

THE MUNITION  
MAKER'S PRAYER

"Give us this day a  
little war."



he  
secret  
international

Armament  
Firms at Work

6<sup>d.</sup>

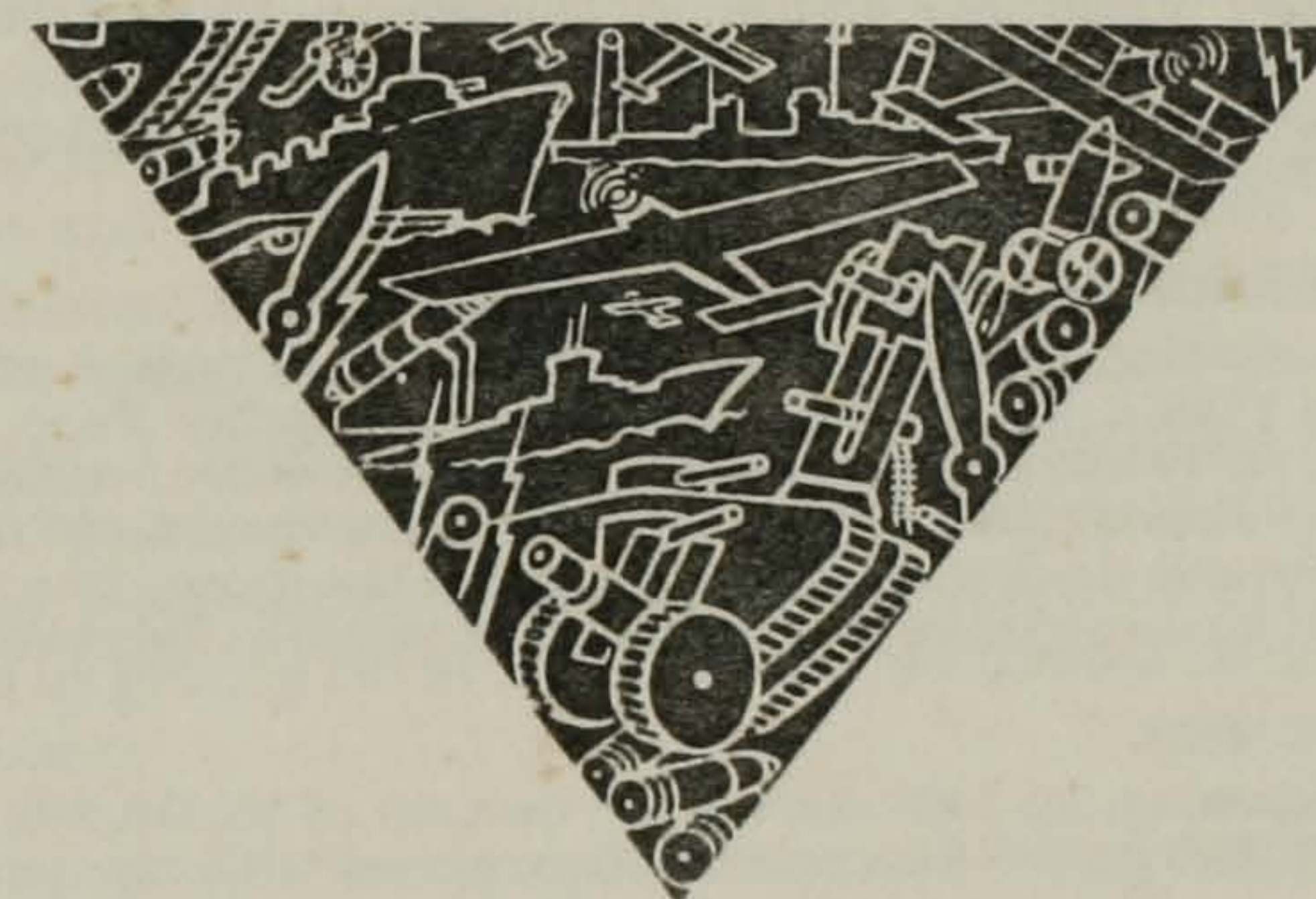


THE  
SECRET  
INTERNATIONAL

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ARMAMENT FIRMS  
AT WORK

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## Sixth Impression "The Secret International," Oct., 1933

The following points must be added to *The Secret International* to bring this Fifth Impression up-to-date. A new pamphlet which shows that the world has armed during the Disarmament Conference will be published shortly.

### LORD HAILSHAM

Lord Hailsham, who was a shareholder in Vickers, Ltd., has now disposed of his shares. (See page 43 of previous Impressions.)

### SIR JOHN SIMON

The *Star* of March 9, 1933, carried the following paragraphs concerning Sir John Simon and the shares which, as the previous Impressions of *The Secret International* have pointed out, were held by him in Imperial Chemical Industries, Ltd.:—

"Sir John Simon has taken a step which every lover of peace will recognise as a handsome effort to clear himself of any suggested connection with armaments. It was recently pointed out to him that through his holdings in Imperial Chemical Industries he had actually become financially interested in munitions since one of its subsidiary companies was making munitions for the Far East.

"Sir John, when the point was brought home to him, immediately cleared out all his holdings in these shares. He is seriously concerned about the traffic which he said in the House of Commons many people regarded as 'horrible.'

"He has read through with careful attention the pamphlet *The Secret International* which the Union of Democratic Control published on the international activities of the armament interests, and he could not help being impressed by its cold statement of facts." (See page 17 of previous Impressions.)

### WESLEYAN CHAPEL PURPOSES (LTD.), MANCHESTER

When, after reading *The Secret International*, the Trustees of the Wesleyan Chapel Purposes (Ltd.), Manchester, realised that Handley Page, Ltd., in which they held shares on behalf of their Swanage Circuit, was an armament firm which included military aircraft amongst its manufactures, they decided to advise the Swanage Circuit to sell the investment and reinvest the money in a security against which there could be no objection. (See page 19 of previous Impressions.)

### ARMAMENT ORDERS

The Naval Estimates for 1933 show a net increase of £3,093,700. There is a net increase of £2,442,500 in the amount of orders placed with the private armament firms.

The Army Estimates for 1933 show a net increase of £1,462,000. The cost of the Army Contracts Directorate shows an increase of £779.

The Air Force Estimates for 1933 show a net increase of £26,000. The cost of the Air Force Directorate of Contracts shows an increase of £405. (See pages 30 and 31 of previous Impressions.)

### IMPERIAL CHEMICAL INDUSTRIES, LTD.

The Report of I.C.I., Ltd., for 1932 shows an increase of £3,408,290 in its net income. Its gross profits were one-third greater than in 1931. Its net profits were 40 per cent. greater than in 1931. The accounts of I.C.I. (Metals), Ltd., the subsidiary of I.C.I., Ltd., which manufactured such considerable quantities of munitions for the Far East during the past year, are not shown separately so that it is impossible to estimate the proportion of profits due to the "war" between China and Japan. (See page 17 of previous Impressions.)

### FAIREY AVIATION COMPANY

The Fairey Aviation Co., Ltd., according to the Annual Report for 1932 has increased its reserves from £60,000 to £90,000. The profits for 1932 increased from £184,000 to £198,000—the highest in the company's history. (See page 18 of previous Impressions.)

## PREFACE

**T**WO facts have again brought to the public attention the "grave objections," to use the phrase of the Covenant of the League of Nations, which are entailed in the private manufacture of arms. The first is that, while the Powers have been assembled together in an attempt to put an end to the struggle between Japan and China, private manufacturers within the territory of the Powers themselves have been actively and impartially supplying arms to both combatants. The absurdity of such a situation has led to a demand both in Europe and in America to end the manufacture of arms.

The second fact is that one observer after another of the slow and almost hopeless discussions at the Disarmament Conference has testified to the opposition to the cause of disarmament exerted through the Press and other channels by the vested interests of armament manufacturers. It is not, therefore, surprising to find Lord Cecil again saying: "There is a very sinister feature to all the disarmament discussions. I refer to the tremendous power wielded against all the proposals by armament firms . . . It is no longer safe to keep in private hands the construction of these terrible instruments of death. We must aim at getting rid of this immense instrument in the maintenance of suspicion."

The exposure of the corrupt influence of Krupps before the war and of the sinister activities of the armament rings as a whole led to the public recognition of the danger of private manufacture of arms in the Covenant of the League of Nations. Certain scandals could not be hidden and books and pamphlets like *The War Traders* (1914) by G. H. Perris; *The International Industry of War* (1915) published by The Union of Democratic Control; *The War Trust Exposed* and *How Europe Armed for War* (1916) by J. T. Walton Newbold gave a startling account of the pre-war position.

Since the war, however, little has been published on the subject, though useful information may be obtained from *War for Profits* (1929) by Lehmann-Russbüldt, from a League of Nations Union pamphlet *Traffic in Arms* (1928), and from the League of Nations' very inadequate publication, *The Statistical Year Book of the Trade in Arms and Ammunition*. This last deals, however, only with the export



of arms and even in this restricted field omits such important items as battleships and aircraft! The most stimulating contribution to the subject since the war is the brilliant summary in Chapter 12 of *The Work, Wealth and Happiness of Mankind* by H. G. Wells. The American aspect of the problem is discussed in an interesting book entitled *Deaths and Profits* by Seymour Waldman (Brewer, Warren & Putman, 1932).

This pamphlet is an attempt to collect the available information and to state as clearly as possible the present case for the public control of the whole armament industry. Where the facts have been already published, they have been carefully checked before being repeated, and the source of every important statement and fact is indicated either in the text or in the footnotes. The conclusion seems to prove beyond all doubt that the abolition of the private manufacture of arms is a necessary element in any genuine work for international peace.

Acknowledgments to *De Notenkraker* of Amsterdam and to *Plebs* for permission to reproduce cartoon on front cover.

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Fifth Impression,	April, 1933.
Sixth Impression,	October, 1933.

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## Chapter I

### ARMAMENT FIRMS

AND

### THE LEAGUE OF NATIONS

**I**N 1921 a League of Nations Commission<sup>1</sup> which had been appointed to inquire into the problem of the private manufacture of arms came to the following conclusions:—

- (1) That armament firms have been active in fomenting war scares and in persuading their own countries to adopt warlike policies and to increase their armaments.
- (2) That armament firms have attempted to bribe Government officials both at home and abroad.
- (3) That armament firms have disseminated false reports concerning the military and naval programmes of various countries in order to stimulate armament expenditure.
- (4) That armament firms have sought to influence public opinion through the control of newspapers in their own and foreign countries.
- (5) That armament firms have organised international armament rings through which the armaments race has been accentuated by playing off one country against another.
- (6) That armament firms have organised international armament trusts which have increased the price of armaments to Governments.

These are definite charges and it is a pity that the evidence on which they were based has not been published.

No effort has been made to rebut them and not all the evidence of their truth is hidden. Every now and again some scandal occurs which leads to a public inquiry. Occasionally a persistent member of the House of Commons or the Chamber of Deputies or of Congress refuses to be put off by an official reply and some real information is obtained. Much too may be learnt from Blue Books, Company Reports, Trade Returns and the Records at Somerset House. In this pamphlet some of this available and publishable evidence is gathered together.

In reviewing the facts it is well to remember that the armament industry differs in several essentials from other industries. In most types of business, wares are advertised in the hope of persuading customers to buy

<sup>1</sup> The First Sub-Committee of the Temporary Mixed Commission of the League of Nations. Report A.81. 1921.



from one firm rather than from another. Within some limited market it may suit the firm to amalgamate, but in no other industry are the inducements to international combination so great and the results of competition from the manufacturers' point of view so poor. The articles supplied satisfy no real human need; no wealth is produced by the sale of arms. On the contrary, all money spent on arms is economically pure waste; arms are only bought at the expense of other commodities and every purchaser who restricts his demand simultaneously persuades other purchasers to do the same. In the same way, if one country decides to increase its armaments, its rivals feel compelled to increase theirs. The main fact for an armament manufacturer to bear in mind, therefore, is that increased sales in the foreign market, whether supplied by his own firm or another, increases almost automatically the demand in the home market. If a British firm sells a new type of aerial bomb to the French Government, the British Government is thereby stimulated to buy bombs of the same, or of a more powerful, type. While nations compete for arms, armament firms have every inducement not to compete. They all stand to gain by each other's increase of business. Accordingly, we find that though armament firms often have national names and special connections they always tend to organise themselves into international rings and to link themselves up with other closely related industries which specialise, for instance, in chemical or explosive production. Once these rings are formed, their only interest is to increase the total world demand for armaments, and, since governments are the purchasers, the potential demand is almost unlimited. The actual size of this demand depends on the degree of fear and uncertainty in which the nations can be induced to live; whereas the interests of ordinary men lie in peace and security, the interests of those who live by the sale of arms lie in fear, insecurity and, ultimately, in war. Therefore, the business method of increasing the sale of arms is to promote, by whatever means come to hand, open or underground, the fear of war in the world. Every armament manufacturer has a direct interest in jettisoning the League of Nations and breaking up Disarmament Conferences.

To-day almost everyone pays lip-service to the cause of disarmament. No one says in public that it would not be better if the nations spent less money and employed fewer men on the making of shells and guns, tanks and submarines, battleships and battle aeroplanes, in devising new and more deadly forms of poison gas and explosives. This pamphlet assumes general agreement about that. It also assumes that most people are bitterly disappointed that the progress towards a goal which is generally desired is so slow, and it suggests that one reason why it is so slow is that there is a very active and powerful force working nationally and internationally against disarmament.

No doubt it is true that the greatest obstacles in the way of disarmament are the "Unseen Assassins" of which Sir Norman Angell has written<sup>1</sup>—the unreasoning nationalism that persists side by side with the nascent internationalism of the world, the greed for power that afflicts every organised political group, the fear that others will be more powerful, the unwillingness we all show to sacrifice the desire of the moment for long-distance ends. But those who have worked for the cause of disarmament during the last twelve years, those who study the attitude of the newspapers and even sometimes of government servants at critical moments during disarmament conferences, agree that they meet in many indirect ways an opposition which is secret and powerful, an opposition which is not internal

<sup>1</sup> *The Unseen Assassins*, by Norman Angell. (Hamish Hamilton. 7s. 6d.)

but external, which does not spring from popular apathy towards disarmament but which is organised by those who have a financial interest in the upkeep of arms. This organisation and propaganda against disarmament is itself international. Those who promote it are not patriots or nationalists; they are business men whose interests are to encourage inflated patriotism and national animosities. They aim not at the triumph of any particular nation but at selling as many munitions as possible. The armament manufacturer is above patriotism. In the South African War the Boers shot British soldiers with British rifles; in the world war Australian and British troops in the Dardanelles were mown down by British guns.<sup>1</sup> During the last few months many of the guns with which Chinese have been defending themselves against the Japanese have been supplied by Japanese manufacturers.<sup>2</sup>

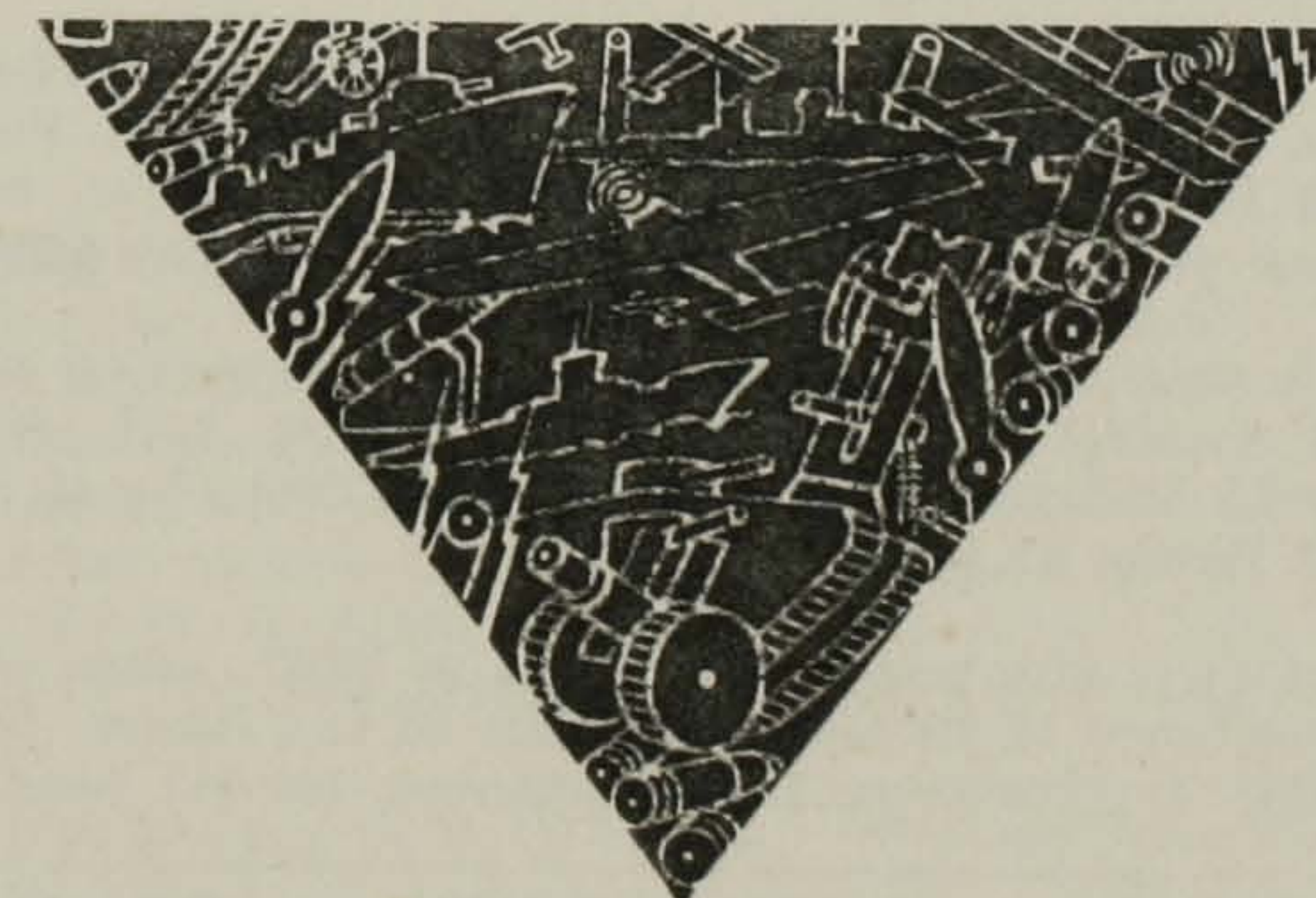
Those who make arms live by the fears and hatred which lead to war. When war does come, they grow fat. The follies and divisions of mankind are their daily bread; the catastrophes which impoverish the world are their banquets. They prosper most when we mourn over a generation dead.

