

WARTIME CRIMES OF BIG BUSINESS

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Wartime Crimes Of Big Business

Big Business spouts patriotic speeches about "the boys in the foxholes" every time the workers ask for a wage increase to meet the rising cost of living. But Big Business patriotism is only a hypocritical cloak for self-interest. Profits always come first with the capitalists—even during a war which they want to win. To get profits and more profits they do not even hesitate to endanger the lives of the men in the armed forces of this country and its allies. Here is the proof:

On Jan. 17, 1943—more than a year after Pearl Harbor—the S. S. Schenectady snapped in half and sank off the West Coast, only a few hours after it had been delivered to the Maritime Commission. The American Bureau of Shipping reported the sinking was due to the steel plate on the ship which was "brittle" and "more like cast iron than steel." The U. S. Senate's Truman Investigating Committee took over the case and at a hearing before this body in Washington on March 23, 1943, the truth came out: The defective steel had been supplied by the Carnegie-Illinois Corporation, subsidiary of the giant United States Steel Corporation, whose officials had willfully and consciously delivered faulty material to the Navy, Maritime Commission and Lend-Lease administration and had falsified the steel test records to cover up their tracks.

Testimony before the Truman Committee showed that the faking of tests had covered at least 28,000 tons of substandard plate; that minor officials and employes who had complained to their superiors about the faking of tests had had their "ears pinned back"; that high corporation officials "instead of cooperating (with the Truman Committee) . . . attempted to delay and obstruct the investigation." U. S. Steel officials naturally "deplored" the situation, describing it as "so unnecessary," and tried to put the blame on "a few individuals" with good intentions who had grown "lax." This alibi, how-

ever, was decisively rejected by a federal grand jury in Pittsburgh in May, which refused to indict four individual employes offered as scapegoats and indicted the Carnegie-Illinois Corporation itself.

Equally indifferent to the murderous effects of its frauds was the Anaconda Wire and Cable Company whose Marion, Ind., plant (financed by the government) was indicted on Dec. 21, 1942 for conspiring to sell the government defective communication and other combat wire, although its officials "well knew at all times" that use of such wire would "endanger the lives of men in the military service of the U.S.A." The Pawtucket, R. I., plant of the company was indicted a month later on similar charges.

The company was shown to have gone to great lengths to devise ingenious machinery for escaping government tests of its defective wire and thus getting the wire accepted for use by the armed forces of the United States, Soviet Union and Britain. Senator Kilgore has pointed out:

"The batteries on all our warships, including the anti-aircraft guns, are fired, controlled, aimed and ranges set, over this self-same cable, and if the cable is defective, the ship is helpless against aircraft attack. Also, the safety and success of the entire land combat forces are frequently dependent on messages sent overland by these self-same cables."

The government charged that the conspiracy began about Nov. 1, 1940 and continued up to Oct. 1, 1942. Commenting on this, Senator Bone said:

"The fact that we were suddenly plunged into a deadly war did not in any wise induce the defendants to change the criminal practices outlined in the complaint. After Pearl Harbor, and while the boys were dying on the battlefields, Anaconda and its officials continued their sordid work of defrauding the government by furnishing faulty cable."

Bone also declared the cable was "so defective that the persons deliberately creating the defects would be brought before a firing squad if they had done this in the war zones." Attorney General Biddle called it "one of the most reprehensible cases of defrauding the government and endangering the lives of American soldiers and sailors ever to come to the attention of the Department of Justice."

But it was no more reprehensible than the case of the Wright Aeronautical Corporation, subsidiary of the huge Curtiss-Wright Corporation, holder of the second largest war contracts in the country. Wright's Lockland, O., plant (financed

by the government) was accused by the Truman Committee in July 1943, of falsifying tests on airplane engines, destroying records, forging inspection reports, changing tolerances allowed on parts, skipping inspection operations, etc. Inspectors who complained were intimidated or transferred. These activities were aided, abetted and covered up by Army inspectors and important Army officials influenced by the corporation. The result, according to the committee's report, was:

"Engines were built and sold to the government which were leaking gasoline. . . . Unsafe material has been discovered in completed engines ready for delivery. The company's own reports from its field representatives indicate that these parts had failed in a substantial number of cases. A substantial number of airplanes using this engine have had crashes in which engine failures were involved. . . . More than 25% of the engines built at the plant have consistently failed in one or more major parts during a three-hour test run. Spare parts were shipped without proper inspection. . . ."

