

U. S. Indicts Nazi-Ruled Metal Cartel

Six Firms Accused Of Plot to Curb Magnesium Output, Vital to Defense

By George Bookman
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The Justice Department struck yesterday at what it called "startling evidence of German influence" on national defense industries by obtaining indictments in New York Federal District Court against six corporations and nine individuals for allegedly combining to stifle production of magnesium, a vital defense metal.

American companies, including the Aluminum Co. of America, were claimed to have conspired with I. G. Farben Industrie, a German corporation, to control production and prices of the light metal.

The result of the actions, it was said, was to hamper output of war planes.

Arthur Davis Named

The following corporate defendants were named in the indictments:

Alcoa, I. G. Farben Industrie, Dow Chemical Co., American Magnesium Corporation, Magnesium Development Co. and General Aniline and Film Co.

The persons named as defendants were:

Arthur V. Davis, chairman of the board and director of Alcoa; Roy A. Hunt, president and director of Alcoa; Irving W. Wilson, Alcoa vice president and president of American Magnesium Corporation; Wilfred D. Keith, director of Magnesium Development Corporation, patent official of Alcoa; Karl Hochswender, president and director of Magnesium Development Corporation; Willard H. Dow, president and director of Dow Chemical Co.; Earl W. Bennett, vice president, secretary and treasurer and director of the Dow Co.; Herman Schmitz, member of the managing board of I. G. Farben; Gustav Pistor, of I. G. Farben.

Wilson last night issued a statement in which he said:

"The officers of the American Magnesium Corporation and the Aluminum Co. of America are conscious of no violation of the anti-trust laws of the United States and confidently believe that a full presentation of both sides of this matter will reveal that there has been no wrongdoing whatsoever, but on the contrary that these companies have contributed greatly to the development of the magnesium business in this country."

Foreign Curb on Production

The indictment recited a list of charges which the Justice Department said were being brought "to destroy unlawful foreign restrictions on the domestic production of magnesium for defense purposes."

The American firms conspired together with the German firm, the Justice Department charged, with the result that:

"There are inadequate facilities in the present period of national defense for the production of magnesium."

"Development and use of mag-

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magnesium in the manufacture of airplanes and other products has been restricted, restrained and discouraged."

"There is now a serious shortage of foundry facilities available for the fabrication of magnesium products."

"The price of magnesium in the United States has been maintained at artificially and unreasonably high levels, and that when the Dow Chemical Co. sold magnesium abroad it did so at prices substantially lower than to domestic users."

Might Seize Industry

"This conspiracy has resulted in the maintenance of a single producer of magnesium in the United States."

The recital of charges led some Justice Department officials to predict that the United States Government might use its World War powers to take over patents of the magnesium process and perhaps also the aluminum industry, in case other methods proved ineffective.

Pointing out that there is today a shortage of magnesium both in the United States and England, despite the fact that the raw metal is found everywhere in brine deposits, the Justice Department stated that Germany has increased its magnesium production five-fold since

1938, while conspiring to hold down American production.

Officials said that German production in 1940 was somewhere over 25,000 tons annually, contrasted with American production of only 6,000 tons.

The indictment charged that the firms used the following devices to maintain their alleged control:

Pooling basic manufacturing patents in order to give three American corporations a virtual monopoly in the magnesium industry.

Maintaining the domestic price of the metal so high as to discourage its use in airplanes, automobiles and other products.

Requiring magnesium users in America to buy their needs from one source, the Dow Chemical Company, thus discouraging others from competing with Dow in the production of magnesium.

Limiting sale of magnesium to a single company, which had the effect of making Britain dependant on Germany for most of its magnesium.

Signing a contract between Alcoa and the German dye trust limiting United States production of magnesium to 4,000 tons annually, unless I. G. Farben Industries agreed to a higher quota.

The indictments were the result of an inquiry, begun in 1939 by the antitrust division, the department said.

"This inquiry has shown startling evidence of German influence in domestic industries essential to national defense," the Justice Department remarked.