<sup>1</sup> Mr. Hugh Dalton, speaking on the Naval Estimates in the House of Commons on March 11, 1926, described this incident as follows: "Vickers had been supplying the Turkish artillery with shells which were fired into the Australian, New Zealand and British troops as they were scrambling up Anzac Cove and Cape Helles. Did it matter to the directors of these armament firms, so long as they did business and expanded the defence expenditure of Turkey, that their weapons mashed up into bloody pulp all the morning glory that was the flower of Anzac, the youth of Australia and New Zealand, yes and of the youth of our own country? These men, these directors of armament firms, are the highest and completest embodiment of capitalist morality."

<sup>2</sup> During recent years, the Far East has been the greatest market for arms. Japan has been preparing for her Manchurian adventure both in her own factories and by importing from Germany, Belgium, Great Britain, France and Spain.

China, which has practically no arms factories of her own, is the world's greatest importer of arms. Her largest supplies come from Hamburg, through which port the Skoda factories in Czechoslovakia do their overseas trade. China also imports arms from Belgium, Norway and Great Britain. But she has bought in recent years an increasing amount from Japan, which in 1930 supplied her with no less than 37.5 per cent. of her total imports. 1930, the year before the present trouble in China, was a golden year for the armament factories in Japan, in Belgium, in Germany, in the U.S.A. and to a less extent in Great Britain and Norway.

Shanghai has now become a centre of the armament industry for the whole of the Far East. It is a port of landing where armaments from the big European firms are sorted out, some for China and some for Japan.





## Chapter II

# THE CHARACTER AND SCOPE OF THE BRITISH ARMAMENT INDUSTRY

**B**EFORE the war, no armament firm occupied so large a place in the public mind as Krupps. The desire to show Germany as the great military menace, combined with certain notorious scandals, led to an exposure of the character of this firm and the methods which it employed. Major Lefebure has rewritten the history of this firm in his recent book *Scientific Disarmament*.<sup>1</sup> The essentials of the story are that this firm was built up by the ingenuity of three generations of the Krupp family who founded their fortunes by persuading a variety of governments to embark on a policy of competitive arming, each country being induced to buy a new form of gun because a rival was already equipped with it. On the basis of this international organisation Krupps were able to form a special relationship with the Hohenzollern family, to dictate to a considerable extent the foreign policy of Germany and at the same time to carry on a large export trade in arms all over the world. The compulsory disarmament of Germany has now put Krupps out of the picture as an armament firm. The question we have to ask is whether other armament firms that still flourish to-day have a similar history.

We may begin at home with the firm of Vickers-Armstrongs. The story of this firm has not been told. Even a superficial examination of its history and position before the war, and its development since 1918, suggest a close parallel with the story of Krupps.

The firm of Vickers, Ltd., goes back to the business of George Naylor, founded in 1790. In 1829 it became Naylor, Hutchinson, Vickers & Co., and later, in 1867, it was incorporated as Vickers Sons & Co., with a capital of £150,000. Four years later the capital had increased to £500,000.

In 1892 by the creation of new shares and the acquisition of interests in other companies, notably William Beardmore, Vickers, Ltd., developed into a vast concern with Ordnance Works at Glasgow, factories at Sheffield and Erith and Naval Works at Walney Island.

An important step afterwards was taken in 1897, when the directors, realising the importance of ironclads for wars of the future, bought up the Naval Construction & Armament Co., of Barrow, for the sum of £425,000.

<sup>1</sup> *Scientific Disarmament*, by Major V. Lefebure. (Gollancz. 5s.)

An even more significant step was the purchase of Maxim-Nordenfeldt Guns & Ammunition Co. for £1,353,334 in cash and shares. The combine then became known as Vickers, Sons & Maxim and it had a capital of £3,750,000.<sup>1</sup>

It is at this point that Mr. Basil Zaharoff, born in Greece in 1849, must be brought into the picture, for the history of Vickers is inseparably connected with that of the financial genius of this man who had begun his career as a salesman of armaments, travelling for the firm of Nordenfeldt.

Mr. Zaharoff came into the armament industry in 1877 at a time when the Balkans were in a ferment against Turkey, and when Turkey and Russia were struggling for power in the Near East. Zaharoff reaped harvests from the re-equipment and enlargement of the Greek army in 1880 and the following years. It was at this time that Nordenfeldt produced an effective submarine. It was offered by Zaharoff to the great naval Powers, but they were still hesitating to employ submarines and refused to buy. But Greece eagerly accepted Zaharoff's offer "and so there arose the curious situation that Greece was the first country in the world to receive the first practical submarine."<sup>2</sup> Very soon afterwards Zaharoff persuaded Turkey that, if Greece had one submarine, Turkey must have two.

In 1888, mainly through the influence of Zaharoff, the Nordenfeldt Guns & Ammunition Co., Ltd., and the Maxim Gun Co. were amalgamated into one concern. Hiram Maxim was the inventor whose machine-gun revolutionised modern warfare. Nordenfeldt subsequently left the Company, and, as we have seen, in 1897 it was purchased by Vickers. Henceforth, Zaharoff became the dominating figure in the firm which was destined to become the leading armaments firm in this country.

Immediately after the Boer War they acquired the Wolseley Tool & Motor Co. for £160,000 and the Electric & Ordnance Accessories Co. for £110,000.

During the Russo-Japanese War, England, the ally of Japan, supplied armaments to both sides, and Zaharoff effected an alliance with the St. Petersburg Ironworks and the Franco-Russian Company. Through these firms he obtained orders for guns and heavy material for cruisers, whilst through the Russian Shipbuilding Co. he received an order for two first-class battleships in the Black Sea. At the same time Beardmore, the Glasgow firm which belonged to Vickers, co-operated with Schneider-Creusot and Augustin Normand in the building of a dockyard and cannon factories in Reval. The international character of the firm was thus well established, and Zaharoff held shares not only in Vickers-Maxim but also in Schneider-Creusot and in ten other British arms factories, including Armstrong-Whitworth.

### The Armament Ring

But by this date it is misleading to consider Vickers as a firm by itself; it had become part of the vast international Armament Trust, the Harvey United Steel Co. This Trust was formed in 1901 and remained in being until 1913; Mr. Albert Vickers, the managing director of Vickers & Maxim, was its chairman, and already in 1902 it included on its directorate representatives of four British firms: Charles Cammell & Co., Ltd., John Brown & Co., Ltd., Sir W. G. Armstrong Whitworth & Co., Ltd., and Vickers, Sons & Maxim, Ltd.; the two great German firms of Krupps and the Dillengen

<sup>1</sup> *The War Traders*, by G. H. Perris. (National Peace Council, 1914.)

<sup>2</sup> *Sir Basil Zaharoff*, by Richard Lewinsohn. (Gollancz, 12s. 6d.)



Steel Co.; the American firm, the Carnegie Steel Co., and the French firms of Schneider, the Chatillon Steel Co., and the St. Chamont Steel Co., and the Italian Terni Steel Works.<sup>1</sup> Though in subsequent years there were changes in personnel and new combinations, the Harvey Steel Trust remained up to the year before the war a comprehensive ring comprising the chief armament firms of Great Britain, Germany, France, Italy and the United States. Closely associated were other rings—the Nobel Dynamite Trust and the Chilworth Gunpowder Co. which controlled the explosive and chemical side of armament manufacture.

The Chilworth Gunpowder Co., Ltd., formed in 1885, was run as a joint concern by the managing directors of the United Rhenish and the Dueneberg Powder Mills and the Armstrong firm. Its chairman was a director of Armstrongs and its international character was kept up until the war broke out, when the Germans retired.

These rings were completely international in character and were highly successful in keeping alive in each country the demand for armaments which were bought by each rival government on the plea that they could not afford to be less well armed than their neighbours. When the war came the ring itself necessarily broke up into its component parts and the people of the world whom they had jointly supplied with arms used these arms to destroy one another.

When the war broke out in 1914 the firm of Vickers, Ltd., was almost the equal of the firm of Armstrongs with whom it shared an interest in the Whitehead Torpedo factory. Together they were the leaders of the English armament industry. Vickers was even larger than Krupps if judged by the size of its share capital, whilst it had many more connections at home and abroad. It had relations with the German factory Loewe & Co., a member of that family being on the Vickers Board of Directors.<sup>2</sup> It had factories in Spain, Italy, Russia, Japan and Canada and was the most international armament firm in the world.

The power and influence of the armament rings, and of Vickers in particular, during the period of international unrest that preceded the war did not altogether escape notice. Viscount Snowden, who as Philip Snowden had a keen eye for such matters, made a striking statement in a speech on the Naval Estimates in 1914. He complained of the political activities of armament rings and called special attention to the part played by Vickers.<sup>3</sup>

<sup>1</sup> *The International Industry of War.* (Published by the Union of Democratic Control, 1915.)

<sup>2</sup> According to J. T. W. Newbold in *How Europe Armed for War* (Blackfriars Press, 1s. 3d.):—

“Mr. S. Loewe early joined the directorate of the Maxim and Nordenfeldt Gun and Ammunition Co. of London, and passed on to the Board of Vickers, Sons & Maxim, Ltd., when the smaller firm was absorbed. He was with this most British of British firms until his death in 1903. . . Vickers afterwards maintained the Loewe tradition by continuing to act as the London agents of Paul von Gontard's concern, the Deutsche Waffenfabrik.”

<sup>3</sup> *Hansard*, March 17, 1914:—

“I find in the year before the scare Messrs. Vickers' profits amounting to £424,000. Two years after that they were nearly double that amount. Every year since the success of their intrigue their profits have gone up—£474,000, £544,000, £745,000, £872,000 . . .

The First Lord of the Admiralty . . . some time ago said that the relations of the Admiralty with Vickers and another large firm in the trade are far

The following years proved that Philip Snowden accurately described the anticipation of Messrs. Vickers.

Just as an increase of capital was made before the South African War, so was the capital of Vickers, Ltd. (the name was changed in 1911), increased by £740,000 in 1913. The balance sheet for the year ending December 31, 1913, shows an item “Premium on 740,000 ordinary shares issued at £1 10s. per share,” which indicates the popularity of Vickers, Ltd., and the handsome profits already made, and what profits in the opinion of those most competent to judge were probable during the ensuing trade year. This optimism was amply justified and the share capital was increased from £4,440,000 to £5,550,000 in 1914. The profits increased to £929,107.

In a review of the period preceding the war in 1914, the shares of Vickers, Ltd., could be recorded as a barometer with which to test the political storms then threatening in Europe. The fact that during the years from 1909 to 1914 the needle progressively rose till the column almost overflowed showed that at each successive international crisis there was an increasing number of persons willing to speculate heavily upon the probability of war.

The files at Somerset House show that there was a feverish anxiety to deal in armament shares in the summer of 1914, and, with the coming of war, we find a number of well-informed persons, certain prominent bankers, and Sir Basil Zaharoff himself, increasing their holdings. Amongst the shareholders at that time were various important people closely associated with the Government.<sup>1</sup>

The close relationship between Vickers and Government departments in this country and Government officials in a number of foreign countries was no secret before the war. Vickers had already established the practice, so usefully developed later, of placing in prominent positions on their Board and on their high-grade staff experts who had retained military and naval titles in His Majesty's Forces. The war itself, of course, made the relationship between Governments and armament firms more intimate still, and Sir Basil Zaharoff was himself a close friend and adviser of Mr. Lloyd George, Minister of Munitions and, later, Prime Minister. Just how great his international influence was no one can be sure. Much that is improbable as well as much that is certainly true has been written of this “mystery man of Europe.” It is at any rate certain that he was largely responsible for bringing Greece into the war on the Allied side. The Allied propaganda in Greece which brought M. Venizelos into power was carried on largely at the personal expense of Sir Basil, who acted as the agent of France in buying a number of influential Greek newspapers. For these services he was decorated with the

more cordial than the ordinary relations of business. That might be one reason why the representative of these firms was received in audience at a Cabinet Council . . .

Patriotism is not one of the distinguishing features of the trade methods of this great combine. For instance, I find Messrs. Vickers have works at Barrow, Sheffield and Birmingham, but they do not confine themselves to this country. They have a yard in Placentia de las Armas in Spain; they have another place in Spezzia in Italy. They evidently take time by the forelock. They anticipate the promise of a Mediterranean squadron.”

<sup>1</sup> The trustee for the debenture holders of Vickers was Lord Sandhurst, formerly Under-Secretary of State for War, and at that time Lord Chamberlain. The Secretary of State for the Colonies, Rt. Hon. Lewis Harcourt, M.P., was an important shareholder. A. J. Balfour was trustee for Beardmore, whilst Col. Parks, the great conscription enthusiast, was a director.



French Legion of Honour. It is also certain that by the end of the war he was one of the wealthiest men in Europe and that he had immense financial interests not only in armaments but also in oil, international banking, and in shipping, and that he was a close friend of Clemenceau and Briand and had a large interest in several Parisian, as well as Greek, newspapers.<sup>1</sup>

In 1917, when there was a possibility of peace negotiations through United States intervention, Zaharoff was consulted. Lord Bertie, the British Ambassador in Paris at that time, reported in his diary on June 25, 1917, that "Zaharoff is all for continuing the war *jusqu'au bout*."

#### The Post-war Position of Vickers

Since the war, the situation has changed in some respects and the tendency has been in the direction of rationalisation and of grouping together all the various armament interests in this country round Vickers, Ltd. Of course, Vickers is by no means exclusively devoted to the manufacture of armaments. But here we are not concerned with the manufacture of sewing machines and speed boats, but with the fact that Vickers to-day dominates the armament manufacture in this country. Step by step the interests of Vickers, Ltd., have been combined with the interests of other companies which deal in products necessary for armament manufacture.

Before the war the firms of Vickers and Armstrongs had been the two leading firms in this country. After the boom period of the war had subsided, first Vickers, and then Armstrongs, which had become heavily over-capitalised, found it necessary to carry through far-reaching schemes of reorganisation.

Then, in 1927, the armament, shipbuilding and steel interests of Vickers, Ltd., and those of Sir W. G. Armstrong Whitworth, Ltd., were amalgamated, and thus Vickers-Armstrongs became the leading armament firm in this country and the most international armament firm in the world. This new firm took over Vickers works at Barrow, Erith, Dartford and Sheffield and the Armstrong-Whitworth works at Manchester (Openshaw), Elswick and the Naval Yard at Newcastle-on-Tyne. In its leading article of November 4, 1927, *The Times* referred to the exceptional importance of this amalgamation. It remarked that:—

"It would be hard to name an amalgamation in industry equal in importance to the fusion which is announced to-day of the great armament firms of Vickers and Armstrongs. . . . The scope of the Armstrongs-Vickers amalgamation covers the whole of their armament making, naval shipbuilding, and heavy and special steel manufacture. These works represent about 75 per cent. of their own activities apart from those of their subsidiary companies."

At the Extraordinary General Meeting when this amalgamation took place, the chairman, the Hon. Sir Herbert Lawrence, G.C.B., said that:—

"Vickers and Armstrongs depend very largely on armament orders to occupy their works on a profit-earning basis, but since the war such orders have been insufficient to keep the plant of the two

<sup>1</sup> Four years before the war Zaharoff took shares to the value of 250,000 francs in the *Quotidiens Illustrés*, a firm in Paris which issued the newspaper *Excelsior*.