Accused of exaggerating the gravity of conditions at the Lockland plant, Truman retorted: "The facts are that they were turning out phony engines and I have no doubt a lot of kids in training planes have been killed as a result. The Committee was conservative in its report, in order to prevent too much alarm over the situation."

A number of other and smaller companies were accused of the same crime during 1943: the Bohn Aluminum and Brass Corporation of Detroit, charged with fraud for willfully violating specifications for engine castings used in Rolls Royce airplanes; the Sandusky Foundry and Machinery Company of Sandusky, O., whose officials pleaded guilty to faking tests on propellor sleeves used on Navy vessels; the National Bronze and Aluminum Company of Cleveland, convicted for selling the government defective sand and aluminum mold castings which are used in combat planes; the Antonelli Fireworks Company of Spencerport, N. Y., indicted for deliberately selling the Army faulty hand grenades and incendiary bombs; the Collyer Insulated Wire Company of Rhode Island, indicted for conspiring to avoid government inspection and deliver defective wire and cable.

Nor does this exhaust the list. In a speech in Chicago on Aug. 23, 1943, Attorney General Biddle reported that Big Business frauds in this war are "much bigger than they were in 1917 or 1918"; he declared that 123 federal indictments had already been filed, with 1,279 investigations pending.

Biddle did not indicate how many of these indictments and investigations involve fraud endangering the lives of servicemen, but there can be no doubt that a substantial number do.

In this same speech Biddle noted that so far 71 cases have been disposed of, with convictions or other penalties in about 90% of the cases. But, he complained, in many cases the offenders had gotten off with extremely light penalties. If anything, that was an understatement. While a few of the smaller companies have not gotten off scot free and some of their officials have even been given prison sentences, the great majority of offenders—and particularly the powerful ones—have escaped thus far with at most a mere slap on the wrist. Typical was the trial in Fort Wayne, Ind., June, 1943, of the Anaconda Wire and Cable Marion plant:

“The most obnoxious fraud ever presented to a court of the United States!” That was how a prosecuting attorney described the Anaconda case. “Revolting” was the comment by Federal Judge Thomas W. Slick, who presided at the trial. Nevertheless, not a single one of the indicted Anaconda officials spent an hour in jail for their crimes. Some were fined and given prison sentences, but the judge ordered the suspension of the prison sentences upon payment of ridiculously light fines. Anaconda attorneys at the trial volunteered the information that the company had made \$46,000 from the frauds, but the total fines imposed by Judge Slick came to \$31,000. Thus, even after paying these fines the company had a tidy margin of profit from its criminal activities!

The company got away so easily by pleading *nolo contendere*, that is, not contesting the charges and throwing itself on the mercy of the court. Its lawyers admitted “technical guilt” but not “moral guilt”; they explained their reluctance to go before a trial jury on the ground that such a course “would have impeded the war effort.” The court, as has been shown, was exceedingly merciful. The judge explained the suspension of prison terms by saying he felt the guilty officials “could better serve the war effort by going back to work”; he did not say whether he meant the same kind of work for which they had been indicted. The judge also asserted that this disposition of the case would “stop anything of a similar nature elsewhere”—a view shared by almost no one else. Thus, the first important trial for wartime fraud endangering the armed forces indicated that Big Business can get away with murder.

"But," some people say, "these are the crimes of individual corporations, and Big Business as a whole should not be blamed for them." This is the position taken among others by AFL president William Green and CIO secretary James Carey. Contemptible as this argument is—especially from trade union leaders who are supposed to defend the interests of the workers against their Big Business enemies—it deserves an answer.

