

Newspapers the last few days have been carrying stories about the pending and probably political and revolutionary upheaval in Uruguay. I believe it would do no harm to slide over to Montevideo as soon as convenient and contact the proper officials in an effort to promote the sale of aircraft or any class of munitions . . . .

Also, in this connection, do you think it advisable to make a personal contact with Paraguay an Government officials in Asuncion?

I know that this is a rotten trip to make up the river, but it seems to me that the Bolivia-Paraguay trouble has not yet reached its peak and the conditions instead of becoming better are gradually getting worse. If such is the case, it will be absolutely necessary for Paraguay to find the money for the purchase of aircraft and other munitions. If we are able to sell them anything, we will have to work very carefully and quietly, and possibly work through you, as an individual, as the Bolivian Government would naturally raise "merry hell" if they believed that we were dealing with their enemies.

. . . As Exhibit No. 363 I offer a letter dated March 15, 1933, from Van Wagner to you, Mr. Webster, from which I wish to read...:

We cabled you on the 13th that the Peruvian Ambassador demanded immediate action with regard to delivery of the *Hawk* and *Falcon*, and the following day received your cable: "O.K. delivery." . . .

From this message we understood that the \$36,000-held by the Chase National Bank-had been placed to your credit without restrictions. Now, the whole trouble is in getting permission to fly the ships out of the country. . . . With the present action taken by the Chilean Foreign Minister to foment peace in S. America, he cannot possibly give his consent to allow war material to leave Chile, especially to a country engaged in warfare.

Did your company regard his actions for peace as "fomenting peace," Mr. Webster?

MR. WEBSTER: I do not believe so. That is an expression Mr. Van Wagner used. . . .

MR. RISS: Were the *Hawk* and *Falcon* ever released so that they were able to go to Peru?

MR. WEBSTER: Yes, sir.

MR. HISS: In spite of the "fomenting of peace?"

MR. WEBSTER: Yes, sir.

SENATOR BONE: Do you think that munitions firms generally would regard that as a sort of antisocial activity?

MR. WEBSTER: I would not doubt it a bit, sir.

SENATOR BONE (to Young): . . . I want to call your attention to a letter dated August 1, 1932, written by Leon & Bonasegna, agents in Buenos Aires, to the Federal Laboratories. . . . I direct your attention to the paragraph . . . which reads as follows:

Regarding Bolivia and Paraguay. As far as Bolivia is concerned, we are daily awaiting advices from our agent in La Paz, giving us some definite reply in connection with the business we have pending with that Government. . . . As far as Paraguay is concerned . . . we are in daily touch with the military attaché of this city for that country, and we expect some time between today and tomorrow to have some news from him; in fact, the writer has an appointment with the attaché for this afternoon . . .

So that it is apparent that at that time your agents down there were endeavoring to make sales to both Paraguay and Bolivia

MR. YOUNG: We did not discriminate.

MR. HISS (to Webster): Can you identify Mr. Jonas?

MR. WEBSTER: Mr. Jonas is employed by, and represents, the Remington Arms Co., and I think also the Winchester Co., in South America.

MR. HISS: Does not Mr. Jonas also represent the Federal Laboratories Co.?

MR. WEBSTER: I know he did at one time. Whether he does now or not, I do not know.

MR. HISS: The second paragraph of this letter reads as follows:

The Paraguay and Bolivia fracas appears to be coming to a termination, so business from that end is probably finished. 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.

SENATOR BONE (to Young): Now, again, an August 11, 1932, . . . Mr. Jonas writes to Leon & Bonasegna in Buenos Aires from New York. . . . Mr. Jonas has this to say . . . (reading):

Your letter addressed to Federal Laboratories dated July 26th . . . with reference to the Paraguay and Bolivia situation was forwarded to me for attention. . . . I immediately took a plane to Washington and visited both the Paraguay and Bolivia Legations. Unfortunately for us, however, it looks as if the trouble they are having is going to be settled amicably. (Laughter.)

That is signed by Mr. Jonas.