In February, 1916, the Agence Radio was founded with M. Turot as the director and Zaharoff provided 1½ million francs to run it. The Agence Radio was a particularly effective medium for French propaganda. (*Vide Sir Basil Zaharoff* by R. Lewinsohn.)

companies fully occupied, or to yield a satisfactory return to the shareholders."

He argued that it was, therefore:—

"Of national importance as well as in the interests of the shareholders that the capacity of the works to undertake armament work of the largest character should be maintained,"

and explained how the amalgamation would enable "the armament work available" to be concentrated in the most economical way. He added that an arrangement had been made with the Sun Life Assurance Office, Ltd. (of which Sir Herbert Lawrence is himself a director):—

"whereby if the profits . . . in any year during the five years ending December 31, 1932, do not amount to £900,000, then a contribution not exceeding £200,000 will be made in each year."

At the same time Vickers-Armstrongs also took over those subsidiaries of the two firms which dealt in armament production: the Thames Ammunition Works, the Whitehead Torpedo Co., and Vickers (Ireland), Ltd.

The next step was the formation of the English Steel Corporation which was formed by the amalgamation of the Steel Interests of Cammell Laird & Co., Ltd., and Vickers-Armstrongs and the Metropolitan Carriage, Wagon Finance Co., Ltd. The following table shows the completeness of the Vickers group and the way in which these organisations work for the production of all heavy armaments for use on land, or sea, or air.

#### Vickers-Armstrong Group

Armaments.  
Shipbuilding.  
Plant for docks, harbours, bridges, collieries, cement works, railways, steel works, &c., &c.  
Non-ferrous metals.  
General engineering.

#### English Steel Corporation Group

Steel-ingots, castings, forgings, bars, tubes, sheets and drop stampings.  
Special alloys and heavy iron castings and forgings.  
Water turbines and hydraulic plant.  
Oil well, water and quarry drilling equipment.  
Small tools, hacksaws, files, &c.  
Railway and tramway materials, e.g., tyres, axles, wheels, &c.  
Pumps.

#### Metropolitan-Cammell Group

Railway rolling stock of all descriptions.

#### Vickers (Aviation), Ltd.

Aircraft and accessories for military and civil purposes.

The range of activities of Vickers, and particularly of its leading company, Vickers-Armstrongs, was demonstrated in the new showroom opened at Vickers House, Westminster, on May 28, 1931. According to *The Times*, May 29, 1931:—

"Mr. Douglas Vickers, speaking after the informal opening of the showroom, said that while, in recent years, the Vickers group had parted with certain interests considered to be too far apart from



their main trades, they could yet claim to have within the groups the biggest range of interests in the world. It might have been noticed that war material played a great part in the showroom. There were two reasons for this. War material was still a large interest of the firm, and there was less difficulty in showing such productions than the specialities of civil engineering.

"Anyone who went into the history of the artillery and technical side of the war would know that of the various types introduced with success those which were supplied by the constituent firms of Vickers and Armstrongs played the largest part. He did not say this in disparagement of the Royal gun factories, but he thought a private firm had great advantages over a State factory. The private firm had to go into the world and meet competition, and they got to know in this way what was up against them and what they had to beat. This sharpened their wits.

"There were people who maintained that armaments should be taken out of private hands and who believed old stories about the influence which armament firms were said to have exercised in the past in the interests of war. There was not a shadow of truth in such stories. Armament firms were the most peaceful of people, and in their own interest did not want war, but only that we should be prepared for war. They felt it would be absolutely criminal to send out our men unless they were equipped and armed in the best possible way, and for that reason he thought the term 'a national asset,' applied to their firm during the war, could still be applied to-day. It was useless to expect the League of Nations to settle all quarrels, and a private firm making armaments was deserving of the support he claimed for it."

At the sixty-fifth annual general meeting of Vickers, Ltd., held on April 4, 1932, Sir Herbert Lawrence, the chairman, described the present position:—

"Considerable progress has been made," he said, "with the development of our land armaments, in certain branches of which until recent years we were almost unknown. To get into this market has involved the retention of special staffs and considerable expenditure on research and experimental work, but as a result orders are being obtained for anti-aircraft artillery, predictors and tanks, including the amphibious tank which Vickers-Armstrongs were the first to introduce. Had the demand for armaments been normal, there is no doubt that the expansion of the company's business in this direction would have proved very remunerative, and even now the volume of work obtained has proved distinctly helpful.

"Although every endeavour is made to develop our main products . . . Vickers-Armstrongs depends very largely on armament orders for its existence, while the capacity of its works for armament production is an important factor in the defence of the country. If, therefore, orders are not forthcoming in sufficient quantity to retain the thousands of skilled men employed, the position in case of national emergency arising which demanded an immediate increase in the output of munitions would be a serious one."<sup>1</sup>

Sir Herbert Lawrence then pointed out how Vickers, Ltd., is "severely prejudiced by exclusion of armaments from the British Export Credit

<sup>1</sup> *Manchester Guardian*, April 5, 1932.

Scheme" and lamented the diversion of armament work to Italy and France. He also referred to the satisfactory financial position of Vickers Aviation, Ltd.

Whilst Disarmament Conferences are meeting, Vickers-Armstrongs continue to plan ahead for the production of new and ever more effective armaments. Recent prospectuses mention the following developments: (1) the Vickers-Carden-Lloyd Light Amphibious Tank, which after many years of research and experiment has been so constructed that it will cross rivers, negotiate rough country, climb up hill at a continuous slope of 30° at a speed of about six miles per hour when fully loaded with two men, machine gun and 2,500 rounds of ammunition; (ii) the Vickers Vildebeest Bombing Machine which can be used for reconnaissance general purposes, bombing and torpedo work; and (iii) the Anti-Aircraft Predictor, which will produce mechanically the data required to hit an aeroplane flying at 200 miles per hour in less than five seconds.

#### Vickers Abroad

Apart from selling to the British Government, Vickers-Armstrongs, Ltd., must look for markets abroad. In this it is greatly helped by its international connections and its factories which are strategically placed in various countries.

In Italy there is the Societa Vickers-Terni; in Canada, the Vickers Two Combustion Engine Corporation; in Japan, Vickers-Armstrongs has a subsidiary company, Kabushiki Kwaisha Nihon Seiko-Sho (Japan Steel Works) which is part of the Mitsui concern, the dominating armament industry in that country. Thus in the preparation for the "war" in China, Japanese firms have been working under contract with Vickers, and the Japanese army has fought with the most modern armaments on land and in the air, and have transported equipment in up-to-date warships and aircraft carriers.

Vickers have their factories in Rumania. We may presume some connection with the fact that Sir Herbert Lawrence, the chairman, is a director of the Bank of Rumania. There are Vickers factories in Ireland (Vickers Ireland, Ltd.); in Spain (Sociedad Espanola de Construcción Naval and Placencia de las Armas Company, Ltd.); in New Zealand, Vickers (New Zealand), Ltd.; in Holland they are associated with Fokkers aviation firm which also has connections in America, whilst the Nederlandsche Engelse Techniese Handelsmij in the Hague is the bureau of Vickers, and the grenade factory of van Heyst is one of their factories. In Poland Vickers have holdings in the Société Polonaise de Matériel de Guerre, in which the French firm of Schneider is also interested.

It would seem that Vickers and the French firm of Schneiders are closely linked up. In the agreement which was signed at the time of the Vickers-Armstrong amalgamation in 1927 the firm of Vickers-Schneider was included amongst the list of firms which were purchased by Vickers-Armstrongs from Vickers. Amongst other firms which were involved are: S. A. Le Nickel, S. A. Acières et Domines de Resita, Société des Etablissements Minière de Starachowice Uzinele Metalurgice din Copsa-Mica si Cugir, Experiencias Industriales S. A.

Apart from these direct connections, however, there are the important ramifications brought about by the directorships which are held by the directors of Vickers, Ltd. Sir Herbert A. Lawrence, of both Vickers, Ltd.,



and Vickers-Armstrongs, Ltd., is also manager of Glynn Mills, and a director of the Bank of Rumania, Ltd., of the Sun Assurance Office, Ltd., of the Sun Life Assurance Society, and is also chairman of the London Committee of the Ottoman Bank. Major-General G. P. Dawnay, another director, is also chairman of Sir W. G. Armstrong-Whitworth & Co., Ltd., and is a director of Financial Newspapers Proprietors, Ltd., and the Economist Newspaper, Ltd. (His brother, Col. A. G. C. Dawnay, C.B.E., D.S.O., is a member of the Land Commission of the Disarmament Conference.) Sir Otto Niemeyer, also a director of Vickers, Ltd., has been with the Bank of England since 1927, and is also a director of the Anglo-International Bank.

At this point we may for a moment leave the romantic story of Vickers. We have seen how, step by step, Vickers-Armstrongs has become the outstanding armament firm in this country. The great firms of William Beardmore & Co., Ltd., and of Cammell Laird & Co., Ltd., still exist, but the first, as we have mentioned, is now a subsidiary of Vickers, Ltd., and the second has become associated with them through the formation of the English Steel Corporation. Through small beginnings the Vickers combine has developed into an immense concern with many ramifications, with an issued capital of nearly £16,000,000.

#### Other Firms

Other firms which are of importance in connection with the manufacture of armaments include Thomas Firth & John Brown, Ltd., B.S.A. Guns, Ltd., Yarrow & Co., Ltd., specialises in torpedo boats, in destroyers, &c., whilst Tubes, Ltd., manufacture torpedoes and tubes. R. & W. Hawthorn Leslie, Messrs. Palmer Shipbuilding and Iron Co., Messrs. Swan, Hunter & Richardson, the Wallsend Slipway and Engineering Co., Messrs. John Thornycroft and the Fairfield Shipbuilding and Engineering Co., and Messrs. Parsons Marine Steam Turbine Co. are all firms associated with the naval side of armament manufacture and, as we shall mention later, are engaged at the moment on fulfilling contracts for the Admiralty.

#### The Industry of Chemical Warfare

The next war, according to such authorities as Major Lefebure, is likely to be predominantly a war in the air, carried out by bombing aeroplanes dropping incendiary explosives and gas bombs supported by swifter fighting planes. Supplies for munitions, poison gas and explosives are all practically in the hands of the Imperial Chemical Industries, Ltd., the biggest chemical concern in the world which, with an issued capital of over £70,000,000, controls the whole chemical industry in this country, both civil and military.

The President is Lord Reading, the chairman is Sir H. McGowan, K.B.E., and other directors are Lord Ashfield, Lord Colwyn, Lord Melchett, Lord Weir and Sir Max Muspratt. The I.C.I. was formed to acquire by exchange of shares Nobel Industries, Ltd. (since voluntarily liquidated), Brunner Mond & Co., Ltd., United Alkali, Ltd., and the British Dyestuffs Corporation. Through its subsidiary companies the I.C.I. has close connections with His Majesty's Government, to which it is a contractor. Take the example of Synthetic Ammonia and Nitrate, Ltd. The war experience showed how useful large synthetic ammonia plant can be for the manufacture of explosives. After the war, the Allies sent a military commission to Germany to obtain information concerned with the process involved in the preparation of poison gas. Following this, the British Government sold their factory for synthetic ammonia in Billingham at a very low price to Brunner Mond,

Ltd., and gave them, if report speaks truly, the secret processes which had been learnt from the Germans for the oxidation of ammonia to nitric acid. This company is now known as the I.C.I. (Fertilisers and Synthetic Products), Ltd. In peace time it converts ammonia into synthetic fertilisers. In war time, or as soon as a war is imminent, it converts ammonia into explosives. The issued capital is £5½ millions and both the principal and the interest of its 5 per cent. guaranteed debenture stock, 1930-45, are guaranteed by His Majesty's Government.

It was the war experience, too, which showed the vital importance of dyestuffs. In the years before the war, Germany had acquired the virtual monopoly of dyestuffs manufacture as well as the biggest chemical industry in the world. In the war, poison gas came from the chemical factories and in the dyestuffs factories there was the plant for making organic chemicals used as lachrymators and vesicants. In 1919, the chief dyestuff factories in Great Britain were combined to form the British Dyestuffs Corporation, Ltd., and the Government subscribed for 850,000 preferred and 850,001 preference shares "to include one share with special voting powers issued to His Majesty's Government."

In the Articles of Association No. 38 (i) provision is made "that not more than 25 per cent. of the shares and voting power shall be held by foreigners, and the company is to keep in touch with His Majesty's Government in all matters of technical information and research, in such manner as the President of the Board of Trade may direct." Referring to the Dyestuffs Corporation, *The Chemical Age* (November 22, 1924) candidly stated: "The fundamental argument for the establishment of a British dyestuffs industry was national safety—in other words the existence of chemical plant and processes which could easily in case of emergency be switched over from peace to war purposes."

The power of Imperial Chemical Industries does not rest alone on its subsidiary companies, but also on the interlocking of directorships. I.C.I. is in effect comparable with the huge German I.G. Combine before the War.<sup>1</sup>

In the report of the annual meeting of the Imperial Chemical Industries, Ltd., on April 14, 1932, Sir Harry McGowan, the chairman and managing director, gave a survey of the company. He said:—

"The shares and debentures in and advances to subsidiary companies shown in the balance sheet at £69,264,978 represent in the main the company's holdings in the eight manufacturing groups referred to in the report, namely, Alkali, General Chemical, Explosives, Fertiliser and Synthetic Products, Dyestuffs, Leathercloth, Lime and Metals, in Imperial Chemical Industries, Ltd., of Australia and New Zealand, and in our foreign merchanting companies." . . .

. . . "The marketable and other investments standing at £9,540,677 mainly represent investments in large industrial companies with which we have, directly or indirectly, trade connections. The chief items are investments in the General Motors Corporation, Du Pont & Co. and the Allied Chemical Company in the United States, the International Nickel Co. in Canada, the I.G. Farbenindustrie in Germany, and Joseph Lucal & Sons in this country."

Thus we see that, in the same way that Vickers, Ltd., has become the big armament combine with interests at home and abroad, the Imperial Chemical Industries, Ltd., has become the poison gas combine with a virtual monopoly at home, and ramifications in all the leading countries of the world.

<sup>1</sup> Well-known shareholders and the number of shares held in the I.C.I., according to the annual returns, on April 28, 1932, were: Sir John Simon, M.P., 1,512; Baron Doverdale, 34,124; Earl of Dysart, 38,020; Lord Cochrane of Cults, 47,180; Rt. Hon. Neville Chamberlain, M.P., 11,747; Sir Austen Chamberlain, M.P., 666.



## Military Aviation

Great Britain is not only the centre of the world's armament industries; she leads the world in military aviation. Her bombing machines are known in every quarter of the globe; they are the modern symbol of Empire. Single-seater fighters, bombers both for day and night work and general purposes machines for long and short range reconnaissance are the main types of aircraft used by the Air Force, and the whole of these are duplicated in marine aircraft such as seaplanes and flying boats.

The Fairey Aviation Co., Ltd.<sup>1</sup>—now the most important firm manufacturing military aeroplanes—was formed on October 1, 1928, and supplies land planes and seaplanes to the British and other Governments. The foreign sales have been increasing as nations realise that efficiency in war preparation demands an adequate supply of the latest type of military machine.

In addition to supplying orders to the Australian, Irish, Argentine, Chilean, Dutch, Portuguese, Japanese and Greek Governments, this company has just obtained an order for as many as thirty day bombers which are among the fastest in the world. The order, worth £300,000, is the second one of its kind during the past year. Like the armament firms, the Fairey Aviation Co. has developed its factories abroad, and the work on the Belgium order will be shared by factories in Hayes, Middlesex, and those in Gossillies, Belgium.

Other firms include the de Havilland Aircraft Co., Ltd., makers of the famous "Moth" series. So great has been the foreign demand for their machines that the de Havilland Aircraft Co., Ltd., has established subsidiary companies in Australia, Canada, India and South Africa, and it has contracts in America for the production of aircraft and engines from which valuable royalties are received. It is now developing in South America. The increase in development is shown by the fact that its capital quadrupled between 1927 and 1930. Handley Page<sup>2</sup> which makes the large twin-engined bombers

<sup>1</sup> The Fairey Aviation Co., Ltd., has increased its dividends for 1931 from 7 per cent. to 10 per cent. (tax free) and its reserves to £60,000. From the report of the last annual meeting in December, 1931, it appears that a profit of over £184,000 was recorded—the highest in the company's history. A large experimental establishment and a highly technical staff has enabled the directors to maintain a progressive technical policy. Recently works at Hayes have been equipped to enable aircraft to be constructed in metal to meet the requirements of the Air Ministry. The report ended on a note of thanks to the Air Ministry and other Government departments for the great assistance they have rendered in obtaining overseas orders.