First, it must be remembered that U. S. Steel and Curtiss-Wright are not two-bit businesses unrelated to the rest of industry. On the contrary, they are among the most powerful groups in American Big Business, being two of the 25 companies which hold 50% of the war contracts, and they are controlled by the same financial interests that dominate the national economy. Check the names of their chief stockholders and boards of directors and you will find listed the same respected bankers and industrialists who top the list of America's Sixty Families.

Second, let it be noted that the revelations of these wartime crimes have not evoked a single word of criticism or denunciation from a single important capitalist in this country. The employers' associations, the National Association of Manufacturers, the Chamber of Commerce—all have been as silent as the tomb, none has even implied that there is anything reprehensible in frauds that deliberately endanger servicemen's lives. This silence speaks volumes more than a million consciously deceptive statements by cowards like Green and Carey, for it indicates that the basic outlook of the corporations caught in the act is shared by Big Business as a whole.

Third, there is the behavior of the capitalist press, which reaps fortunes from the big patriotic advertisements inserted in their pages by the powerful corporations (and paid for out of the taxpayers' money). For every line they have devoted to incomplete and confusing accounts of the war frauds, they have printed ten lines whitewashing the corporations and trying to smear the Truman Committee. When used at all, the stories of the wartime frauds have been relegated for the most part to the inside pages where they will not attract the same attention as the huge headlines and editorials denouncing the miners and other workers forced to strike in order to secure a living wage. This is not because the capitalist press fails to recognize news when it sees it; rather it is because the press recognizes that these crimes are a damning indictment of all capitalists.

Fourth, and most revealing, there is the following evidence about the steel and aircraft industries as a whole: A few days after the Truman Committee hearing on U. S. Steel had been concluded; the steel barons began to talk about a threatening decline of 35% in national steel production. "Lower production prospects are due to the demoralizing fear the Senate inquiry has instilled into every steel plant," said the *Pittsburgh Post Gazette* on Apr. 16, 1943. These reports—inspired by the steel corporations in an attempt to get the Truman Committee to lay off—showed that the entire steel industry feared such investigations. The only logical explanation for this fear is that other steel corporations besides U. S. Steel are engaged in illegal production practices.

Similarly, when the capitalist press was trying to blame the Truman Committee for an 85% decline in shipment of finished airplane engines at Wright's Lockland plant in the period between April and August, 1943, it was shown that Curtiss-Wright was not the only company panic-stricken by the prospect of investigation: "Leading industrialists and production experts the country over are carefully watching the case. . . ." the *New York Times* reported on Sept. 2. "The extent to which other companies and other plants of the Curtiss-Wright group have been affected by what happened at Lockland is difficult to estimate. Many other concerns are said to be worrying, however, lest they run into similar situations. . . ." But why should they be worrying if they are not guilty of the same crimes as Curtiss-Wright? Their apprehension is good reason for concluding that the Truman Committee investigations have scratched only the surface of Big Business crimes in this war and that further investigation would involve all the other big monopolies and corporations.

The sale of defective war material has shocked some people more than the other wartime activities of the corporations because it is so openly cynical and in such flagrant contrast to the high-minded sentiments spread over the newspaper advertisements. As a result there is a tendency to look upon this practice as something exceptional and unrelated to the general policies of capitalism. But at bottom it is no different in kind from the other "scandals" perpetrated by Big Business every day in the year.

The explanation for the policies and activities of the monopolies and corporations is always to be found in the profit motive. No employer keeps his factory running unless there

is profit to be made from it. This is as true in wartime as in peacetime, with only one difference: In wartime there is usually more profit to be made and the capitalists, maddened by greed, sweep aside all restraints and obstacles in the way of ever greater profits. Rare indeed is the case of an employer who has said: "I have got enough." The tendency of the ruling class is always to go after more and more. Billions are being made on war contracts, but even the most powerful corporations do not disdain to pick up a few millions extra by manufacturing substandard products and then palming off the defective material as the article for which they are being paid such generous prices.

