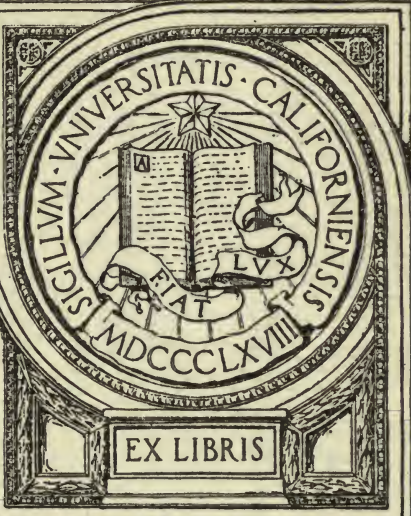


GERMANY'S NEW WAR
AGAINST AMERICA

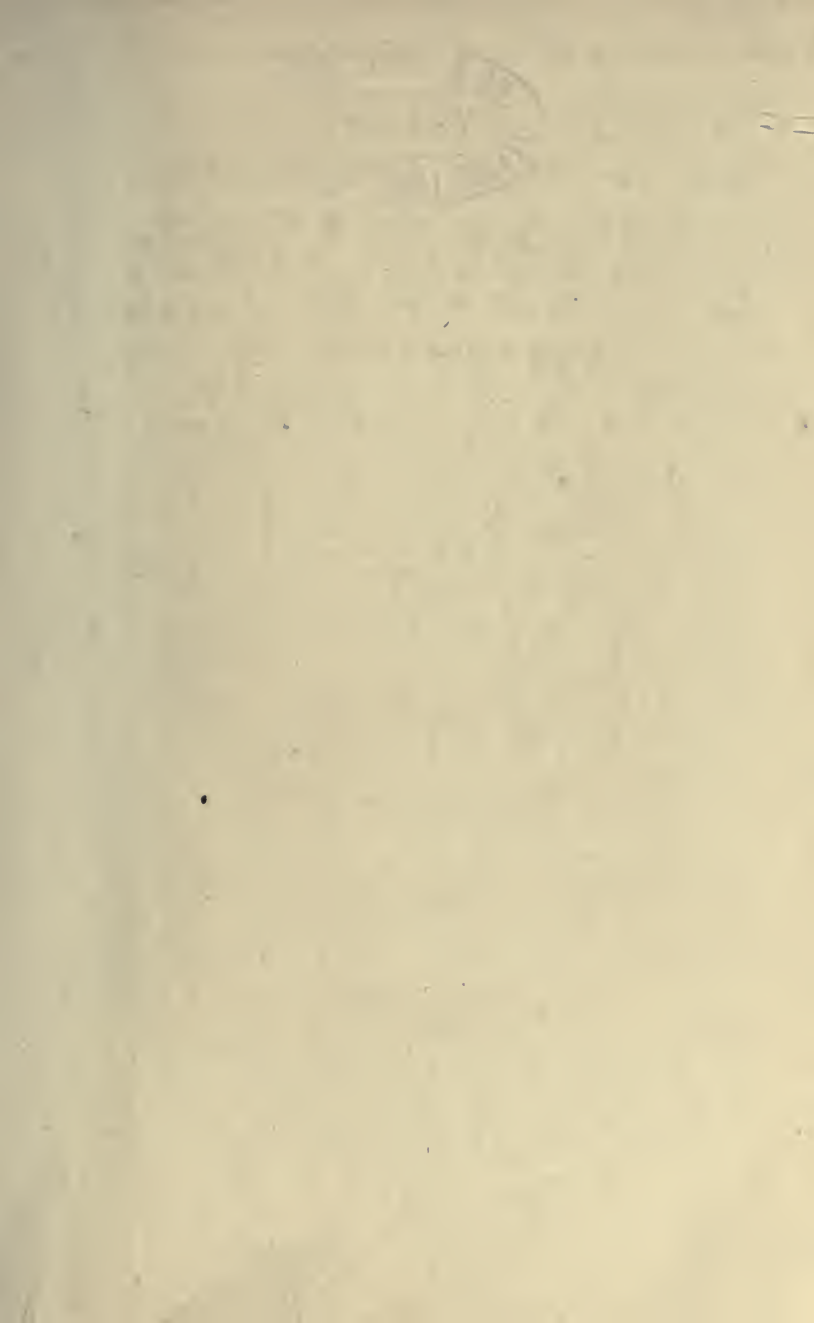
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GERMANY'S NEW WAR AGAINST AMERICA