All the directors of the Fairey Aviation Co., Ltd., must be British subjects. The chairman of the board of directors is Mr. C. R. Fairey, who is a member of the Council of the Federation of British Industries, President of the Royal Aeronautical Society and member of the Council of the Society of British Aircraft Constructors. In scanning the long list of shareholders in this company one notices that the leading banks hold big blocks of shares for their nominees whose names, unfortunately, are not divulged. According to the annual returns on January 18, 1932, Sir Harry Hope, M.P., holds 500 shares; Sir G. Dalrymple-White, M.P., 400; Mr. Oswald Lewis, M.P., 1,400; and Major G. Lloyd George, M.P., 500. The other shares are held by the Brunner Investment Trust, Ltd., several well-known flying men, Sir Charles C. Wakefield, an ex-Lord Mayor of London, Lord Whitborough, and many others.

<sup>2</sup> Handley Page, Ltd. Mr. F. Handley Page, C.V.E. (managing director), gave this very interesting information about the work of this firm in his speech at the general meeting on May 21, 1931:—

"The last two years have seen the complete change over to all-metal construction in our works, and with this change a considerable re-equipping

of the "Hinaiidi" type; the Armstrong-Siddeley Development Co., which owns practically all the shares of A. V. Roe & Co. Ltd.; the Blackburn Aeroplane & Motor Co., Ltd., makers of the "Lincock Fighters," Boulton & Paul, the Bristol Aeroplane Co., and the Armstrong-Siddeley Development Co.,<sup>1</sup> which make the fastest aircraft in the world<sup>2</sup>—all these are important firms in military aviation and, in differing degrees, in commercial aviation.

No survey of military aviation is complete without a mention of Vickers (Aviation) Ltd. Vickers is attempting to become as important an armament firm in aeroplane manufacture as it is in the making of guns, munitions and heavy armaments. Aircraft for military and civil purposes, aircraft parts, components and equipment are manufactured by Vickers (Aviation) Ltd., whilst in the Supermarine Aviation Works in Southampton there are manufactured flying-boats, seaplanes, aircraft carriers and other equipment of naval aviation.

Mention must be made too of Napier & Sons, Ltd., and Rolls Royce, Ltd., which are the two most important aero-engine manufacturers.

We have surveyed the armaments industry in this country in its three separate directions, heavy armaments, poison gas and military aviation; together they represent a more or less complete survey of our preparation for war.

We shall now pass on to a brief survey of the biggest armament ring in post-war days, which is to be seen in the Schneider-Creusot firm, and Skoda, which it controls.

of our plant. It is satisfactory that we have been able to carry this through without drawing upon our reserves or undue dislocation of work.

"With regard to our Air Ministry contracts, we have been engaged during the past year, and are still engaged, on the production of our Hinaiidi aircraft (large twin-engined bombers). In addition we have several experimental aircraft under construction for the Air Ministry; these show great advances on previous designs, one now under trial being a replacement of the present 'Hinaiidi' type."

The shareholders of this firm on June 5, 1931, included Sir Basil Mayhew, K.B.E., Sir Henry Grayson, K.B.E., many banks and investment companies, Wing Commander Louis Greig, C.V.O., Mr. C. R. Fairey, the Rt. Hon. J. Downe, C.M.G., D.S.O., the Duchess of Grafton, Lord Arthur Browne, Mr. F. Handley Page, Mr. Arthur J. Page. Smaller shareholders are taxi-drivers, municipal officers, printers, stationmasters, brass founders, boot repairers, woolsorters, carpenters, chemists, farmers, police constables, schoolmasters, fish merchants, naval officers, an Air Vice-Marshal, an occasional clergyman, a Brigadier-General, a civil servant in the Foreign Office, a professor of music, doctors, and the trustees for the Wesleyan Chapel Purposes (Ltd.), Manchester.

<sup>1</sup> This Company with an issued capital of £1,419,750 owns practically all the shares of A. V. Roe & Co., Ltd., Sir W. G. Armstrong-Whitworth Aircraft, Ltd., and Armstrong-Siddeley Motors, Ltd. Some of the directors are Mr. J. D. Siddeley, Lord Southborough and Air Marshal Sir Jack E. A. Higgins, K.C.B., K.B.E., D.S.O., A.F.C.

During a period which has proved notoriously difficult for many industries, this firm has showed high profits every year. Among the main preference shareholders are the Rt. Hon. Wentworth Allendale, Major the Hon. E. G. Beaumont, Sir J. R. Ellerman, whilst large blocks of shares are held by the Siddeley family, by banks and investment companies, including the A. W. Second Stock Trust, Ltd.

<sup>2</sup> The Hawker Fury, e.g., an interceptor fighter, has a speed of over 200 miles per hour and climbs 20,000 feet in 11 minutes.



### Chapter III

## ARMAMENT FIRMS ABROAD

**T**HE firm of Schneider-Creusot is the Vickers-Armstrongs of France, and through its control of the Skoda works exercises a dominating influence in Central Europe. It is the most influential firm in the Comité des Forges, the powerful industrial union in France which played a great part in the Ruhr occupation and admittedly had a considerable influence on the Poincaré Cabinet. Its influence was behind the propaganda for the Saar Basin and the demand at the Peace Conference for the Left Bank of the Rhine. The President of the Comité des Forges is M. Francois Wendel, who is also a Deputy in the French Chamber and a director of the Bank of France. He has a controlling interest in the best known Nationalist French newspaper, the *Journal des Débats*, and recently he acquired a controlling number of shares in *Le Temps* with M. de Peyerinhoff, who is the President of the Comité des Houillères.

#### The Schneider Ring

Schneider-Creusot, like the English Vickers-Armstrongs, has its close association with the big European banks. M. Wendel is not the only link. Mr. Eugene Schneider, the chairman of Schneiders and another of the most important people in the French armament industry, is a director of the Banque de l'Union Parisienne, the bank which finances the Banque Générale de Crédit Hongrois. He is also the President of the Union Européenne Banque which is not only interested in the Banque Générale de la Crédit Hongrois, but is the bank through which Schneiders control the Skoda Works. Thus we see that the French armament industry controls that of Czechoslovakia, and, ironically enough (as Paul Fauré, ex-M.P.<sup>1</sup> for the Creusot Division, in which are the Schneider headquarters, mentioned in a speech in the French Chamber), Hungary is being armed secretly by French armament capital.<sup>2</sup>

<sup>1</sup> Paul Fauré was defeated in the recent French Election, mainly by the skilfully organised election propaganda of the Schneider firm and their intimidation of their employees.

<sup>2</sup> This speech was referred to as follows in the *Manchester Guardian* of December 14, 1931 :—

“Another financial matter likely to cause difficulties to the Government is the loan to Hungary, the fact of which was unknown until it was discovered the other day by the Finance Committee of the Chamber. Investigation into the matter has shown that the Hungarian Government had originally obtained a loan from the armament firm of Schneider at Creusot, and when the firm asked to be repaid the Hungarian Government could not produce the money. Thereupon the French Government lent the Hungarian Government the amount necessary to repay the Schneider firm, which was transmitted to Hungary not by the Bank of France but by the Union Parisienne, a bank in which the Schneider firm holds a controlling interest.”

During the past few years, the Schneider firm has delivered armaments to Mexico, Yugoslavia, Greece, Japan, Rumania, Turkey, Bulgaria, Montenegro, Russia, Argentina, Spain and Italy. For most of these operations banks have been founded which have interests in the country concerned as well as in France.

For instance, the Banque Hypothécaire d'Argentine has on its Board MM. de Neuflize and Villars, who are also members of the Board of directors of Schneiders, whilst M. de Neuflize is also a director of the Ottoman Bank.

Just as Vickers-Armstrongs have their contacts with Japan, so the French armament firms have their connections. On the Board of the Franco-Japanese Bank are to be found M. Saint-Sauveur (who incidentally is a relation of M. Schneider), whilst the president of this bank was Charles Dumont, who was the French Minister of Marine and has been representing France at the Disarmament Conference.<sup>1</sup>

Discussing the inter-relatedness of French loans and armament orders in the French Chamber on February 11, 1932, Paul Fauré pointed out that just as French loans before the war enabled Turkey to arm itself with French arms which were shortly afterwards used against France, so to-day French loans granted to Bulgaria, Mexico, Greece, Japan, Hungary, Yugoslavia, Rumania and Poland were being spent with the French armament firms.<sup>2</sup>

<sup>1</sup> It was M. Charles Dumont who, at the Disarmament Conference, in advocating the necessity of the submarine, said :—

“The naval supremacy of the powerful nations with large navies might become insupportable if submarines, the weapon of the poor, did not introduce an element of mystery, the unknown, at sea, so that the more powerful fleets would never be certain of success should they be tempted to use their power. The submarine is a weapon against the pride of power. It could be the support of the righteous. It must be retained.”

<sup>2</sup> Extract from M. Paul Fauré's speech, February 11, 1932, in the French Chamber :—

“Turkey has taken fifteen loans, on thirteen of which nothing is being paid to-day. The last of these loans was in 1914 to permit Turkey to make war against France.

I want to make two or three observations on the Turkish and Bulgarian loans. One of these Bulgarian loans was in 1906 or 1907. I have in my dossier a photograph of Prince Ferdinand visiting the Creusot factories, accompanied by M. Eugene Schneider himself, and buying arms and cannons which you found later on the Eastern front for four years. What happened? The order was so exaggerated that when King Ferdinand found himself before the Financial Commission of the Sobranje, which is probably as severe as you are, Gentlemen, it refused to ratify the credits. The French Government intervened at this point and declared that if the Sobranje did not ratify the credits the Bulgarian loan would not be authorised. The Sobranje spoke, France paid, and the armaments of Creusot were sent there.

“I have also in my dossier a photograph showing the Turkish Minister of Marine visiting the Creusot factories, preceded by all the inventors who showed him the latest developments on the side of defence. The Turkish Minister gave his order. He had already used up the last loan lent him by France. Only the war came too quickly (for this visit took place in July, 1914). Several days later war broke out, and the unfortunate Minister could not take away the French cannons. But as he had French money, he bought on the way back at Krupps in Essen and at Skoda the cannons which were used on the Eastern front.

“The French Government has lent money to the Rumanian Bank, and it is discussing at the moment the loan of three milliards of lei . . . In any case, whilst Rumania has been concerned with money a military mission from Rumania is at Creusot.”

After referring to the fact that the directors of Skoda, which is controlled by



The influence of armament firms in France may provide some explanation for the militarist policy and tone of many politicians and of the Parisian press. As M. Briand once put it, "The pens which write against disarmament are made of the same steel as that from which guns are made." That this interlocking of the Press and the armament industries is no new plan is revealed by Raffalovitch whose position enabled him to state with authority in the years before the war what moneys passed between the bankers, the Governments and the armament firms in France and Russia.

In April, 1913, the Councillor Raffalovitch wrote a letter to Kokovtzev, Minister of Finance in St. Petersburg, which is not without interest to-day.

"The affairs of men are similar in all latitudes. In Brazil, according to Vickers Maxim, the President of the Republic takes upon himself to raise the price of battleships by several million francs. In Europe the chiefs of State, their Ministers and principal subordinates, are for the most part quite honest. But the merchants of armaments, armoured plate and munitions have recourse to indirect methods in influencing public opinion by the intermediary of the press; they possess newspapers, acquire others, they buy journalists, and those writers who sound the patriotic note, who proclaim the military preparations of neighbouring states, who talk of the German or the French menace, believe themselves to be heroes. The corruption takes all forms, from a good dinner with choice wines in the company of pretty women paid in advance to finish up the night with the General seated on their right, up to the more delicate attentions, such as the promise of a well-paid situation. That there should be leakages (communication of military secrets) which benefit the dealers in shells and guns is very probable."

When one considers this relationship it is easy to understand the tone of the leading French newspapers,<sup>1</sup> their scathing attacks on the Disarmament

Schneider, have supported the electoral campaign of Mr. Hitler, Paul Fauré summed up the present situation as follows:—

"We find then M. Schneider arming Bulgaria, M. Schneider arming Turkey, Skoda supporting Hitler, Hungarian and Rumanian loans, Franco-Japanese, Franco-Argentine, and Franco-Mexican banks. This is all extremely suspicious."

<sup>1</sup> An article in the French paper *La Lumière* provides evidence of the way in which French armament firms have influenced the French press in their campaign against disarmament. The following is a summary of it:—

"A violent and audacious campaign is being carried out against disarmament; it is being done through the *Echo de Paris*, and its political leader writer, M. de Kerillis. To fill at the same time the coffers of his propaganda organisation and those of the *Echo de Paris* M. de Kerillis has launched an appeal for funds, which cynically are called 'the campaign against disarmament' (*Echo de Paris*, March 10, 1932), and whilst he announces that the propaganda is going to be intensified in their district, he puts in the headlines 'The Struggle against Disarmament' (*Echo de Paris*, March 16, 1932).

"On the subscription lists which this big reactionary paper publishes, one sees several anonymous subscriptions of 25,000, of 50,000, and even of 100,000 francs. It is quite evident that these anonymous gifts hide the big interests which would lose by disarmament."

The article subsequently describes the full page advertisements taken in the *Echo de Paris* on July 15, 1931, by "S.O.M.U.A." S.O.M.U.A. is connected with Schneider and stands for "Société d'Outillage Mécanique et d'Usinage d'Artillerie."

Thus it is the artillery manufacturers, namely, the cannon merchants, who fill the coffers of the *Echo de Paris*.

Conference, and to appreciate one at least of the reasons why the French proposals at the Disarmament Conference did not contain any proposals for disarmament.

### Other French Firms

Apart from Schneider-Creusot, there is the firm of Hotchkiss which is partly owned by English people. It was of the Hotchkiss shares that the *Manchester Guardian*, in February, 1932, reported a marked rise owing to the fighting between China and Japan.

Military aviation in France, as in England, has stimulated the development of an enormous aviation industry. The Société Générale Aéronautique, founded in 1930, unites seven of the most important French aircraft factories and produces all types of aircraft and flying boats, both commercial and military. Another well-known firm is the Société anonyme des Ateliers d'Aviation Louis Breguet. The French army uses the Breguet aircraft, and it has been supplied to the Governments of Belgium, Spain, Greece, Poland, Jugoslavia, Turkey, Argentina, China and Japan.

### Skoda

The Skoda Works and enterprises are found in all parts of Czechoslovakia. In Pilsen cannons, munitions, tanks and other material are manufactured; in Bolovec there is a testing ground, in Prague aeroplanes are made, and the arsenal Brno, which before the war was a small repair factory, has become an immense concern employing about 10,000 workmen. Since the war, Skoda has developed to enormous proportions in its manufacture of aeroplanes, and the aerodrome near Prague which specialises in military aeroplanes has a large output.

Poison gas is also produced in Skoda factories. Nitrogen works are at Marienberg and in Asce, whilst there are military chemical factories in Olomouc.

Skoda has found markets for her armaments in Jugoslavia, Poland, Switzerland, Greece, Turkey, Persia, China, Mexico, Argentina, Spain, Bulgaria and the U.S.S.R.

The Skoda Company also has factories in Poland (aeroplane engines are made in Warsaw, and it controls Polskie Zakłady Skoda which was formed in 1926 to take over interests acquired in Poland) and in Rumania.

It is important to remember that the Skoda Company is controlled by the French armament firm of Schneider-Creusot, through the Union Européenne Banque.

Its registrar of debentures is the British and Allied Investments Corporation, whilst the trustee for the debentures is the Royal Exchange Assurance. Dividends for the past ten years<sup>1</sup> tell their own story. They were: 1920, 5 per cent.; 1921, 8½ per cent.; 1922 and 1923, 10 per cent.; 1924, 12½ per cent.; 1925, 13¾ per cent.; 1926, 15¾ per cent.; 1927, 17½ per cent.; 1928, 21¾ per cent.; 1929 and 1930, 28½.

### Mitsui

The Mitsui firm is the Vickers-Armstrongs of Japan, and it has corresponding ramifications in that country. It has interests in the Nippon Petroleum Co., in the Mining Co., and the Medajima Aircraft Co., in electricity works, and in the Taisho Marine and Fire Insurance Companies.

<sup>1</sup> *Stock Exchange Year Book*, 1931, page 3093.



It is linked up with the Nippon Steel Works, which are controlled by Vickers—this being the point of contact between the British and Japanese armament firms.

#### Krupps and Bofors

A great deal has been written about the transformation of Krupps works at Essen into factories where agricultural and other peace time machinery is manufactured, but less is known about the Bofors Munition Factory in Sweden, which seems to be the post-war translation of Krupps. In 1927 Krupps "acquired important shares in Swedish Bofors Ordnance and Drydock Co., which operates with the Krupps patents."<sup>1</sup> Krupps also have connections with armament factories in Holland where a considerable amount of armaments has been manufactured for Germany, and with factories in Russia, where a large industry with important German connections has developed in recent years. Although the Treaty of Versailles expressly prohibited the manufacture and traffic in armaments by Germany, her armament development during the past few years has not been commented upon by Members of the Council of the League of Nations, to which, since the withdrawal of the Inter-allied Commission of Control, right and duty of supervision has been transferred.