But in what sense does this differ from the normal practices of capitalism? In peacetime Big Business' concern for profits and profits alone often results in the shutting of the factories. The hardships this brings to the whole working class, the undernourishment it visits on millions of children, the diseases that follow in its wake, surely take as heavy a toll of human life and well-being as the war frauds. Who will say which is worse? Who will contend that the cause is different?

What about war profiteering? The people were solemnly assured that there would be no war millionaires this time. Yet profits were bigger in 1942, after the payment of taxes, than they were during the last war or in the boom year of 1929. And they were 14% higher during the first six months of 1943 than during the same period in 1942, according to a report by the Department of Commerce. Which scandal is more detestable—the war frauds or the war profiteering which will place heavy burdens on all the masses and act as a drag on their living standards for years to come? And who will deny the connection between the two?

No, the Big Business "scandals" of this war do not begin and end with their cynical disregard for the safety of the servicemen. They began long ago, they touch on every aspect of the war program and they vitally affect the rights and conditions of every worker.

Ask the sailors at Pearl Harbor and they will tell you what they think about the manufacturers who sold the Japanese warlords the scrap metal used to make the bombs that were dropped upon them.

Ask the marines in the malaria-infested South Pacific jungles what they think about the capitalists who restricted the

production of quinine and other drugs so that they could maintain high prices for these products.

Ask the aviators and the merchant marine men who survived the sinking of their ships what they think about rubber barons and oil magnates whose demand for monopoly control of rubber in the post-war period impeded the production of synthetic rubber necessary to build rafts and other life-saving equipment.

There are shortages of aluminum, binoculars, critical chemicals, magnesium, tetracene, dyestuffs, tungsten carbide, etc., all important materials in wartime. The reason? Because Standard Oil, du Pont, General Electric, ALCOA, General Motors and the other big corporations formed cartels with their fellow monopolists in Germany, Britain, France, Japan, etc., for the purpose of restricting production, maintaining monopoly and raising prices. More lives have been lost in this war because of these cartel deals than because of the sale of defective material.

Other shortages affecting the war program can be traced directly to the fact that the big corporations have hogged the great majority of the government's war contracts. As Assistant Attorney General Tom C. Clark has reported:

"At the start of the war program in this country 175,000 companies provided 70% of the nation's manufacturing output, while today, two and a half years later, the ratio has been reversed to the point where 100 corporations hold 70% of the war and essential civilian contracts. This group, he declared, has obtained the bulk of the fourteen billion dollars worth of new plants built at government expense." (*New York Times*, April 23, 1943.)

As a result many small plants have been driven to the wall; with them disappeared their productive capacity, while many of the new plants remain partly unused and unproductive. A typical example of how the monopolists impede production is the shipbuilding industry, where the revolutionary Higgins assembly-line production program was strangled because it was considered a competitive threat to the position of powerful companies like Bethlehem Steel.

Other wartime blessings for which the workers can thank Big Business are: the speedup, which resulted in 1942 in a greater number of casualties on the industrial front than on the military front; an artificially created manpower shortage—due to labor hoarding by the manufacturers and big agricultural interests, discrimination against Negro and women

workers, managerial inefficiency—which is used to justify freezing the workers to low-paid jobs; an aggravation of the housing crisis in many war production centers, resulting in increased sickness, disease, child delinquency and disruption of family life; food shortages designed to force price rises.*

Big Business could not get away with all this if there were a government in Washington seriously interested in stopping it. But the government is itself the outstanding advocate of capitalism. The government is well aware of the attitude of Big Business, as was shown in Monograph No. 26, "Economic Power and Political Pressure," issued by the government's Temporary National Economic Committee in November, 1940, and stating in part:

"Speaking bluntly, the government and the public are 'over a barrel' when it comes to dealing with business in time of war or other crisis. Business refuses to work, except on terms which it dictates. It controls the natural resources, the liquid assets, the strategic position in the country's economic structure, and its technical equipment and knowledge of processes. The experience of the World War, now apparently being repeated, indicates that business will use this control only if it is 'paid properly.' In effect, this is blackmail, not too fully disguised."