MR. RAUSHENBUSH: For Mr. Jonas, it might be said that he is unfortunately an intellectually honest man.

### Use Government Departments as Sales Agencies

MR. HISS (to Allard) : . . . Has your company ever borrowed from the United States Army pilots to help in demonstrating your planes abroad?

MR. ALLARD: Yes, sir.

MR. HISS: Have you found that they have been helpful in making sales?

MR. ALLARD : Certainly-- . . .

MR. HISS: In addition to borrowing pilots from the Army for demonstration purposes, has your company found that other governmental departments or institutions have been helpful in promoting the sale of aircraft abroad?

MR. ALLARD: Very definitely.

THE CHAIRMAN: So to that extent we do find agencies of the government fighting for these orders for munitions, do we not?

MR. WEBSTER: We find agencies of the government--yes--trying to sell the products of their respective countries.

THE CHAIRMAN: That is right.

MR. HISS: In connection with the use of Army flyers' help in demonstration of your planes, in addition to Captain Cannon, who is mentioned as part of the European tour, Lt. James E. Parker was also on that tour, was he not?

MR. ALLARD: That is right.

MR. HISS: And Lieutenant Doolittle, who is now, I believe, Major Doolittle, has been on other tours for your company?

MR. ALLARD: Yes, sir.

MR. HISS: He is now resigned?

MR. ALLARD: Yes, sir.

MR. HISS: Now about when he made the trip to South America?

MR. WEBSTER: He was in the Army at that time, when he went to South America. He was not in the Army when he went to Europe.

MR. HISS: Lieutenant Doolittle or Major Doolittle has been helpful in the sale of aviation equipment since he left the Army, as well as while he made these good-will tours; is not that correct?

MR. ALLARD : That is correct.

TRE CHAIRMAN: This is the same Major Doolittle who has served on the so-called "Baker Board"?

MR. ALLARD: That is correct.

MR. HISS: Is it not the official policy of the War and Naval Departments to encourage the American aircraft industry in the development of foreign business?

MR. ALLARD : I believe it is so stated.

MR. RISS: . . . Have the military attaches of the United States proved helpful in putting Curtiss-Wright planes across?

MR. WEBSTER: Yes, sir; in putting all types of American planes across.

THE CHAIRMAN: It makes one begin to wonder whether the Army and Navy are just organizations of salesmen for private industry, paid by the American Government.

MR HISS: . . . if you are actually in production on a Navy contract you can at times secure a release from the Navy contract and divert the planes or engines in production to a foreign contract, through the cooperation of the Navy or the Army?

MR. ALLARD: IT has never been done to my knowledge, but we have asked if it could be done in several instances.

MR. RISS: You remember yesterday Senator Nye referred to the diversion of 29 planes then under contract with the Boeing Co. or their subsidiary, the United Aircraft, which was sold to the Brazilian Government on release of the United States Navy?

MR. ALLARD: Yes, sir.

MR. HISS: That has never occurred in your case?

MR. ALLARD : N o, sir; it has not.

MR. HISS: This letter is on the same subject, and I quote from it as follows:

You, no doubt, realize that United had under construction for the Government a number of Corsairs and Boeings which the Navy released to permit them to offer excellent deliveries to Brazil. Unfortunately, Curtiss-Wright had no Government contracts which could be diverted for such prompt deliveries. The fact remains, however, that United, having taken this Brazil business, is not in as good a position to give deliveries on other orders for other countries as we are.

MR. HISS: Does that not indicate that it was difficult to secure releases from the Government on these contracts?

MR. ALLARD: I do not know that it indicates it was difficult Ol' not, but we could try.

MR. HISS: The sentence I call your attention to is (reading):

Curtiss-Wright had no Government contracts which could be diverted for such prompt deliveries.

MR. ALLARD : I know that is his language, but we had no ships under contract for the Army that we could endeavor to get diverted.

MR. HISS: Mr. Allard, I asked you a few minutes back whether you had been able to secure endorsements from Army or Navy officials of your products. I do not exactly remember what your reply was to that question. May I repeat it?