BY
STANLEY FROST
of The New York Tribune

With an Introduction by
HON. A. MITCHELL PALMER
ATTORNEY GENERAL OF THE UNITED STATES
FORMERLY ALIEN PROPERTY CUSTODIAN



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INTRODUCTION

By A. MITCHELL PALMER

Attorney General of the United States, Formerly Alien Property Custodian

AMERICAN business men should realize the great German menace that is now confronting them. Germany has mobilized her finance, industry and commerce into a vast army, with carefully laid plans for a commercial war that will be as serious a menace to civilization as were the bloodthirsty hordes of the Kaiser's army that invaded little Belgium. Germany has been defeated on the battlefield, but her industrial, financial and commercial army is intact. Her great factories and workshops have not been touched by the war.

Industrial Germany was responsible for the war. Industrial Germany sympathized and participated in the preparation for the war, and when defeat seemed certain it was industrial Germany that forced the military peace in order that with her industrial equipment intact she might continue the same war by intensified and concentrated economic

measures. The Germany of to-day is not a whit different from the Germany of five years ago. Her ambitions are the same; her methods are the same; her destinies are in the hands of the same group of men who began the war and who prosecuted it so ruthlessly.

With her factories and workshops intact and mobilized with her finance and commerce, Germany is prepared to attack the United States in a commercial war in the hope, not alone of regaining the markets lost by the war, but of extending her trade and business on a much larger scale. For many years Germany has by "peaceful penetration" sought to dominate the principal industries of this country. In many industries the Germans were successful. My experience as Alien Property Custodian convinced me that the industrial invasion of America by the German interests for many years before the war was begun with hostile intent. It was destined to capture the trade and business of this continent when the day should come that Germany felt strong enough to pit her armed forces against the civilized world. Germany's method of upbuilding industry in this country was not the method of ordinary investors of capital, but the method of distributors of propaganda. Many of the German-owned industrial concerns here were

mere spy centers before the war, and would have been centers of sedition if we had not promptly taken them into our possession.

German plans for the coming commercial warfare have been framed with the greatest skill. While the German hordes were fighting on the battlefields, German economists, bankers and business men were scheming and plotting for the day when the war should end, so that Germany would be prepared to send her agents broadcast throughout the world and begin anew a commercial warfare, by which Germany hoped to secure control of the markets of the world. German agents, with their same old tricks and a few new ones, are ready. American business men know what these tricks are. Destroy business competitors by state aid, cartel combination, dumping, full-line forcing, bribery, theft of patents or inventions, espionage and propaganda! Nothing is too unscrupulous for these German agents to use in their efforts to regain German trade.

The dye industry is one of the industries through which Germany hopes to regain her world trade. It is Germany's chief protective industry. She would never have started this war had it not been for her highly developed dye industry, through which she was enabled over night to turn her dye

factories from their peacetime occupation, into the making of high explosives and noxious gases, which killed so many of our gallant boys on the battlefields of France.

Germany believes that America must have German dyes. She thinks that we cannot get along without them. She is looking to the dye industry as her chief weapon on the economic battlefields of this country, and expects through it to make American manufacturers the slaves of Germany. I do not think the American manufacturer wants to return to pre-war conditions. We had no dye industry then and he was solely dependent upon the Germans for dyestuffs. We were also dependent upon the Germans for some of our most important medicines, such as salvarsan and luminal. Things have changed, however, and we now have a very healthy dye industry in this country. We are also making many of the important remedies for which we were formerly dependent upon Germany. It is essential that the American consumers of dyes support this industry. It is essential that America have a highly developed dyestuff industry; first, because of its importance to the industries of the country (more than three billion dollars of American products being dependent upon it); second, because of its necessity for national defense (for use

in the making of high explosives and gases); and third, for the development of research work for the discovery of curative medicines for some of our most fatal diseases.

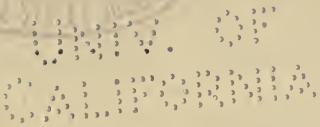
At my suggestion the Chemical Foundation, Inc., was organized and purchased the 4,500 German-owned dye and pharmaceutical patents in this country. This concern is in the control of a Board of Trustees, consisting of Otto T. Bannard of New York City, Cleveland H. Dodge of New York, George J. Ingraham, late Presiding Justice Appellate Division, New York Supreme Court; Ralph Stone of Detroit, and B. H. Griswold of Baltimore. The Chemical Foundation proposes to license the use of these German-owned patents to American concerns on an equal footing. Practically all of its income will be devoted to research work and the upbuilding of the dyestuff, chemical and pharmaceutical industry in this country.