#### Armament Firms in Holland

In an article in the *Vredes Strijd*, a Dutch pacifist paper,<sup>2</sup> Hein van Wijk has made a survey of the leading firms in the Dutch armament industry. Under State control there are artillery works in Zaandam, a dye factory in Amsterdam, other factories in Muiden and Ouderkerk. Apart from these there seems to be a fairly comprehensive private armament industry, which includes the Dutch shell and metal works factory in Dordrecht, Alard Sons, a revolver factory in Maastricht, the Machine en Apparaten fabriek (M.E.A.F.) which makes torpedoes in Utrecht, the I.F.F.A. Minimax works at Amsterdam, which make poison gas, and the H.E.V.E.A. firm which specialises in gas masks at Heveadorp.

The aviation industry is represented by the Nedelandsce Vliegtuigen-fabriek, which is really Fokker, a firm with connections both with Vickers and with firms in America. There is also Aviоланда at Papendrecht.

Interesting comments on the Dutch armament industry were made by a series of special articles written by M. Edouard Helsey for the French paper *Le Journal* in January, 1932. M. Helsey visited the Siderius factories in Maartenshoef and Rotterdam, their depot at Krimpen and the offices at the Hague within a few steps of the Palace of Peace. The Hollandsche Industrie en Handel Maatschappij Siderius (the full name) manufactures cannons and other machinery used in war. It has kept up close connections with the big cannon merchants of the Ruhr. It is this firm which administers at Krimpen the German material which was suddenly thrown into Holland at the time of the Armistice. Its founder was a Dutchman, named Solomon Vlessing, who, during the war, was closely associated with some German enterprises specialising in war material. On the day after the Armistice, Vlessing in association with the German industrialist Ehrhardt brought the H.I.H. (as the firm is usually called) into being for the purpose of manufacturing war material. Ehrhardt brought his patents and his technical knowledge and stocks of material made in anticipation of the war being continued. Works were constructed at Maartenshoek and agreements were concluded with shipbuilding yards. In 1930 the firm became predominantly Dutch, although Ehrhardt held a considerable number of shares.

<sup>1</sup> *War for Profits*, by Lehmann-Russbüldt. (A. H. King, New York. \$1.75.)

<sup>2</sup> *Vredes Strijd*. May, 1932.

The manager of this firm made it quite clear to M. Helsey that they sold their material equally to any Government which cared to give orders, including, of course, the German Government. And the close association with the German Ehrhardt would undoubtedly give Germany special facilities.

Apart from these associations between Dutch and German firms we have already mentioned that Fokkers are associated with Vickers, whilst M.E.A.F. is one of the concerns of Julius Pintsch of Berlin. In addition to these firms there are the offices of the following foreign armament manufacturing concerns in Holland: Vickers, Schneider, Skoda, Krupps, Bofors and others.

#### United States of America

The Bethlehem Steel Corporation, which belonged to the Harvey Steel Trust before the war and which figured largely in the Shearer case, is the leading armament firm in U.S.A. It has developed into a holding and owning company in very much the same way as Vickers has developed in Great Britain. The size of the development is shown by the increase in its net property from thirty-one million dollars in December, 1905, to 502 million dollars in 1930. Other leading firms are the Newport News Shipbuilding and Drydock Co. and Brown Boveri Electric Co., all of which were involved in the Shearer case. The E.L. de Pont Nemours Co. is an important chemical concern responsible for the production of poison gas. It is linked up with the I.C.I. in this country, which has investments in it and in the Allied Chemical Co.

As in other countries there has been a very considerable development in military as well as in commercial aviation in the U.S.A. One of the foremost companies is the Curtiss-Wright Corporation, which includes a large number of firms of importance in the manufacture of aeroplanes and aero-engines. During 1930 the Curtiss-Wright Corporation had considerable Government orders for bombers and training aeroplanes, for fighting and command planes. It specialises in experimental aircraft both for the U.S.A. Army and Navy. It is interesting, in view of what we have already seen of the international ramifications of the armament industry, that Wright engines are manufactured in Poland by the Polskie Zakłady Skoda, which are controlled by the Skoda works in Czechoslovakia. In Japan, Wright engines are made by the firm of Mitsui.

Other firms in the industry of military aviation include the Fokker Aviation Corporation of America, in which the General Motors Corporation hold 41 per cent. of the common stock, the United Aircraft & Transport Company Incorporated, which includes about fourteen of the American companies and has had large orders both from the American navy and from the navies of Cuba, Peru, Brazil and China. Lastly, there is the Consolidated Aircraft Corporation which specialises in the design and construction of training aircraft and which since its incorporation has delivered 1,000 military training aeroplanes to the Army Air Corps and the Naval Air Service.

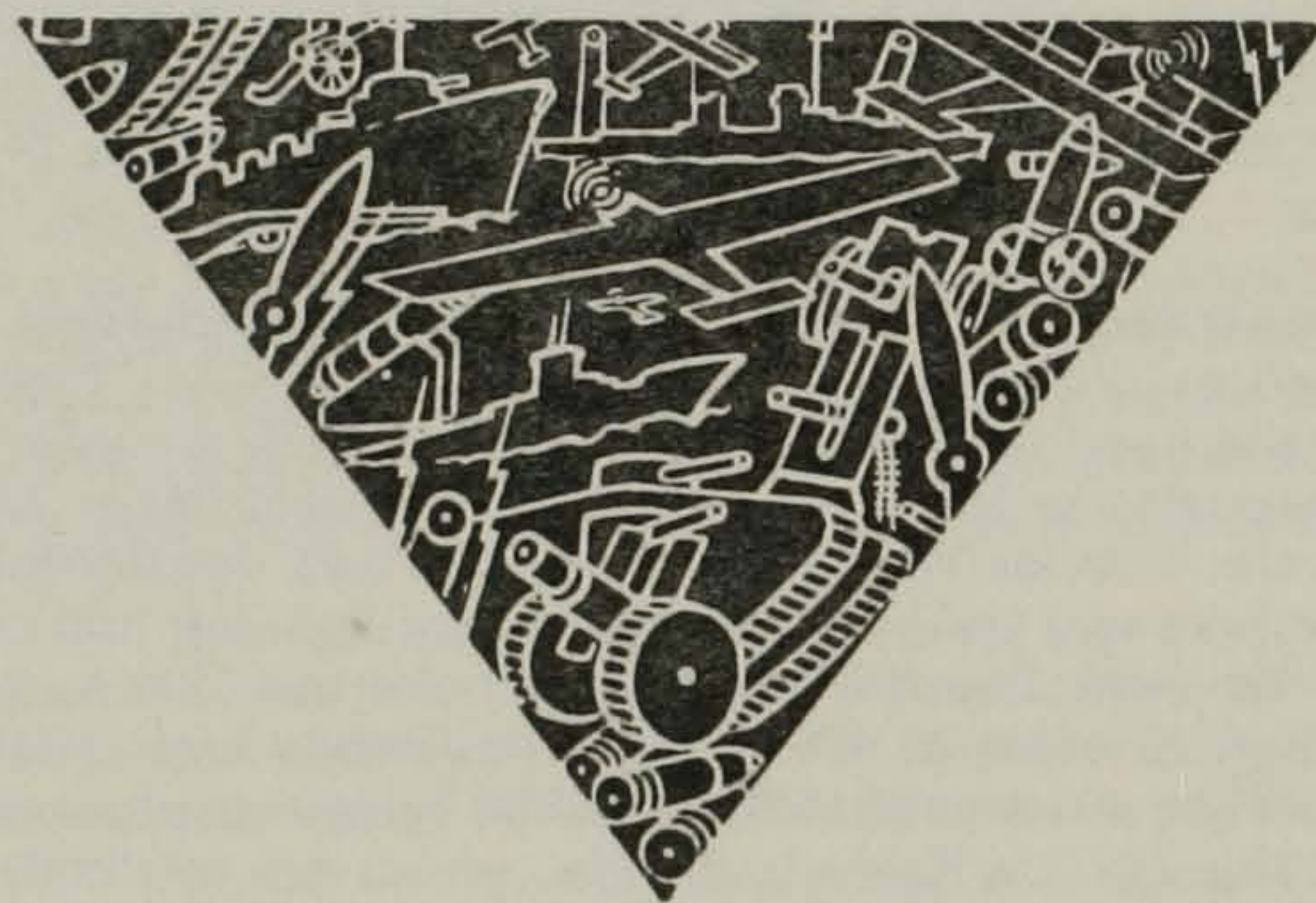
#### The Present Position of the Secret International

These are the firms in the main exporting countries in the world. There is not to-day any single armaments ring which corresponds to the Harvey Steel Trust in pre-war days. There are obvious connections between the leading firms, whilst the directors of armament firms often belong to the same bank. For example, M. de Neuflize (director of Schneider) is also a director



of the Ottoman Bank, the London Committee of which is presided over by Sir Herbert Lawrence, the chairman both of Vickers, Ltd., and of Vickers-Armstrongs, Ltd. The connection between banks and armament firms is frequently a very close one. This close association places armament firms in a formidable position. In France, where the connection is unusually clear, no informed person doubts that armament firms have a direct influence on foreign policy. We need not doubt in view of the facts we have given that this influence is at work in varying degrees in other countries.

We may now consider more general questions that arise from this relationship and to point to definite instances in which armament firms have in the past employed corrupt means. Nothing has been done since the war to make impossible the use of similar methods to-day, and instances have occurred which show that they are sometimes still employed.



#### Chapter IV

## THE GOVERNMENT AND WAR CONTRACTORS

"The Government of your country! I am the Government of your country, I and Lazarus. Do you suppose that you and half a dozen amateurs like you, sitting in a row in that foolish gabble shop, govern Undershaft and Lazarus? No, my friend, you will do what pays us. You will make war when it suits us and keep peace when it doesn't. . . . When I want anything to keep my dividends up, you will discover that my want is a national need. When other people want something to keep my dividends down, you will call out the police and military. And in return you shall have the support of my newspapers, and the delight of imagining that you are a great statesman." (Undershaft, the armament maker, in Shaw's *Major Barbara*.)

**A** DRAMATIC overstatement, of course. Relationships in diplomacy and politics are complex not simple. It is probably nearly as untrue to say that wars are made at the dictation of armament firms as to say that armament manufacturers are governed by national policy. The relationship is subtler and varies from country to country. In preparation for war each Government to-day has a paper scheme of the whole country mapped out as a vast arsenal; every large iron and steel works and motor factory which can be converted to military use in time of war is included in the scheme. The United States Government, for instance, has even gone to the length of preparing contracts with armament firms. These contracts, which number some thousands, are locked in safes only waiting for the endorsement at the word "Go." In each country the supply of raw materials, of poison gas and of the essential chemicals is provided for and Government research goes on side by side with that of private enterprise. The most complete example of war preparation is probably that embodied in the French Act for the general organisation of the country in war-time which became law in February, 1928.

An intimate relationship, therefore, exists between Governments, armament firms and corporations like the I.C.I. But these great firms are not controlled by the governments. If they are to be ready for the necessary output in time of war they must be permitted to sell arms where they can find a market in times of peace. Since all Governments aim at the highest war efficiency they plan on the basis of a possible quick expansion at the outbreak of war. Aeroplanes and tanks quickly grow out-of-date



and if production were limited to government factories it would be restricted by budgetary necessities. Every War Office and Air Ministry, therefore, supports the policy of keeping private firms as large as possible in time of peace, which means permitting them to develop as large a peace-time export industry as possible. Thus, while we do not expect to find Vickers selling arms in Germany before the war or Krupps supporting the British Government, we do find these firms both supplying the potential markets in the Near East and the Balkans. When the war came, these countries were thus supplied with both German and British armaments. These armaments no doubt proved equally efficient whether these countries came into the war on the British or German side.

During the war the export of armaments was, of course, strictly regulated. One regulation—licensing of armament exports—has remained. According to the answer given in the House of Commons by the Parliamentary Secretary of the Board of Trade, the licence is virtually a matter of form. The Board of Trade is “guided in this matter by the advice of the Foreign Office and the Service Departments.”<sup>1</sup> In other words, all export licences have the formal endorsement of the Board of Trade, the Foreign Office, the Admiralty or War Office or Air Ministry. Questions in the House of Commons have elicited from the Board of Trade statements of the number of licences granted, but the firms to which they have been granted are never divulged.

The system of export and import licences which is in practice in this country provides no real check. As we shall show, one of the main evils in the armament industry is connected with the solicitation of orders. Presumably armament factories and governments both prefer a considerable degree of secrecy about their relationships and about the whole traffic in arms; all that they permit us to know is the bulk of the armament exports which leave the various ports. We cannot even be sure from these figures in what country the exported armaments are made, since in some cases (as, for instance, in that of exports from Hamburg which may really have come from the Skoda factories in Czechoslovakia) the arms may be made in one country and exported from another; nor can we do more than guess how far government direction or encouragement leads to contracts being given to one rather than to another. Sometimes the relation is obvious. Where large credits have been given by a great Power to an economically dependent Power, we find, as we should expect, that the dependent Power buys its arms from its creditor. The case of France and the Little Entente is an obvious example. In such cases all parties are well satisfied. The small State gets its arms, the armament firms get the orders and know that they will be paid for, and the creditor Power gets its money back in the form of purchases and has the satisfaction of knowing that its small ally is equipped against their joint enemies in preparation for the expected war. From the great Powers' point of view such arrangements have the special advantage that the small Power which buys its armaments from a single great Power is thereby rendered completely dependent upon it for munitions of the same type. If France, for instance, supplies guns of a certain type with a particular bore to Rumania, Yugoslavia and Poland, the policy of these countries must be subservient to France because their supply of shells and accessories and munition replacements can only come from France. In general we may summarise by saying that armaments firms sell wherever there is a market and that Government control, in so far as they control at all, simply consists in seeing to it that certain markets, which they wish to see supplied by firms of their own nationality, have the necessary credit.

<sup>1</sup> Hansard. November 30, 1931. Col. 776.

## Governments Would Not Dare

In 1928 a special commission set up by the League of Nations Assembly to draft a Convention for the Supervision of the Private Manufacture and Publicity of the Manufacture of Arms and Ammunition and Implements of War recommended that each Government “should undertake to transmit to the Secretary-General of the League, or to publish within two months after the close of each quarter,” certain information about the armament licences granted.<sup>1</sup> This information included “the names of all the enterprises with which the holder (of the licence) has concluded agreements or associations of any kind whatsoever, with a view to the production of the articles of war material for which the licence has been granted.” (Clause 2.) One objection raised was that the countries dependent on imports of armaments from abroad would be unable to keep private the nature of their war preparations while their manufacturing neighbours would enjoy all the advantages of secrecy. The British delegate gave several very illuminating reasons for refusing to accept this clause:—

“In the first place my Government could not give this information; they have not got it. Secondly, it is only the manufacturers—the licensees themselves—who could furnish it, and they would certainly refuse to do so. Thirdly, we have no power to compel them to do so, and, fourthly, very few Governments would have the courage to introduce legislation to make them do so.”

The British representative was undoubtedly right in suggesting that very few governments would have the courage to introduce legislation to force armament manufacturers to divulge information about their work. The association of governments with armament firms is too close for such control and the investigation which would necessarily precede such legislation would be embarrassing. The public would discover, for instance, that officials in the fighting service and other administrative departments not infrequently passed on retirement, or before, into the service of armament firms. Philip Snowden in a speech on the Naval Estimates in 1914—if we may again quote from that classic and fruitful source—referred to a paper called *Armaments and Explosives* devoted to the interest of the armament trade. In the issue of this paper in September, 1913, there was the following extract:—

“Contractors naturally are very keen to avail themselves of the services of prominent officers who have been associated with work in which the contractors are interested. The chief thing is that they know the ropes, since the retired officer who keeps in touch with his old comrades is able to lessen some of these inconveniences, either by securing the ear of one who would not afford like favours to a civilian. . . . Kissing undoubtedly goes by favour, and some of these things that happen might be characterised as corruption. Still, judged by all fair tests, the result is good. The organisation of facilities for supply is maintained through times of peace on an efficient and economical basis. Manufacturers do not make huge

<sup>1</sup> Article 4 reads:—

“The High Contracting Parties undertake to transmit to the Secretary-General of the League of Nations, or to publish within two months after the close of each quarter . . . a list of the licences granted during that quarter, together with:—

- (a) A description of the war material for which the licence is granted;
- (b) The name and address of the registered or head office of the licensees and the period for which the licence has been granted.



profits, and they are enabled to survey from year to year, and to be on hand in the case of national emergency."

Had Philip Snowden been talking on the Naval Estimates in 1932, he could, without repeating his charge of corruption of which to-day there is no evidence, have abundantly illustrated the way in which high placed officials and soldiers in the fighting services become on retirement the Directors of armament firms. He could, for instance, have taken the Board of Directors of Vickers-Armstrongs as it stood on April 14, 1932.