MR. ALLARD: I think I said that I did not consider them endorsements. We receive statements from certain Army and Navy officials with reference either to the number

or type of ship and engine in question, which have been purchased as to what their experience with them is.

MR. HISS: There is no doubt that the prestige of the United States Army Or Navy does carry weight, particularly in South American countries?

MR. ALLARD: All over the world.

MR. HISS: Therefore a letter of recommendation from the Army or Navy would be very helpful in making sales?

MR. ALLARD : Any statement of fact.

MR. HISS: Mr. Webster, in referring to any letter from the Army or Navy as to the value or quality of your products, you objected to reference to them as being recommendations, did you not?

MR. WEBSTER: Yes, sir; I believe it is contrary to the policy of the Army or Navy to recommend. They simply state, "We are using this in service." They never recommend.

MR. HISS: The relations of your company with the Department of Commerce have always been very friendly. Is that not correct, Mr. Allard?

MR. ALLARD : I hope so.

MR. HISS: Exhibit No. 398 is a letter of December 10, 1929, written by Mr. Burdette S. Wright, a vice president of the parent company and a director of the Export Co. to Mr. Leighton W. Rogers, Chief of the Aeronautics Trade Division.

MR. ALLARD : He is not a director of the Export Co.

MR. HISS : Is he an officer of the Export Co.?

MR. ALLARD: No, sir.

MR. HISS: To Mr. Leighton W. Rogers, Chief of the Aeronautics Trade Division, Bureau of Foreign and Domestic Commerce, Washington, D. C. That letter states (reading):

Dear Mr. Rogers: The Curtiss Aeroplane Export Corporation has recently consummated contracts for the sale of military pursuit airplanes to the Dutch East Indies and to the Siamese Government. These contracts have finally been obtained after several months of work through the combined efforts of our representatives and those of the Bureau of Foreign and Domestic Commerce.

We wish you to know how much we appreciate the splendid cooperation of your division and of the Bureau and of the assistance given by your men in the field and in your office in Washington. It is very probable that the contracts might not have been obtained had it not been for the service which your organization was able to extend, as, of course, there are certain angles of situations and information which can be obtained by an official representative of the United States Government, which would be impossible for a private individual to gain.

. . . Exhibit No. 400 is a letter of January 31, 1930, from Burdette S. Wright, an officer of the parent corporation, to Mr. Leighton W. Rogers. The third paragraph of that letter reads as follows:

My company has expressed its appreciation in no uncertain terms of the assistance which it has received from the Department of Commerce and in sales problems, especially exports, from the Aeronautics Trade Division. As an example, your aeronautics specialist in South America was instrumental last year in paving the way for, and in the consummation of, a sale for six of our airplanes in Brazil - a market from which we have not received any business for years. Such contributions to marketing constitute aid of original and outstanding value.

We have known for some time that the Department was asking Congress for funds to enable it to carry on and extend this foreign field work for the aeronautics industry, and this letter is being written to ask you about the status of that request for appropriations. Frankly, the company wants the assistance which these appropriations will bring into being.

Your company is in favor of increasing the appropriations for maintaining commercial attachés abroad, Mr. Allard?

MR. ALLARD : We were at that time.

MR. HISS: Has your policy changed since that time?

MR. ALLARD : I do not think so; no.

SENATOR BONE: (to Miranda): I call your attention in this letter to a . . . statement which I read as follows:

To safeguard the interests of the Colombia Government and save the time of the consulate and of the War Ministry in Bogota, the United States Government has "loaned" to the Colombian consulate one of its naval officers, to act as adviser on the merit of the material offered.

Is that correct?

MR. MIRANDA: Yes.

SENATOR BONE: Can you tell us the name of that officer?

MR. MIRANDA: Commander Strong.

SENATOR BONE: He was a commander in the United States Navy?

MR. MIRANDA: Yes, sir.

SENATOR BONE: Do you know when he resigned from the Navy?