We are doing our part to make America commercially free. I believe that American business men will join with us.

A. MITCHELL PALMER,



**GERMANY'S NEW WAR
AGAINST AMERICA**



GERMANY'S NEW WAR AGAINST AMERICA

CHAPTER I

LAUNCHING THE INVISIBLE WAR

ATTACK BEGUN BEFORE ARMISTICE WAS SIGNED—
THE PLOT TO GAS THE WORLD'S TRADE—GER-
MAN RESOURCES ALMOST UNIMPAIRED—THE
OLD GANG STILL IN POWER BEHIND REVOLU-
TIONARY AND BOLSHEVIST CAMOUFLAGE—POS-
SIBLE MEASURES OF DEFENSE—AMERICA
MARKED AS FIRST VICTIM

GERMANY has already declared an invisible war. She had elaborately planned to do so. Before the ink was dry on the armistice——

German agents were in Italy taking orders for goods at 50 per cent below the market prices.

German agents were in Holland and Scandinavia

offering goods guaranteed to be so camouflaged that neutrals could sell them to anti-Germans as their own manufacture and at cut prices.

German agents were in Spain, guaranteeing delivery within six months at cut prices, of any goods, whether previously sold by Germany or not.

German agents were waiting by the thousands in Switzerland for word to begin the invasion of Allied countries.

Thus even before the old war ended the enemy began the War-After-the-War. While the Allies have been almost in panic over the specter of Bolshevism in Germany the German trader has been attacking Allied trade.

In this new war they have struck not haphazardly, but with deep preparation. They have a well-drawn plan of campaign inspired by Teuton cunning and treachery. They have intact a world machine for aggression and propaganda. They have an industrial equipment which is actually stronger than before the war.

Has New Alliance Against the World

The alignment is of Germany, with such of Russia and Southeastern Europe as she and her Bol-

shevik friends and hirelings can control against the world.

The purpose is to win for Germany, by commercial, industrial and economic aggression, the world supremacy that she could not win by arms, and incidentally to make the nations that defeated her pay the indemnities she owes the world.

The strategy is to place comparatively small funds in positions of power in the business life of other nations, and from this leverage to reap further power and enormous profits.

The tactics are the same that have shocked and revolted the world for the last five years—broken faith, deceit, propaganda, espionage, every kind of dishonesty and indecency, combined with such scientific organization as will throw the whole power of the entire German world against any weak spot that her leaders may detect, and such diplomacy as will prevent the world from rallying adequate force at that spot to resist her.

Deadly Weapons Under Camouflage

The menace is no more a nightmare than the fear of her coming armed assault of the world, the fear that was laughed down in 1913, was a night-

mare. It is somewhat covered by diplomacy, as her ambitions as a conqueror were then covered, but it is avowed at home as frankly as Treitschke and Bernhardi avowed the coming Prussian piracy. The strength she is gathering is camouflaged with disorder and apparent weakness, but there are deadly weapons under the camouflage.

The great war took the world by surprise because the world did not believe what the German leaders—intellectual, political and commercial—said. Pan-Germanism, world conquest, even the rape of Belgium, had been discussed and advocated by men to whom Germany looked up and who were recognized spokesmen. In the same way the coming campaign for world dominion through commerce is as frankly avowed.

Its best, most efficient and most *kultured* exposition has been given to us in a little book by S. Herzog, one of the greatest of German consulting engineers and a man easily fit to rank in his own line with Bernhardi. This book obviously was not intended for circulation outside Germany, but a copy has been secured, translated into English and published by Doubleday, Page & Co. Herzog's title is "The Future of German Industrial Exports."

Conspiracy of Fraud, Declares Hoover

An introduction for this was written by Herbert C. Hoover, Vernon Kellogg and Frederic C. Walcott, and it summarizes startlingly the opinion of these men on the German menace:

“If there is anything to be gained by being honest, let us be honest; if it is necessary to deceive, let us deceive.” Thus wrote Frederick the Great in the middle of the eighteenth century,—the man who laid the foundation for pan-Germanism, which this world war was expected to achieve. Not content with dominion by force of arms, we find Germany plotting for commercial supremacy with that insolent disregard of the rights of others and that resort to deception that have characterized all her policies since Frederick the Great’s reign. . . . Like all of Germany’s plans affecting other nations, the entire conception depends upon deceit and superselfishness; not one word touching upon reciprocity, not one word in recognition of any international obligations.