General the Hon. Sir HERBERT LAWRENCE has been chairman of Vickers, Ltd., since 1926. He was formerly the Chief of Staff, Headquarters British Army in France, from January, 1918. After a distinguished military career in South Africa, in Egypt, in France and in the Dardanelles, he left the army on retired pay in 1922.

Sir MARK WEBSTER JENKINSON was the controller of the Department of Factory Audit and Costs at the Ministry of Munitions, and Chief Liquidator of Contracts at the Ministry of Munitions after the war.<sup>1</sup>

General Sir J. F. NOEL BIRCH, after a long military career, was Artillery Adviser to the Commander-in-Chief in France from 1916-1919. He was the Director of Remounts, 1920-21, Director-General of the Territorial Army, 1921-23, Master-General of the Ordnance and Member of the Army Council, 1923-27.

Sir J. A. COOPER was the Principal in Charge of Raw Materials Finance at the War Office from 1917-19, and then became the Director of Raw Materials Finance at the Ministry of Munitions from 1919-21.

Sir A. G. HADCOCK was an Associate Member of the Ordnance Committee, and like Commander C. W. Craven, Colonel J. B. Neilson and Major-General G. P. Dawnay and other directors had previous military experience.<sup>2</sup>

#### Armament Orders and their Value

The Navy Estimates may be quoted to give some idea of the valuable orders which the Government has placed with private firms even at a time when we are told that England alone has disarmed and that the service estimates are "cut to the bone." Section 3 of Vote 8 for the years mentioned shows that the following sums have been paid for contract work, the money coming from the pockets of the British taxpayers:—

#### Contract Work

1927 .. £8,839,428	1928 .. £8,263,060	1929 .. £7,291,217
1930 .. £5,582,728	1931 .. £4,456,200	1932 .. £5,193,200
	(Estimate)	(Estimate)

<sup>1</sup> On March 18, 1924, less than a month before the Disposal and Liquidation Commission was wound up, Mr. W. Graham, the then President of the Board of Trade, gave a reply in the House of Commons to the effect that the total sales of war materials had amounted to £670,000,000 and that the remaining materials were worth approximately £8,000,000.

<sup>2</sup> Mention must also be made of one of the most important people who have been associated with Vickers and Vickers-Armstrong. The late Sir Arthur Trevor Dawson, who was a director until the time of his death in May, 1931, was at one time Experimental Officer at Woolwich Arsenal, and was afterwards Superintendent of Ordnance to Vickers, and subsequently chairman of their Artillery and Shipbuilding Management Board.

Whilst the First Lord of the Admiralty in presenting the Navy Estimates on March 7, 1932, was complaining that the expenses were being reduced to their lowest level, he omitted any reference to the increase of £737,000 in the value of the work given to *private firms* for that year alone. In the Navy Estimates a programme is given of the work which is being carried out at present by contract as well as in Government dockyards. Messrs. William Beardmore & Co. are making a flotilla leader; Messrs. Vickers-Armstrong are making two destroyers, the "Swordfish" and the "Sturgeon." Submarines are being manufactured by Messrs. Yarrow & Co. and Messrs. Hawthorne Leslie. The cruiser "Achilles" is being made by Messrs. Cammell Laird, whilst Messrs. Hawthorne Leslie, Messrs. John Brown & Co., Messrs. Palmers Shipbuilding & Iron Co. and the Wallsend Slipway & Engineering Co. are busy making nine destroyers; Messrs. Parsons Marine Steam Turbine Co., nine destroyers; Messrs. Vickers-Armstrong, Messrs. John Thornycroft and the Fairfield Shipbuilding & Engineering Co. are engaged on the machinery for seventeen destroyers.

No information is given in the Army Estimates concerning the firms which are engaged in contract work. We are only told that there is a separate section of the War Office called the Army Contracts Directorate and that this is costing £33,620 in 1932. Similarly, in the Air Estimates there is an item of the Air Ministry called the "Directorate of Contracts" which is costing £37,802 in 1932.

Military aviation is in a slightly different position from land and sea armaments. Aerial warfare is new and it grew up during the war when governments were controlling and utilising the whole arms production of the country. Its overwhelming importance has, therefore, been realised from the beginning and an attempt has been made to keep its development strictly under Government supervision. The same forces, however, which have made it impossible for governments to keep the makers of land and sea armaments under their control have also forced them to relax their restrictions in the case of military aviation. In presenting the Estimates in the House of Commons in 1926,<sup>1</sup> Sir Samuel Hoare, then Minister of Air, explained the situation in suitable terms. He said:—

"Obviously the aircraft industry is essential to the expansion of the Force in any time of emergency. It is no good denying the fact that the aircraft industry has many difficult problems to face. It is in a peculiarly difficult position through the fact that, unlike any other great industry in this or any other country, it is almost entirely dependent on the orders of a single Government Department. In the case of other great industries, there are private customers who give orders, and the industry is not entirely dependent on one Government Department. This means that in the case of the aircraft industry a change in Government policy reacts with particular force upon the industry because it has no other customer. . . .

"I have been considering the position with my advisers, and have come to the conclusion that it is now safe and legitimate to withdraw many of these restrictions and, by this means, to enable British firms to sell their newer types in foreign markets a great deal sooner than they would be able to do without the withdrawal of the restrictions. I hope, as a result, it will be possible for the British firms to be less exclusively dependent on a single Government Department here, and that it will help them to build up for themselves markets abroad for British machines and British engines—than which there are no better anywhere in the world."

<sup>1</sup> Hansard. February 25, 1926. Cols. 770-771.



Since that date military aviation has made rapid progress in this country and British firms are beginning to lead the world trade. We have already mentioned the considerable orders placed with firms like the Fairey Aviation Co., the de Havilland Aircraft Co., Vickers (Aviation), Ltd., &c., by the Governments of practically every leading country in the world which does not produce its own war requirements.

### The Government and the Chemical Industry

Lastly, there is the close association of the makers of chemical materials with the Government. We have already seen in Chapter II that the principal and interest of the 5 per cent. guaranteed debenture stock, 1930-45, of the Synthetic Ammonia & Nitrate Co. are guaranteed by His Majesty's Government, whilst the Government has a very considerable number of shares in the British Dyestuffs Corporation, Ltd., with which it keeps in close touch.

As a recent pamphlet<sup>1</sup> has accurately put it:—

"In almost every country in the world there exists a close association between the Governments and the chemical industries for control, collaboration, research, and subsidy. Chemical Warfare Research Committees link the chemical industries with the universities. In Britain the Chemical Warfare Committee connects up the National Physical Laboratory, Imperial College of Science and Technology, and the Department of Scientific and Industrial Research (D.S.I.R.). On the Chemical Warfare Committee are many of Britain's most prominent chemical manufacturers. Similar Chemical Warfare Committees exist in France, Italy, Poland, Japan, and U.S.A. Chemical supplies for munitions, explosives, and poison gas in Britain are almost entirely in the hands of the Chemical Combine (I.C.I.) who control most of the dye works—90 per cent. explosives production, 100 per cent. of alkalis (sodas). This chemical combine stands as a menace to the peace of the peoples."

### The Profits of Armaments

One of the charges brought by the League Commission against armament rings was that they had kept up the price of armaments. Clearly, they are in a very strong position to do so. They combine the advantages of international co-operation with those of a close, secret, and personal connection with national Governments. When the war itself came the international rings were necessarily broken up for the time, but the component firms could at first charge almost anything they liked both from their own Governments and from their Allies, which suddenly found themselves in need of an immense quantity of munitions. Great Britain, above all, supplied all her Allies with astronomical loans for this purpose.

The size of the profits made in these circumstances by armament firms has never been published. It is not surprising that by the terms of the Munitions Act of 1915, which temporarily carried out a part-nationalisation of the armament industry, the profits of private shareholders were limited to 20 per cent., which was the average pre-war figure. Some estimate of what this 20 per cent. represented during the war itself may be made from

<sup>1</sup> *The Menace of Chemical Warfare to Civilian Populations*, by A. J. Gillian. (Chemical Workers' Union. 2d.)

a reply given by the Chancellor of the Exchequer to a question in the House of Commons.<sup>1</sup>

A study of the history of the Ministry of Munitions and the contracts that were placed during the war provide abundant information on which to base some estimate of the enormous profits that are made by armament firms when all their plans and preparations have proved successful and the country is thrown into a war. Here is a specimen of an early war contract for 303 Ammunition Mark VII, showing the position within a month of the time of the outbreak of war at the end of August, 1914.<sup>2</sup>

Firm	Contract	Rate for delivery	Quantity
Birmingham Metal & Munitions Co.	C/7749	per month 500,000	3 million
	C/8134	per week 2,500,000	48 million
Messrs. Greenwood & Batley	C/7749	per month 875,000	7 million
	C/8134	per week 1,000,000	18 million
King's Norton Metal Co., Ltd.	C/7749	per month 750,000	4 million
	C/8134	per week 1,800,000	32 million
Messrs. Eley Bros.	C/7749	per week 158,000	6 million
	C/8134	per week 375,000	8 million
Messrs Kynoch, Ltd.	C/7749	per mth. 2,000,000	
	C/8134	1,000,000 in 4 weeks then 2,400,000 pr. week	48 million

A further remark may be made about these profits. Dr. Addison, who was Minister of Munitions after 1916, has pointed out in his book *Practical Socialism*<sup>3</sup> that the cost to the State of buying munitions from private

<sup>1</sup> Statement showing for the United Kingdom the gross receipt repayments and net receipt of the Excess Profits Duty and Munitions Levy during each year they were in operation:—

Year	Gross Receipt	Repayments	Net Receipts
Excess Profits Duty			
	£	£	£
1915-16	187,846	—	187,846
1916-17	138,008,790	1,182,494	136,826,296
1917-18	205,777,184	3,635,271	202,131,913
1918-19	268,891,916	7,280,920	261,610,996
1919-20	296,778,885	13,006,679	283,772,206
1920-21	234,724,592	17,579,212	217,145,380
1921-22	122,142,427	91,664,614	30,477,813
Munitions Levy			
	£	£	£
1916-17	4,788,636	—	4,788,636
1917-18	21,234,065	259,888	20,974,177
1918-19	22,658,039	292,174	22,365,865
1919-20	5,617,723	181,883	5,435,840
1920-21	1,401,323	447,575	953,748
1921-22	200,468	1,007,589	— 807,121

As regards the current financial year, the gross receipts of Excess Profits Duty (including Munitions Levy) from April 1, 1922, to February 28, 1923, is approximately £49,500,000; the net receipts during the same period amounts to slightly over £1,000,000. I regret that I am unable to forecast the amount of repayments to be made in the future.—*Hansard*. March 6, 1923. Col. 244.

<sup>2</sup> *History of the Ministry of Munitions*. Vol. 1, page 73.

<sup>3</sup> *Practical Socialism*, by C. Addison. (Labour Publishing Company. 2 vols. 1s. each.)



manufacturers was consistently greater than when it bought them from national factories.

He quotes cordite as an illustration, and bases his claim on the *Findings of the Costings Commission during the War*. He says :—

“Up to the spring of 1916 certain main types of cordite had costs 2s. 3d. per lb., but the accountants reported, in the case of a propellant factory—to the provision of which the firm had contributed £464,000—that the price being obtained represented a dividend of 105·7 per cent. per annum on this capital. It was further pointed out that if the money being obtained were used to write off the whole cost of the factory to a scrap value of £16,000 the firm would still have received sufficient to pay dividends of 33·8 per cent. per annum.

“... There is no need to tell the details of the story, but the end result was that the cordite was reduced to 1s. 7½d. per lb. and the savings on the year's supply of cordite on that basis, as compared with the former price, amounted to £3,900,000 . . .”

Dr. Addison showed that savings on typical contracts were as follows :—

	Original price	Price after investigation
Filling fuses . . . .	£1 4s. 0d. per 100	12s. 0d.
Filling 4·5 Lyddite shells	£18 16s. 8d. per 100	£7 18s. 4d.

Dr. Addison gives further examples, including that of the production of T.N.T. By the saving of 1d. per lb. a weekly gain was achieved of no less than £9,000 for each thousand tons.

“The capital cost of the six T.N.T. factories was £1,473,000, but by April, 1917, they had already produced T.N.T. which, as against contract prices, had given a surplus of £2,404,318. They had, therefore, completely wiped out their total cost of provision and had left a balance over of 83 per cent. . . . Extending our summary to all the national factories provided up to April, 1917, and comparing the prices—not with the inflated prices obtained as the result of the application of the costing methods—we could already record a gain of £10,000,000. It appears that all the capital costs had been repaid by the end of 1918, whilst many of the individual factories had repaid theirs long before that date.”

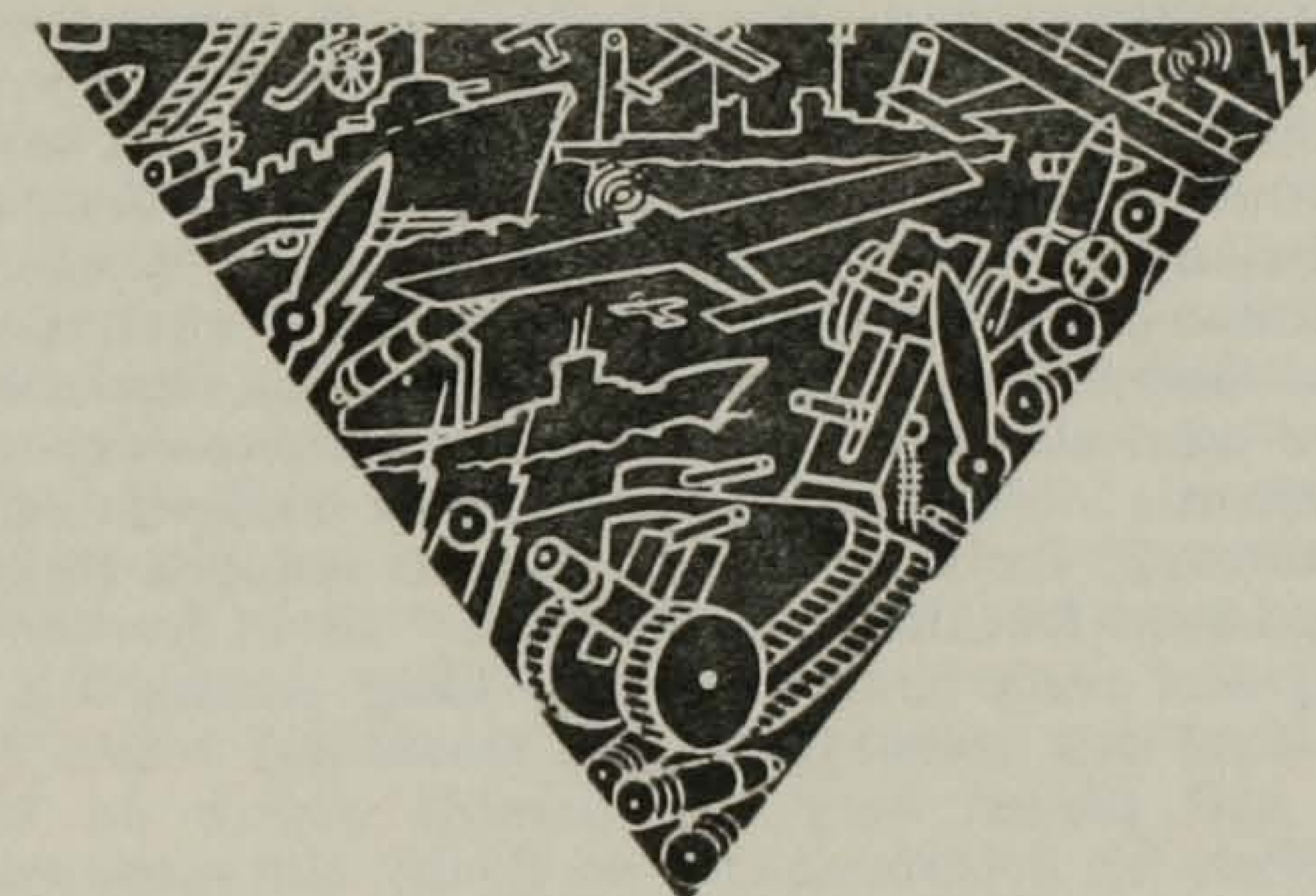
Mr. Lloyd George himself summarised the situation in a speech in the House of Commons on August 18, 1919. He said :—

“The 18-pounder, when the Ministry” (of Munitions) “was started, cost 22s. 6d. a shell. A system of costing and investigation was introduced, and national factories were set up which checked the prices, and a shell for which the War Office, at the time the Ministry was formed, cost 22s. 6d. was reduced to 12s., and when you have 85,000,000 of shells that saved £35,000,000. There was a reduction in the price of all other shells, and there was a reduction in the Lewis guns. When we took them in hand they cost £165, and we reduced them to £35 each. There was a saving of £14,000,000, and through the costing system and the checking of the national factories we set up, before the end of the war there was a saving of £440,000,000.”