MR. MIRANDA: I understand he resigned from the Navy in February of this year.

SENATOR BONE: So he was with the Navy a year and several months after this letter was written, and a year and several months after this Government loaned him to Colombia as adviser.

SENATOR CLARK: Wasn't this the situation, Mr. Miranda, there were hostilities between Peru and Colombia, and the United States sent a mission to Peru and only loaned Colombia this one man and Colombia got the worst of it?

MR. MIRANDA: The naval mission to Peru was many years ago.

SENATOR CLARK: The naval mission was down there in 1930-when President Leguia was run out.

MR. MIRANDA: But this was 1932.

SENATOR CLARK: The naval mission was down there telling them to buy submarines to protect itself from Colombia.

MR. MIRANDA : No; from Chile.

SENATOR BONE: Now, Mr. Miranda, I have this further question to ask you. You go ahead in this letter I have just referred to and say:

Inasmuch as our guns have been the standard used by the Army and Navy for more than forty years, and their efficiency has been amply demonstrated in past wars (particularly the World War). Commander Strong is thoroughly acquainted with our equipment, not only has he approved our proposals but strongly recommended the acquisition of our material as being the finest obtainable.

It appears that Commander Strong went down to Colombia as a sales agent, with his mind made up that Driggs ordnance was the best, and he went down there only as military adviser and also to use your or Driggs' armament.

MR. MIRANDA: I know that he explained the whole thing.

SENATOR BONE: Well, you tell us, if you can, what that meant.

MR. MIRANDA: As I said before, when the difficulty between Colombia and Peru came up I went to Mr. Driggs and said, let me go down to see the consul and see if I can stir up some business. So I went down and took my catalog down and spoke with the consul, and the consul said, well, we have now an expert to pass on all of the material we are going to buy, and he called in Commander Strong and introduced him to me. He said all of the material we are going to buy is going to be passed on by this ex-

pert. Now, then, the only guns available in this country at the time were the Driggs gun, and Commander Strong told me, "I remember the Driggs gun, I rem em bel' it was in our book at the Naval Academy." He said he remembered it, and spoke very highly of the Driggs gun, that he was familiar with it in the Navy. There was no other gun he could recommend; he had to recommend the Driggs gun or let the business go to Europe.

SENATOR BONE: What is your opinion of the Government sending a man down to Colombia?

MR. MIRANDA: He was not down there. He was here in New York all the time.

SENATOR BONE: Then the only advice he could give would be to buy the Driggs gun?

MR. MIRANDA: That is about all.

SENATOR BONE: . . . If these great major powers of the world continue deliberately to stimulate militarism in the smaller countries so as to secure the business, then of course we can expect the smaller countries to continue their attitude toward increased armies, and this race for better preparation for national defense continues right along. Is not that a fair assumption?

MR. MIRANDA: I feel that way about it.

SENATOR BONE: Then, unless there is a change in the attitude of the national governments, the big governments and the people of the world generally toward this armament race, it will continue in its present form. That is right, is it not?

MR. MIRANDA: I believe so.

SENATOR BONE: Just as a businessman, divorcing, if you can, yourself from your own business, and just limiting it to that and talking to the men on this committee who are trying to find out all they can about this matter, to recommend or suggest to the people of this country what should be done-what in your opinion is going to happen if this race continues throughout the world? You do not have to confine your answer to the United States or any country, but just tell us what you think will happen to the world if this continues?

MR. MIRANDA: I think an armament race naturally leads in to war. After that, when they are thoroughly armed, they want to try it out.

SENATOR BONE: In other words, when the boys and girls are all ready, they want to go out and see what the thing they have got can do. Is not that right?

MR. MIRANDA: That is the way I would understand it.

SENATOR BONE: The world was pretty thoroughly prepared in Europe in 1914, and they had to try it out. The world, of course, as you are aware, is now spending more money than it ever did in preparation for war. Just as a businessman, Mr. Miranda, do you think that that can continue and leave a fair margin of economic and financial security for the nations of the world?