It was obviously written exclusively for home consumption and not intended for those outside the iron circle. It should be a warning to us. We should study it with care and keep our eyes and ears alert for other warnings of the sort, that in peace we may be prepared to meet this design of commercial rapine, this crushing of the industries of other countries.

Germany Inherently A Dishonest Nation

. . . deception and fraud form the background of their most important international relations and undertakings. They have made of Germany an inherently dishonest nation.

Now another conception comes out of the heart of Germany, that threatens the commercial interests of unsuspecting nations—carefully thought out, with characteristic German thoroughness, openly advocating the breaking down of all business ethics, relying upon trickery and circumvention to gain their end. This promises to stop at nothing, from national dumping of goods to crush competition, to false labels and disguise of the origin and the breaking of contracts that prove disadvantageous to the German.

Let the manufacturing and banking interests and the laboring and professional classes of all nations be warned in time to devise antidotes and counter attacks to the Machiavellian devices of a class gone mad with lust of conquest, deliberately plotting to fatten itself on the lifeblood of other nations even after the war. Let us consider, in making peace, what protection we can give to the commercial existence of the freed nations.

That is Herbert Hoover's opinion of the German menace.

The Herzog plan, stupefying in its frank rapa-

city, is simply the perfection of the organization which grew up during the wonderful German expansion of the last few decades, a perfection toward which Germany has moved fast during the war and has now almost attained. It combines amazingly with the principles advocated by leading German Socialists.

The state is to take full control of industry. It is to determine what business and profits each may have and to have power to assign men willy-nilly to industries, to hold them there under a military discipline and prevent their deserting to any other job or to another country. The whole machine is to be under control of a commercial general staff.

This staff, covering the world with spies, is to decide how much of each German product each nation should consume and at what prices, and how much of its own products it should sell Germany and at what prices. Germany is to be the sole judge.

If a country rebels, if the people will not buy or sell to Germany at the prices and in the amounts assigned, punishment is to follow.

Germany will select certain industries—like the dyestuff trade or potash fertilizers or vitally needed medicines—which she can absolutely control and of

which she will have a carefully protected world monopoly, competition in other countries being beaten down by scientific "dumping." When commercial war is declared she will refuse to sell these "protective products" to the offending nation, maintaining the boycott till the other's industries are crippled and she is forced to surrender. The whole German commercial world is to be assessed to pay the campaign expenses, and when the commercial war is won is to be reimbursed from the heavy indemnities to be exacted. Thus the whole power of the German organization can be thrown instantly against any single point in the world.

This system is to be buttressed in every possible way. German inventions are to be kept secret—others are to be stolen. Trademarks are to be pirated and neutrals used to hide the German origin of goods. German commercial travelers are to go disguised as of other nationalities. Surplus stocks of goods are to be created and held for dumping purposes.

The transplanting of German industries or workmen to foreign soil is to be prohibited, except the highly trained scientists and engineers, who are to go as spies, propagandists and corrupters. A world propaganda is to be maintained.

Germany's Actions Fit Into the Plan

Treaties are to be made and broken at will. The most intensive training is to be provided. Genius of all kinds is to be drafted and possessors of trade secrets are to live in virtual imprisonment.

Every state power, the tariff, government patronage, diplomacy, law, financial and railroad control, is to be used in any possible way.

As with Bernhardt's prophecies of rapine, so with this—the German acts agree with theory. Much of the Herzog machine had been constructed before the war and a constant growth was going on. Already the German commercial threat had become a marvel of the business world. Already commercial espionage had covered the globe and dumping as a trade weapon instead of a relief for home congestion had become a scientifically controlled practice. Already the German tentacles were reaching out into other nations and the careful strategic location of these investments has been an almost stunning surprise to the men who have been digging them out since the war. Already the whole German commercial machine was being organized to support each individual export scheme with money, advantages and power.

A single instance of this will show how the whole thing worked—and this was before the war. When America put a new tariff on a German product the German government would grant rebates on the freight rates, which would offset the tariff, and let the German stuffs come on equality or better, usually, into the American market. Money premiums, or designedly profitable government contracts, were provided in other cases. Always, Germany was ready to use her power and wealth as a whole to permit any particular German product to overrun all barriers and meet any foreign product in its home market at a price that would crush competition until in the end the German product, unopposed, could be sold at tremendous profit.