When we remember the total production of the English armament industry during the war and the magnitude of the profits involved perhaps we ought not to be surprised that profiteering flourished in armament-making just as it flourished in many other industries in war time.

It is interesting also to note the share of the American armament firms in the profits of the European War. They are indicated in the approximate value of the contracts which were placed by Messrs. J. P. Morgan & Co. According to the history of the Ministry of Munitions they amounted to 2,063,350,000 dollars during the period 1914-1918.

In a world which prepares for war such a relationship as we have described between armament firms and Governments is of great value to both parties. The private firms sell to their own Government at good prices, they enjoy the benefit of having Government experts on their Boards who know exactly what the Government plans for war are and see that the firms provide for them ; the Government, on its side, knows that, by permitting the firms to sell abroad, they have within their boundaries an organisation far greater and more elastic than they could pay for out of taxation, and that its equipment includes just those types of weapons which its experts consider most necessary for the expected war. That this method also means that its enemies are similarly equipped seems only incidental.





## Chapter V

# WAR SCARES AND ARMAMENT CONTRACTS

COMPETITIVE arming is one of the acknowledged causes of war, and enough has been said in the preceding chapters to show that some of those who benefit financially from the sale of arms find various methods of stimulating such competition. The ramifications of armament firms into other businesses, the social influence of their titled directors, their connections with important personages, with Members of Parliament, and, most important of all, with the Press provide many opportunities for unostentatious persuasion and propaganda. The position of M. Wendel of the *Temps*, the *Journal des Débats*, and of the *Comité des Forges* on which is represented all the leading French steel and armament firms, has been already cited. In this country the connection of armament manufacturers with the Press is less obvious, though the attitude of several English newspapers during the Disarmament Conference has given rise to some speculation, and the fact that the Balkan representatives of one of the most famous English newspapers have been also the local agents of Vickers-Armstrongs is little known, but authentic. There are many other methods of propaganda. "Backward countries," for instance, have to be induced to buy arms and so prepare themselves for the "unavoidable" little frontier wars which occur on the edges of every Empire. When King Amanullah, the King of Afghanistan, visited this country, he was conducted round British armament factories and placed very considerable orders on his return to Afghanistan.<sup>1</sup> Since his dethronement, no doubt, the same arms have been serviceably used against British troops on the frontier. The cinema is one of the latest devices for increasing the traffic in arms. How would Balkan States know what arms to buy if they were not educated by the armament rings? The *North Mail* (December 5, 1931) reports that:—

"A special of British films was given to the King and Queen of Yugoslavia in their new palace at Dedinje. The films were productions made by a British firm of armament makers. There were tanks of all kinds, as well as field guns of all calibres and tractors.

<sup>1</sup> According to the *Daily Mail* of October 8, 1928, King Amanullah held a Durbar at Kabul after his return from this and other western countries:—

"The King gave a short résumé of his travels abroad, emphasising the purchases made by him of factory equipment and armaments. Among the latter he enumerated 53,500 rifles, 106 guns, 6 machine guns as samples, 6 tanks and 5 armoured cars."

"A firm of shipbuilders also showed a film of the launching of a Yugoslav warship. These films were shown to the Yugoslav Minister and 200 of his senior officers.

"The *Evening Chronicle* learns that Messrs. Vickers-Armstrong, Ltd., are principally interested in Yugoslavia's pending naval contracts, and that the film referred to is probably one from Barrow-in-Furness. The Barrow works and shipyards of Vickers-Armstrong possess their own cinema theatre, where films are exhibited dealing with constructional works. A representative of the firm is in Yugoslavia at the present. The firm of Yarrow & Co., Ltd., on the River Clyde, were also interested in Yugoslavia, and are reported to have a warship under construction for the Government of that country at the present time."

Activities of this kind can be noticed by any observer. Occasionally accident brings to light other methods of salesmanship which are described as scandals and made the subject of public investigation. That activities of this kind may at any time be brought to light is suggested by the recent "Swedish Air Force Scandals," which *The Times* of November 11, 1931, describes as follows:—

"After eight months' inquiry the commissioners appointed by the Government to investigate alleged irregularities in the Swedish Air Force handed their report of 350 pages to the Minister of Defence yesterday. The findings have been given wide publicity to-day by the entire Press.

"The commissioners recommend that new officers should be appointed to succeed General Amundson, Chief of the Air Force; Colonel Fogman, commanding the military section of the Corps; Engineer Fjallback, technical officer; and Commander Lubeck, Chief of Staff, whom they find unsuited for the posts. Proceedings will probably be taken against Commander Lubeck who will in that case be tried by court-martial. The commissioners found that bribes to the extent of 16,000 kronor had been accepted by Commander Lubeck in the form of 'long loans.' Some of the money, the report alleges, was received from the representative of an aircraft firm. The commissioners pass judgment on nothing for which there is no proof, and their report has revealed an almost incredible state of affairs within the Air Force higher command."

### Big Navy Scare of 1909

1909 is the date of the best known of all armament scares. Trade was bad, unemployment rising and the dividends of armament firms beginning to fall.

At this point Mr. H. H. Mulliner must be introduced. Mr. Mulliner was then managing director of the Coventry Ordnance Co. In *The Times* of January 3, 1910, he published the "Diary of the Great Surrender" and these two entries provide an interesting insight into his work:—

"May 13, 1906.—Mr. Mulliner first informs the Admiralty of preparations for enormously increasing the German Navy. (This information was concealed from the nations until March, 1909.)

"May 3, 1909.—Mr. Mulliner, giving evidence before the Cabinet, proves that the acceleration in Germany for producing armaments, about which he had perpetually warned the Admiralty, was an



accomplished fact, and that large quantities of naval guns and mountings were being made with great rapidity in that country."

In the autumn of 1908 Mr. Mulliner was able to reach the ear of one of the leading generals, who in the House of Lords subsequently prophesied "a terrible awakening in store for us at no distant date."

On March 3, 1908, Mr. Mulliner was solemnly received by the Cabinet in council assembled at Downing Street. Ten days later a statement concerning the Navy Estimates was published, showing a total of £35,142,700 for 1909-10, an increase of £2,823,200. These estimates and subsequent debates on them in the House of Commons give strong evidence of the success of Mr. Mulliner's secret campaign based on untrue information.

The calculations made on Germany's dreadnoughts and cruisers were so skilfully made and published in the newspapers, in Parliament and elsewhere that it produced the scare with its favourite slogan: "We want eight and we won't wait."

Events subsequently proved the falsehood of the charges against the German Government, and yet on July 26 four battleships (which, in March, the British Government had obtained power to build contingent on its fears of German acceleration being justified) were announced, and one of the first contracts was given to Cammell Laird, which partly owned Coventry Ordnance Co. (managing director, Mr. H. H. Mulliner).

Mr. Mulliner subsequently admitted the authorship of the scare and his visit to Downing Street.

This indiscretion cost him his post and he was succeeded as managing director by Rear-Admiral R. H. S. Bacon, C.V.O., D.S.O., who had been Naval Assistant to the First Sea Lord and from 1907 to 1909 Director of Naval Ordnance and Torpedoes. This experience was no doubt useful to him: in any case he was subsequently able to obtain large Government orders for the Coventry Ordnance Co.

At the Annual Meeting of John Brown & Co. (which had large holdings in the Coventry Ordnance Co.) on July 1, 1913, Lord Aberconway said:—

"Coventry was improving, but it was a great drag on their finances, and would be for some time. The place was now fully recognised by the Government as an essential part of the national armament works. Last autumn he went over the Scotson works, where they made the heavy naval mountings, with Mr. Winston Churchill, who gave him an assurance—which he carried out—that Coventry would now be regarded as one of the most important supplying firms for the Government, instead of being cold-shouldered, as it was for many years past."<sup>1</sup>

#### The Mitsui-Vickers Case

The Mitsui-Vickers Case in 1914 is another illustration of the methods employed by armament firms to obtain orders. The *Japan Weekly Chronicle* during June and July, 1914, gave a detailed account of the case and showed to what extent bribery was used to get orders from Japan. This is the story.

<sup>1</sup>The whole story is told in *The War Traders* by G. H. Perris. But Mr. Perris somewhat overstates his case. Compare the account of the incident in the *Memoirs of Prince von Bülow*, Vol. II.

In March, 1910, the accused, Rear-Admiral Fujii, was appointed to visit England as officer for the Supervision of the Construction of Warships, with an order to report on the estimates and specifications sent by Armstrong and Vickers of a battleship-cruiser which the Japanese Navy Department proposed to build. He examined the estimates and specifications and reported to the Naval Stores Department on August 9, adding that the Vickers specification was the more precise and the price was lower. In October it was decided to order the ship from Vickers and the contract was signed between the Japanese Government and Vickers on November 17 at the cost of £2,367,100. Subsequently it turned out that the Director of Messrs. Vickers Works at Barrow, who was on intimate terms with Rear-Admiral Fujii, asked him to show his good will towards Vickers in obtaining the contract. After the accused's return to Japan, the Director of the Barrow Yard, with a view to reciprocating his good will, remitted over a period of years certain large sums of money to Admiral Fujii.

But although Vickers gave the biggest "remittances" for contracts gained, other firms used the same methods. For example, there is the following story concerning Messrs. Yarrow. At the beginning of 1911, when Naval Constructor Yanamoto Kaizo was visiting England, A. F. Yarrow, president of the Yarrow Shipbuilding Yard, saw him and explained the superiority of a destroyer fitted for the consumption of oil fuel which was the latest invention of the yard, and supplied a plan of it, expressing at the same time his desire to get an order from the Japanese Navy. The specification was sent to the Stores Department and following this further remittances were sent to Rear-Admiral Fujii. Subsequently the order was given to the Yarrow firm, and on December 27, 1912, a contract was signed between the Japanese Government and the Yarrow Yard for the construction of two destroyers.

But it was not alone from Vickers and from Yarrow that Rear-Admiral Fujii accepted bribes. Arrol & Co. paid him £1,750 on August 27, 1912, following an order for materials worth £33,621 16s. 9d. bought from them by the Japanese Government, whilst Weir & Co. sent a remittance of £1,000 in August, 1911, and this was followed by an order by the Japanese Government for six pumps and other machines used on a battleship which was in construction on their behalf.

These exposures were made in Court in 1914. Mr. Pooley, the correspondent of Reuter in Tokyo, bought from Richter, who was formerly an employee of Siemens-Schuckert, secret papers which showed the delivery, or promise of delivery, of bribes between Siemens Bros., London, and Rear-Admiral Fujii (Mitsugoro). During the case it was shown from the evidence of a Japanese named Kaga that there was an elaborate system of bribery in connection with armament firms and his evidence showed that the sums mentioned had been received by Rear-Admiral Fujii.

Corruption may not be the necessary consequence of private armament-makers, but it has unfortunately often been proved that armament firms have used corruption to secure Government contracts. In an article on the Japanese Naval Scandals entitled "Corruptive Competition," the *Japan Weekly Chronicle*, of July 23, 1914, observed:—

"There is no nation which can afford to throw stones at Japan in connection with the existence of bribery and corruption in State services. Only recently a series of scandals in connection with the supply of stores to the British military canteens was brought into publicity in the courts, and the firm concerned . . . has been struck off the lists of Government contractors. In Germany and other



countries there have been cases equally unsavoury, until it has been made clear that the 'profession' of arms has become as sordidly money-grubbing as it possibly can. It would even seem that, in some countries, it is absolutely essential to resort to practices which, if not actually criminal, are grossly immoral, if any business is to be done by contractors anxious to get orders. Even when an order is obtained, it is sometimes necessary to resort to further corruption."

#### Armament Scandals in Germany

Several armament scandals were brought to light in the Reichstag by Karl Liebknecht in 1913. For instance, the work of a certain man named Brandt was exposed on April 18, 1913,<sup>1</sup> when Liebknecht explained:—

"For several weeks now Krupp has employed an agent by the name of Brandt, a former artillery officer, whose business is to approach executive officials of the Government, of the Army and the Navy, and to bribe them for access to private papers in which the firm of Krupp happens to be interested, and able to discover the plans of the Government with regard to armaments, to obtain sketches of construction for internal defence, and to ascertain what rival firms were bidding or had bidden in the past. In order to carry out this purpose, Herr Brandt is, of course, granted a generous allowance."

The reports made by Brandt were signed by the name of Kornwalzer, hence the affair was called "The Krupp-Kornwalzer Affair." Liebknecht's exposure was verified and Brandt was sentenced to prison for four months on a charge of bribery. Eccius, a director of Krupp, was fined 1,200 marks for aiding and abetting.

The second scandal in Germany exposed by Karl Liebknecht and described in *War for Profits*, by Lehmann Russbüldt, concerned Herr von Gontard, one of the most powerful men in the German armament industry at that time. He was on the board of directors of the Berlin-Karlsruhe Industrial Works, Ludwig Loewe, Incorporated, &c., and was the chief secret witness in the Bullerjahn case. Bullerjahn was in charge of the warehouse of a magazine belonging to the Berlin-Karlsruhe Industrial Works and was accused of betraying secrets and, therefore, of being a traitor to his country.

In 1907, as it was shown in the Reichstag Debates (Vol. 147, page 5050) on April 23, 1913, a letter had been written from the German Arms and Munitions Factory in Karlsruhe, signed by the Director of Construction, asking that an article should be published in the French newspapers saying that the Chief of Staff of the French Army had decided to hasten re-equipment of the army with machine guns, and to order double the amount that had been previously contemplated. The intention was to stimulate the demand in Germany for machine guns.

The *Berliner Tageblatt* and the *Frankfurter Zeitung* openly referred to these commercial practices as "business unscrupulousness of an extreme sort, and a blind pursuit of pure egoistic and mercenary interests."

<sup>1</sup> *Reichstag Debates*, Vol. 143, page 4911. This is reported in full in *War for Profits*, by Lehmann Russbüldt.

#### The Putiloff Scandal

The Putiloff scandal concerns, mainly, France and Russia, although there is no doubt that English firms, particularly Vickers, through their agent, Sir Basil Zaharoff, were involved as well. In June, 1912, the Russian Duma had voted £130,000,000 for the building of a new fleet. Although the Duma demanded that orders for armaments should be given as far as possible to Russian firms, it was obviously impossible for them to carry out the whole scheme. Thereupon a race began on the part of international armament firms and Schneider-Creusot had a particularly good claim because the greater part of the money which was being spent on armaments had been raised in France. Further, in 1910, when the Putiloff Works in St. Petersburg were reorganised, Schneider-Creusot had taken over £1,000,000 of shares. But the biggest share of the order was obtained by Vickers through their agent, Zaharoff.

In January, 1914, the St. Petersburg correspondent of the *Echo de Paris* published a false report that Krupp was planning to acquire the Putiloff Works. The false report is said to have been provoked by Raffalovich in collusion with Suchomlinoff, the Russian Minister of War, after an understanding had been arrived at with Zaharoff. There was immediate panic among the armament firms in England, France and in Germany, and excitement in Paris was only allayed when subsequently the news was sent through from St. Petersburg that the Putiloff Works required another £2,000,000, and would be pleased if they could obtain it from Schneider-Creusot.

Schneider-Creusot accordingly put the required capital at the disposal of Putiloff and at the same time a new Russian loan of £25,000,000 was raised in France. Vickers, Ltd., were able to obtain their share, and *The Times* Paris correspondent of January 29, 1914, was able to announce that during the preceding months orders to the amount of about £6,500,000 had gone to Great Britain.<sup>1</sup>

#### The Shearer Case

Let us now consider the case of Mr. Shearer. This is the one great post-war scandal which has come to light. Its importance was not that it proved anything new about corruption in the United States, but that it showed that armament firms are willing to pay large sums of money to skilled propagandists to prevent the progress of disarmament at Geneva. Shearer is really the modern equivalent of Brandt, the agent of Krupps, whose exposure by Karl Liebknecht in the Reichstag before the war we have already mentioned.

Mr. Shearer was an American publicist who had had an eventful career as a lobbyist for a big navy and merchant marine, as a promoter of night clubs, theatres, and an ally of bootleggers. In 1929 Mr. Shearer sued the three largest shipbuilding corporations in America—the Bethlehem Shipbuilding Corporation, the Newport News Shipbuilding & Drydock Co., and the American Brown Boveri Corporation—for \$255,655, the balance due to him for his services (which he held with reason to have been successfully rendered) in preventing any effective disarmament resulting from the Naval Conference in Geneva in 1927. He admitted that he had already received \$51,230. He claimed the remainder as a reward for his skill in influencing orders for battleships that would never have seen the Atlantic if the Disarmament Conference had proved successful. Like the Mayor and

<sup>1</sup> The story is told in full in the *War Traders*, by G. P. Perris, and Sir Basil Zaharoff, by Richard Lewinsohn.