MR. MIRANDA: I do not think so.

SENATOR BONE: Would you think that there was a margin of danger and a very great element of insecurity and that sort of thing for the various governments of the world?

MR. MIRANDA: It is logical that there should be.

THE CHAIRMAN: The committee being about to adjourn these hearings, the Chair desires to announce the plan of the committee to resume its work some time late in November or after the 1st of December. Knowing what remains to be done and developed through hearings, the committee feels that it has thus far only scratched the sur-

face in its work under the Senate resolution calling for this investigation.

The committee means to go as deeply into the entire subject as its means and its ability will permit, revealing without reserve all pertinent facts which it shall encounter.

These last three weeks of investigation and hearings, have afforded something of a resume of the munitions industry in general. The facts uncovered here have had the tendency to paint a rather sordid picture of the industry and many who have had contact with it. Some instances have been encountered which find the traffic in arms and ammunition weaving its way through governments and official public positions both at home and abroad. Much testimony and much evidence taken into the record reflects upon governments and their officials. . . .

The committee, in conclusion, desires to express its very keen appreciation of the cooperation that has been shown it during these three weeks of hearings, and during the period of adjournment, about to be taken, a subcommittee of one has been named and authorized to function, if emergency calls for such functioning.

The committee therefore stands adjourned until further call of the Chair.

#### CLOSING SPEECH OF CHAIRMAN OF THE MEETING

*Ladies and Gentlemen:*

We have come face to face with real drama tonight. When we consider that we have listened to the exact words of official testimony given to the Committee of the United States Senate we should appreciate that we have had a rare privilege.

In our emotions of the past hour we may overlook some deeper-lying meanings of this testimony. The significant fact is not that this munition firm or another influenced certain officials or violated a certain law. -More important than that is the fact that a system of private power exists which in many instances is more .weighty than the power of our own or any other government. The munitions system, run for profit and uncontrolled by any nation, has been proven to be powerful enough to overturn governments in some countries, to upset the balance of power in entire hemispheres and to make a mockery of peoples in their attempts to prevent war.

We are not dealing with fiction We are dealing with facts. This system exists today in our own country. This system must be controlled. For it is as evident as any truth we know that if this system continues, war will be the inevitable result.

This is not to say that the munitions industry is the sole cause of war, but if uncontrolled its operations will produce war. The price of peace lies in the thorough investigation and control of this industry.

Control, to be effective, must be international. Proposals for such control, with a thorough system of licensing, supervision and full publicity covering every order from the time it is received, are now under discussion among the Great Powers, having been proposed by our own country. But international control must be the coordination of separate national controls. Other countries are considering measures of national control. The United States investigation and control are indispensable as a part of this world-wide effort. This necessitates that the Congress, when it assembles in January, 1935, shall authorize needed appropriation,s to carry through the investigations and then determine the measures necessary to control this dangerous industry. Nothing is more vital to the cause of peace than that such action by Congress be demanded now

by voters.

The time to control the munitions industry is now, in time of peace. It is now that the munitions industry, in cooperation with the military forces of this and other nations, is dominating policies of governments. It is now that this uncontrolled power for destruction is fomenting wars. No proposal to take the surplus profits out of war in war time is sufficiently useful to merit our support, nor should such a plan divert us from the serious task of controlling the munitions business now, in peace time.

You may feel that we can do little about it. Actually, we can do a great deal. Similar meetings, like this one tonight, are being held through out America. Such meetings are compose d largely of voters or those soon to have the power of suffrage. These meetings are drawing up their own messages and sending them to their Senators and Congressmen and to the President. They are laying plans for further education of all the voters in their own communities in order that those at Washington who should control the munition industry may know that their constituents desire and indeed dem and it.

It is for that reason that I offer to you tonight a statement demanding congressional appropriations for further investigation of the munitions industry and the adoption of measures of control in peacetime. (The chairman of the meeting then reads the message he has prepared and in the most appropriate way seeks its acceptance by as many as possible of those present.)

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Scanned by Holger Teerp