Blackmail it may be, but the government has given in to it without complaint or rancor. It has given the employers the greatest profits in their history; and to pay for these profits, it has piled one scandalous tax bill after another on the masses, frozen wages and jobs, prohibited strikes, prevented effective price control, abolished all limits on big salaries. Big Business has no reason to complain that it is not being "paid properly," according to its own lights. To make doubly sure that they don't muff any opportunities, the corporations have offered and the government has appointed a considerable number of dollar-a-year men to head the most important wartime agencies and posts. Even the New Deal Secretary of the Interior Harold Ickes admitted on July 21, 1943, that "it is the business men who are running the war." And while running it, they see to it that the interests of the corporations are well protected.

Even after Pearl Harbor the government was still trying to

*The full story of shortages deliberately created by the food corporations is told in "Your Standard of Living—What Is Happening To It" by C. Charles, Pioneer Publishers, New York 1942.

get industry to discontinue illegal practices hampering war production. Assistant Attorney General Thurman Arnold complained in his report to Congress on Jan. 3, 1942, about:

“. . . the attitude of powerful private groups dominating basic industries who have feared to expand their production because expansion would endanger their future control of industry. . . . There is not an organized basic industry in the United States which has not been restricting production by some device or other in order to avoid what they call the 'ruinous overproduction after the war.'”

The government pleaded with the corporations to cooperate, to discontinue their cartel deals and violations of the anti-trust laws, and to let other companies use their patents for war production; the corporations flatly refused. Early in 1942 the government—in order to prevent the complete breakdown of the war program, that is, in order to protect the interests of the capitalist class as a whole—was finally compelled to institute a series of suits against a number of monopolies, making public the damning facts about which the government had been aware for many years.

The corporations had been caught red-handed. But the government, once having gotten their promise to permit the use of the patents during the war, dropped the charges and let these corporations escape virtually unpunished. Standard Oil, for example, whose restriction of synthetic rubber production had blocked the whole war production program, was permitted to plead *nolo contendere* and was given a \$50,000 fine (which amounts to about the average profit this corporation makes every hour). The other corporations got away even more easily. To make the government's attitude unmistakably clear, Arnold, Biddle, Secretary of War Stimson and Secretary of Navy Knox wrote Roosevelt on March 20, 1942, in the midst of the public revelations about the cartels, and said that “some of the pending court investigations, suits and prosecutions under the anti-trust statutes by the Department of Justice, if continued, will interfere with the production of war materials. . . . In those cases we believe that continuing such prosecutions at this time will be contrary to the national interest and security.” This was some more “blackmail,” a threat to hold up on production if the prosecutions were continued, with government officials covering up for the corporations. Roosevelt answered: “I approve the procedure outlined in your memorandum to me. . . .” Thus, punishment of the corporations

for violating the laws has been postponed to some remote future in the post-war period, if then.

The same course has been followed in connection with the defective war material cases. Reluctantly the government has been compelled to prosecute in a few of the more flagrant cases, but each time high government representatives have stepped forward to make light of the corporation crimes.

The War Production Board held a closed meeting on the U. S. Steel case, but its only outcome was a statement by WPB chairman Donald Nelson deploring a "more than usual" vigilance on the part of steel plant inspectors and a WPB telegram to several steel companies urging them not to lean over backwards while seeking "unattainable perfection" in meeting production specifications. Other key government spokesmen issued statements implying that there was no need to worry about the practices of U. S. Steel.

When a wave of protest arose after the Truman Investigation of Curtiss-Wright, Undersecretary of War Patterson, while not daring to deny the truth of Truman's charges, nevertheless issued a statement asserting that conditions at the Lockland plant were "much less sensational than some of the inferences drawn in recently published statements." An Army investigation board under Lt. General William S. Knudsen also had to admit the Truman Committee charges were accurate but sought to minimize their importance. Both these and other government officials seemed more concerned in quieting public indignation than in taking measures against the Curtiss-Wright criminals.

