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Prewar Cartel Charged With Helping Nazis

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WASHINGTON, Sept. 7.—A secret, prewar cartel agreement between Germany's Carl Zeiss Optical firm and America's Bausch & Lomb, Rochester, N. Y., was used to sabotage the Versailles Treaty, to divide markets, boost prices, and—on the German side—to get military information for the Reich.

This is the charge made today by Assistant Attorney General Wendell Berge before the Senate Kilgore Committee on War Mobilization. The evidence was presented as a warning that "Germans know their best chance of preparing for another war will be through maintenance of their monopolistic industrial firms."

Germany has a pattern ready for sabotaging another peace treaty, charged Mr. Berge, citing the military optical-gunfire-control-instruments cartel after Versailles.

Hidden Part Charged

The Zeiss-Bausch & Lomb tie-up began in 1921, Mr. Berge charged. A hidden agreement was signed giving the German firm connetcion with the American firm.

"Secret United States military information was given by Bausch & Lomb to Germans not only before but after Hitler came into power," Mr. Berge charges. Other charges are:

Zeiss patents were taken out in the United States in the name of the Rochester firm to give an appearance of American ownership and forestall Alien Property Custodian seizure.

Unknown to the Navy, a secret commission to Bausch & Lomb was

included in prices paid by the Navy for Zeiss equipment.

Although public declarations were made by Bausch & Lomb that it was not selling military equipment to England and France for fear it might be used against the United States, actually the sales were banned by the German concern, which was fully acquainted with American production.

Patent Threats

Patent - infringement threats were used to frighten competing firms bidding for Army contracts.

Cost to United States taxpayers of service binoculars was greatly increased by Bausch & Lomb efforts to protect itself from competition.

Mr. Berge recalled that Bausch & Lomb and the Zeiss firm were sued for antitrust violation in July, 1940, and the defendants paid fines. Mr. Berge charged that subsequently the firm sought to gloss over the charge through production of a misleading brochure.

Most ironical evidence introduced today by Mr. Berge, consisting of documentary exchanges between executives of the German and American firms, tells how an unnamed "senator" was used to boost tariffs on binoculars during a temporary falling out between the German and American optical heads. The incident occurred in 1932.

The United States Navy asked

bids for 600 binoculars. Bausch & Lomb bid \$39.50, Zeiss \$26. This infuriated Edward Bausch, whose letters to Germany, and replies received from Zeiss, explain what happened.

Complaint to Senator

Mr. Bausch charged the Zeiss low price was "absolutely out of reason." As a result he disclosed he complained to "one of our senators." This culminated in an executive order slapping on a prohibitive tariff.

Zeiss bewailed the thrust, charging the tariff change shut out German high-grade binoculars under camouflaged senatorial wording.

The correspondence does not name the senator concerned. The two New York senators then were the late Royal S. Copeland, and the present Robert F. Wagner, both Democrats. Herbert Hoover was President.

The German Zeiss firm reproaches its American associate more in sorrow than in anger. "Your quotation of \$39.50," a Zeiss executive writes, "seems to be exorbitant. . . . You quoted to the United States Navy—your best single customer — considerably more than what you asked from a dealer for one single glass."

Later, the German and American firms patched up their differences.

Testifying today, Mr. Berge recalled the Pearl Harbor pleas to private citizens to make gifts of

binoculars to the armed services.

"To the extent that a shortage of such material can be traced to the squabbles among cartelists," he said, "it is a condition which should certainly never be allowed to recur."