Corporation of Hamlin, the armament manufacturers were rid of the plague that threatened them and unwilling to pay their agent his full reward. Mr. Shearer had piped his tune and was not to be denied his guelders.

In September, 1929, President Hoover instructed the Attorney-General to make an inquiry, and shortly afterwards Eugene Grace, who was then president of the Bethlehem Shipbuilding Corporation, wrote to President Hoover explaining that he and Mr. C. M. Schwartz, chairman of the board of directors of the Bethlehem Steel Corporation (a subsidiary company), had employed Mr. Shearer as an "observer" at the fee of \$25,000.

These duties have been conveniently summarised as follows<sup>1</sup> :—

- (1) For the employment of an "observer" at the Geneva Arms Conference, who, whatever the terms of the "oral contract" under which he was hired, was notoriously engaged in violent anti-British propaganda, in doing his best to defeat arms limitation, in entertaining naval officers and American newspaper correspondents, in stimulating "the marine industry, both for navy and the merchant marine" (to use his own words, Sen. Doc. p. 450), in sending out literature designed to discredit American advocates of peace, and in inserting his "publicity" in reputable American newspapers, such as the *New York Times*, under the guise of news (*ibid.* p. 542).
- (2) For the purpose of influencing federal legislation by maintaining a lobby in Washington in support of cruiser and merchant-marine bills pending in Congress.
- (3) For the preparation of political articles to be published in newspapers and magazines.
- (4) For lectures before patriotic societies and other civic organisations.
- (5) For the employment of "experts" and other workers, whose exact activities are unknown.
- (6) For addresses before the American Legion, Chambers of Commerce and similar organisations (*ibid.* p. 635).

But for the greed of Mr. Shearer, the fact that such methods were being used by armament firms to promote the sales of armaments would never have been known to the mass of persons likely to suffer violent deaths through the world's failure to disarm. It is interesting to note that Mr. Shearer has been seen in Geneva during the 1932 Disarmament Conference.

Without access to any private information we have been able to show that armament firms have been at one time or another open to each of the charges made against them by the League of Nations Commission. We have cited definite cases in which they have fomented war scares in order to increase the sale of arms, attempted to bribe Government officials, disseminated false reports concerning military and naval programmes in order to stimulate armament expenditure, sought to influence public opinion through the control of newspapers, played off one country against another in order to stimulate the traffic in arms, and induced Governments to pay more for their armaments than they would have done had the arms been under Government control. We have given specific instances of each of these activities. The scandals are instances which have happened to come to light.

<sup>1</sup> Vide *The Navy : Defence or Portent*, by Charles A. Beard. (Harper Bros. \$2.) Mr. Beard analyses the whole Shearer inquiry.

## Chapter VI

# THE BLOODY INTERNATIONAL

WE have gained from this survey a rough idea of the interests at stake in this business of armaments; we have seen these firms with their international ramifications working with, above and against Governments, counteracting by means of propaganda and underground influence the feeble attempts so far made to promote disarmament. The science of warfare has become, as Mr. H. G. Wells has put it,<sup>1</sup> "a very active occupation. It is a sort of ugly and dwarfish twin sister of scientific research. The difference is that she tries to be secretive and her ends are murderous. She is perpetually seeking to seize and pervert scientific advances."

### The Investment Class

Who reaps the harvest of this research and salesmanship? Well, first, the Undershafes and Lazaruses, the Krupps and Zaharoffs, the international armament makers, multi-millionaires above patriotism or responsibility, men whose wealth and influence is incalculable and founded on the accomplished or prospective deaths of a large number of their neighbours. Secondly, the thousands of persons in all ranks of life who, as lesser shareholders, play no part in policy, but benefit by the sale of arms. In Vickers, Ltd., for instance, which is the holding Company for Vickers-Armstrongs, there are 80,000 shareholders. An examination of the lists of shareholders in Somerset House shows that there are persons in every class of society who stand to profit financially by an increase in the sale of arms. The list is an extraordinary one; there are politicians and publicists, Cabinet Ministers, leading Members of Parliament, titled persons and humble people in every station of life. Oddly enough there is a noticeably high proportion of clergymen. It may be of interest to mention a few of the better-known shareholders, with the number of shares added after their names. These have been taken from the lists of shareholders in the Annual Return of Vickers, and were mentioned as holding shares on April 18, 1932 :—

Lord Hailsham, Secretary of State for War .. .. .	210
<sup>2</sup> The Rt. Hon. Sir John Gilmour, M.P., Minister of Agriculture .. .. .	3,066
Sir Robert Horne, M.P. .. .. .	5,000
The Rt. Rev. C. L. Carr, Bishop of Hereford .. .. .	1,010
Earl Dysart .. .. .	40,000
Lord Joicey, who is associated with the Lambton Collieries, Ltd., in Durham .. .. .	20,000
Lord Plender, who has been engaged on many important committees dealing with military and civil matters, and was a Member of the May Economy Committee .. .. .	7,050
Lord Dulverton .. .. .	15,000
Mr. Wardlaw Milne, M.P. .. .. .	3,000

<sup>1</sup> *The Work, Wealth and Happiness of Mankind*, by H. G. Wells. (Heinemann. 10s. 6d.)

<sup>2</sup> Now Secretary of State for the Home Department (October, 1932).



Other well-known names, selected at random, are The Rt. Hon. Mr. Justice Horridge, Mr. Stuart Bevan, K.C., M.P., and Sir John Lavery, R.A.

Naturally, the largest block of shares is held by the Vickers family. Mr. Douglas Vickers, who is one of the directors, himself holds 57,000 shares and shares with others over 90,000.

Now most of these persons must be quite innocent of any desire to slaughter their neighbours. Like the scientists who spend their lives in poison gas research without considering the purpose to which their skill is to be put, they draw their dividends without realising what kind of trade it is by which they profit. One may be sure that workers in the League of Nations Union who hold shares in armament firms are not conscious of any inconsistency; they certainly do not want to increase the chances of war, but their interests and their financial influence are in fact directed to that end. Some who hold armament shares may believe that they are patriotic supporters of the Empire and might be surprised to learn that they are partners in an international business whose object is our mutual destruction.

There is a third economic interest concerned in the upkeep of arms, as Commander Kenworthy once remarked in the House of Commons<sup>1</sup> :—

“It is not only a case of the capitalists who have money invested in armament-making firms being concerned, but there are also the employes and the satellites and all the people for whom they provide work and wages interested in this matter, and until the private manufacture of and traffic in arms can be controlled, or, better still, abolished, there will also be an agitation for more armaments, which in the long run means an agitation for war.”

Any far-reaching proposals for disarmament will necessarily meet with opposition from those financially interested in the upkeep of arms. We have seen that there are three such classes of people. First, the employees of armament firms who have no interest in the matter provided other work is found for them. As to the argument that disarmament means unemployment, it has been calculated that if warships over 10,000 tons were abolished and if this meant paying 25,000 naval officers and men out of jobs and if these men were paid on pension (*all of them regardless of employment*) at an average rate of £1 a day for life, this would work out *much* cheaper than maintaining and replacing the ships. Secondly, the shareholders, most of whom are both innocent and ignorant of the nature of the armament business. Many of them would be horrified to be told that they formed an armament class. Neither of these would offer any opposition to disarmament if they understood the issue at stake.

Finally, we must consider the small body of big international capitalists who control the armament rings. Is the situation in this respect really very different from that described by Mr. Snowden in the speech we have already quoted? He referred to a denunciation by Lord Welby of the people who were opposed to any better international co-operation. He said<sup>2</sup> :—

“What . . . is the obstacle in the way of better understanding? Lord Welby, who has held the highest and most responsible position as a permanent Civil Servant in this country . . . was speaking on this question a few weeks ago, and he said :—

‘We are in the hands of an organisation of crooks. They are politicians, generals, manufacturers of armaments and journalists.

<sup>1</sup> Hansard. July 14, 1924. Col. 149.

<sup>2</sup> Hansard. March 17, 1914.

All of them are anxious for unlimited expenditure, and go on inventing scares to terrify the public and to terrify Ministers of the Crown.’”

After referring to the M.P. for the Hallam Division of Sheffield who was then a debenture trustee for Vickers and also for Cammell Laird & Co., Mr. Snowden continued :—

“Now, who are the shareholders? It would be too long for me to give more than a very short selection from the list, but I find that hon. Members in this House are very largely concerned. Indeed, it would be impossible to throw a stone on the benches opposite without hitting a Member who is a shareholder in one or other of these firms. . . . The hon. Member for the Osgoldcross Division of Yorkshire . . . I congratulate him on his election last week as hon. President of the Free Church Council . . . is the great imperialist. . . . I find that he is the holder of 3,200 shares in John Brown's and 2,100 shares in Cammell Laird's. Another of the Members for Sheffield figures in practically every list, as he figures in every debate of this House when there is a possibility of more money being spent on arms and ships. I refer to the Member for the Ecclesall Division (Mr. S. Roberts). He is a shareholder in John Brown's, a director of Cammell Laird, also debenture trustee of the Fairfield Co., and a shareholder in the Coventry Ordnance Works.”

#### The Public Control of Armaments

We have said enough to explain why Lord Cecil said not long ago that “one of the most vital problems to be solved by the League is the suppression of the private manufacture of arms and the control of the traffic in arms.” Thirteen years have passed since the people who drafted the Covenant of the League of Nations realised the importance of this question.<sup>1</sup> Ten years have gone by since the League Commission<sup>2</sup> summarised the evils that attend the private manufacture of arms. During the Disarmament Conference in Geneva proposals have been made from time to time that the question of private manufacture should be included in the agenda as a subject with some bearing on the general problem. Thus Spain suggested that in the Disarmament Convention there should be incorporated :—

- (i) The Convention of 1925 on the supervision of the trade in arms and ammunition ;
- (ii) A Convention providing for both international and national supervision of the private and state manufacture of arms and

<sup>1</sup> Article 8 of the Covenant reads :—

“The Members of the League agree that the manufacture by private enterprise of munitions and implements of war is open to grave objections. The Council shall advise how the evil effects attendant upon such manufacture can be prevented, due regard being had to the necessities of those Members of the League which are not able to manufacture the munitions and implements of war necessary for their safety.

“The Members of the League undertake to interchange full and frank information as to the scale of their armaments, their military, naval and air programmes and the condition of such of their industries as are adaptable to war-like purposes.”

It was also agreed that regulations concerning the traffic in arms must be one of the objects of the League of Nations and Article 23, Clause D, reads :—

“The Members of the League will entrust the League with the general supervision of the trade in arms and ammunition with the counties in which control of this traffic is necessary in the common interest.”

<sup>2</sup> See page 5.



ammunition, such manufacture to be subject to a system of licensing and publicity.

Germany proposed a strict prohibition of export and import of arms and ammunition and war material, except in countries which produced only small quantities, when special facilities would be given. A second proposal urged that manufacture should only be carried out in a limited number of recognised private or State factories.

Switzerland suggested that agreement should be concluded concerning manufacture, whether private or individual, and Norway suggested supervision of both private and governmental manufacture and trade. Czechoslovakia made a statement that she was prepared to adopt a stricter supervision than that allowed for in the Draft Convention. A reorganisation of armament factories with their wise distribution was advocated by Turkey, whilst Russia made important proposals, including detailed provisions for a Permanent International Commission of Control. There is as yet no sign that these proposals will be seriously considered.

And, with regard to the traffic in arms, seven years have passed since the Arms Traffic Conference in Geneva drew up the Arms Traffic Convention which only comes into force when fourteen Powers have ratified it. So far this has not happened, and "Great Britain, as has been frequently stated in the House of Commons, is not prepared to ratify unless the other leading arms-producing States agree to do so simultaneously."<sup>1</sup>

The advantages of making armaments production a State monopoly, which would necessarily follow any scheme to put arms under international control, but which could be carried out by individual States even without internationalisation, are sufficiently obvious. The sinister influence of armament firms would disappear; the secret encouragement of fear and of militarism in each nation by armament firms; the bribery of journalists and officials; the opposition to disarmament by interested persons in every country—all this would disappear. The taxpayers' interest in economy would act as a more efficient check on militant patriotism. There would be no vested interest in war; no class of persons waiting to reap financial advantages from slaughter.

So far the steps taken towards public control of armaments are only laughable.<sup>2</sup> Armament manufacturers have not been in any way inconvenienced as a result of the acceptance by the British and several other Governments of a rule that the manufacture and export of arms must be licensed by the State. So far this rule has been carried out to the complete satisfaction of manufacturers and Governments.

It is, in fact, nothing but a war provision. It provides the Government with useful information, and it would, if a war was imminent, enable a

<sup>1</sup> *Traffic in Arms*, 1928, No. 269. League of Nations Union.

<sup>2</sup> The First Sub-Committee of the Temporary Mixed Commission made several suggestions for the control of the private manufacture of arms which included the following:—

1. No manufacture without a licence.
2. No exports or imports of arms without a licence.
3. All licences to be registered at the League of Nations.
4. All company shares to be registered and no bearer shares to be issued.
5. All accounts to be publicly audited and published.
6. Those in control of private manufacture should be prevented from controlling or influencing newspapers, &c.

Government to stop the last-minute provision of arms to an enemy power. Similarly, it is childish to imagine that the compulsory publication of shareholders, also recommended by the League and already legally required in this country, can act as any safeguard. Few people know anything about the lists in Somerset House, and even those who consult them are not much wiser about the individualities concealed under the names of banks which hold large blocks of shares. Nor does the fact that the balance sheets of armament firms, most of which are public companies, have to be audited and published keep any armament manufacturers awake at night. Auditors combine discretion with accuracy and we have not needed a Hatry case to prove how easily even the most honest and efficient auditors can be prevented from discovering the less public or reputable activities of the firms whose accounts they audit. And if auditors themselves are ignorant, how much can the public know of the facts concealed by innocent words such as "depreciation," "reserve," "investments in subsidiary companies," and so on?

The recommendation of the Commission that "those in control of private manufacture should be prevented from controlling or influencing newspapers" is a charming piece of *naïveté*. One does not need to hold shares in a newspaper in one's own name to influence its policy. It might be possible legally to prevent any one holding the position now occupied by M. de Wendel in the French Press, but even so you cannot prevent armament manufacturers being the friends and the financial backers of newspaper proprietors.

Nor have the subsequent efforts of the League proved more fruitful. The suggestion put forward by the Labour representative of the I.L.O. on the Temporary Commission that all private manufacture of arms should be prohibited was rejected by the Commission on the ground that it penalises those countries which could not manufacture all the arms they required for themselves. In other words, the sale of arms would be directly subject to public policy and small countries would be unable to arm except with the good will of the big Powers. Would that be a bad thing? It would at least make the arming of a small Power a deliberate act of will on the part of the great Power; it would no longer be possible for a Government to ride off on the excuse that it could not interfere with private enterprise.

Subsequent discussions at Geneva have shown a tendency to move backwards rather than forwards as far as private manufacture of arms is concerned. In December, 1930, when the subject was included in the Draft Convention on the Limitation and Reduction of Armaments, the recommendations were actually less drastic than in 1925. They proposed that publicity for war material was to be allied to *value* only, whereas it had been suggested in 1925 that Governments should give figures of number and weight as well as of value.

### Conclusion

It is indisputable that private armament firms, no matter how reputable and incorrupt, depend for their prosperity on the perpetual exasperation of international fears and suspicions: they live upon that armament competition which saps the world's economy, they thrive upon war scares, and they must have occasional wars. It is indisputable, too, that the private armament firms, with their potent financial and political backing, can and do maintain such fears and suspicions between the nations, and do thus continually endanger the world's peace. It is indisputable that they afford to the War Departments in the countries where they operate the means for



the rapid expansion of armament production in time of crisis : and Governments which can rely upon thus augmenting their war supplies are the more likely and the more ready to strike a sudden blow against their neighbours.

If Governments wish us to believe in their sincerity when they preach peace and discuss disarmament, they must begin by abandoning their unholy alliance with the vested interest in arms. As rulers who have renounced war, they must also renounce the supposed advantage of having a private organisation capable of immediate expansion and use in the event of war. They must cease to pretend that a Disarmament Conference is a meeting of statesmen to adjust minor differences and openly proclaim themselves the enemies of the vested interests in armaments. These vested interests are powerful enemies, not stage dummies and their defeat and subjugation is an essential part of any genuine scheme of disarmament.

If Governments fail to abolish the private manufacture of arms, what is the alternative ? Another war for " King and Country," for " Fatherland," for " Liberty " and all the other time-dishonoured battle cries ? Perhaps. But there is another possibility—the possibility of which M. Vandervelde spoke at the Disarmament Conference when he declared that the workers would not again take up arms—at least not against each other. He appealed significantly to the "prudence" of statesmen. If that "prudence" is lacking, if armament firms are allowed to continue to foment national fears and hatreds, to create scares of war between populations which have no quarrel with each other, may not the next appeal to the warlike passions of the nations prove and justifiably prove to be the signal not for war, but for revolution ?