And during the period between Anaconda Wire and Cable's indictment and trial, the Offices of the Inspector of Navy Material in New York and Cincinnati went out of their way to commend Anaconda for its "good workmanship" and to announce that it was being considered for an "E" award. During this same period Army and Navy procurement officials showed how little concerned they were about the corporation's malpractices by awarding Anaconda's Marion plant almost \$4,000,000 in additional business.

Whatever else one may conclude from these government actions, it is safe to say that they do not have the effect of strongly discouraging war frauds.

What is to be done about the criminal activities of Big Business? The Administration and Congress have already conclusively shown that they either won't or can't take measures

to make the punishment fit the crime. If anything is to be done, it will have to be done by the labor movement.

Some people have suggested the passage of legislation imposing the death penalty on manufacturers whose fraudulent practices endanger the lives of the men in the armed forces. A bill providing this penalty or a million dollar fine has even been introduced into Congress. It is hard to imagine the present Congress—which is the servant, body and soul, of the big corporations—ever adopting legislation to punish them.

To get to the root of the problem, the Socialist Workers Party advocates that the ownership and control of industry be taken out of the hands of the capitalists. This course of action will be regarded by Big Business as far more drastic than any bill providing the death penalty and it will be fought by them with every weapon they have, but it is the only practical answer to capitalist mismanagement of industry.

At its June 1943 meeting in Toronto, the international executive board of the United Auto Workers, CIO, drew up a series of proposals designed to ensure full employment in the post-war period. One of these called for government ownership after the war of "monopolistic industries and of industries strategically essential to the national safety."

This is a sound idea, and offers the key to the solution not only of unemployment, as nationalized production has shown in the Soviet Union, but also of the criminal practices of the capitalist class. Let industry be owned by the government and operated under the control of committees democratically elected by the workers. The profit motive would be removed, and with it would be removed the incentive to produce and sell dangerously defective products. The costs of production would be lowered and the workers' committees, having no interest in exacting profits from the blood of the soldiers, would guarantee production and honest testing in the interests of the masses of the people.

The UAW executive board proposes post-war government ownership of industry. But why wait until the war is over? The contents of this pamphlet demonstrate that Big Business domination of industry menaces the welfare and safety of the masses in wartime as much as if not more than in peacetime. The war may last a long time, and so long as Big Business is in control, the number of victims of capitalist greed will continue to mount. Meanwhile the big corporations are using the war itself to smash thousands of smaller businesses and to tighten their own grip on industry. The longer

the workers wait, the harder it may prove to expropriate the capitalists. The time to act is now.

It will not be easy to put this program into effect. Union men and women who have had to strike for a wage increase of even five cents an hour know how vindictively the employers resist every challenge to their profits; capitalist ferocity will be multiplied a hundred times when the workers try to take the factories away from them. The daily press and radio commentators will become frenzied in their denunciations and incitations to violence against the workers; all the instruments of capitalist propaganda will be turned on full blast to bolster the myth that production cannot continue without the capitalist coupon-clippers, that society cannot function without parasitic exploiters. And, of course, the capitalists will be aided throughout in this campaign by their political parties and their agents in the government.

The question of who is to own and operate industry is a political problem. To make the change that is necessary the workers will have to conduct a political struggle against Big Business. The employers already have their political organizations, the Republican and Democratic Parties, and to fight them successfully the workers will have to create a political organization of their own. The capitalist parties are last-ditch supporters of the system of private property and private profit which enables the employers to do what they wish with the means of production. The workers need a party which will be just as firmly devoted to the program of government ownership and workers' control of industry. That means an independent labor party, based on the trade unions and running its own labor candidates in elections.

The present government has already shown where it stands on this question. The billions of dollars worth of factories, properties and equipment now owned by the government are going to be turned over at bargain prices after the war to the employers, who will use them to swell their profits and to further strengthen their monopoly control. That is why the workers and their party must fight for the creation of a new kind of government, one which will aid not oppose the struggle for government ownership and workers' control, a Workers' and Farmers' Government.

The wartime production crimes have torn away the mask from the rapaciously greedy countenance of Big Business. Now the working people must tear out of the capitalists' hands the power to continue their criminal activities.

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