So successful had this been that when the war opened it is estimated that Germany had investments totalling \$9,000,000,000 in foreign countries, and this mostly in strategic positions and strategic industries, rather than merely in dividend gathering securities. She controlled the dyes and chemicals of the world, she controlled the whole metal industry, except for iron and a few American metal companies, and was stretching out for these. She controlled potash, an indispensable fertilizer. She

had the best optical glass and surgical instruments. She was using her scientists as spies and even planting industries solely for espionage purposes. She was cutting into the textile business, beginning with wool and lace. The machine was working and was having a huge success.

Machine Strengthened Even During War

Since the war this machine at home has been strengthened.

The chemical industries, which were formerly in three cartels (the German form of export trust which had developed into its most effective trade body), have now been entirely consolidated.

At least four great exporting unions have been formed to push German foreign trade with a backing such as has never been given.

Neutral firms and trademarks have been bought, subsidized or coerced for use as disguises.

Great quantities of certain goods—dyes, potash and probably steel products—have been gathered for dumping, while raw materials are ready to be sent into Germany to start her mills or to be thrown onto the world market to manipulate prices for her benefit.

In fact, of all the Herzog scheme little remains to be done but to make the final concentration of power, to organize the general staff, so to speak, and to tighten the screws of discipline. The Herzog plan, in all essential features, could be completed in a matter of weeks.

Russia Offers Chance to Recoup All Losses

In addition, as preparation for the trade war, Germany has struck deep into Russia—how deeply is not yet known, for the “open” diplomacy of the Bolshevists left certain unpublished paragraphs in the Brest-Litovsk treaty. But throughout Russia, where even before the war practically all banking and production were managed by Germans, German capital has been and is to-day buying up the industries which were ruined by their Bolshevik friends. More than 200,000 German agents are declared to be in Russia, where all other foreigners are barred. Ambassador Francis declared publicly recently that unless this were stopped the world would learn in ten years that Germany had won the war and the Allies lost it. Now the Bolshevik rule, and with it the German power, is extending through Hungary. No wonder the Germans are not surrendering their Mitteleuropa dream.

The first weapon of all German plans is propaganda. Many thousands of the Huns' most skillful agents have been interned, and to-day the German schemes are still suffering from lack of their abilities. When peace is signed that will be ended. The great foreign espionage and propaganda system will be restored almost intact, and particularly so in this country, where there have been no executions of German agents and few sentences that amount to more than a few years. Bombers, bribers, liars, spies, all will be back in their accustomed places before our boys are home from the Rhine. There is a plan to deport many of them, but even during the war our border was constantly being crossed by known German agents.

Before the war the German Foreign Office in the Wilhelmstrasse was the real center of German foreign trade. It is so to-day, and from it are coming the diplomacy and propaganda that can best serve Germany for her commercial campaign. To save her ships, to save her colonies, to save her coal and iron fields, to keep from having to return the machinery stolen from Belgium and France and Poland, to get assurance of raw materials—this has been the German diplomacy through the last few months. Commercial, every line of it.

Behind the camouflage the same German spirit shows. "You cannot expect the Germans to go to bed monarchists and wake up republicans," said a famous liberal Vienna editor recently. "The old government is still working," said Kurt Eisner, a real Socialist, shortly before he was murdered. "The old gang remains in power," writes Frank H. Simonds. "The leaders of the National Assembly are the men who echoed and re-echoed the militaristic ideas during four years of war. Bureaucracy is not changed. It continues to function, its sympathies are all with the old order."

Old Imperialist Gang Remains in Power

Run down the list of the men in power:

Ebert, the Kaiser's jackal for the betrayal of Russia.

Erzeberger, another of that pack.

Scheidemann, an open tool of imperialism and betrayer of his fellows.

Bernstorff, on whom no comment is needed.

Dr. Albert, father of a million lies on our soil.

And so on!

German socialism itself, supposing it should rule, has in it nothing that would make it less willing

to strike for commercial imperialism, provided the proletariat got the benefit. Not a move has been made to bring under control or to modify in power or aggressive purpose the great machine built under the Kaiser for commercial invasion. The German Socialist preaches a new kind of control of the government, but nothing of a government of liberty. He wants a state that rules every detail of life even more than did the Kaiser's, a socialized autocracy, a popularized Prussianism, but still the old Prussian autocracy, only with ballots instead of Gott to select the autocrat.

Old Dishonesty Now Even Worse

The old dishonesty is there—worse, if anything.

“One fact seems to be established by all witnesses,” Simonds reports. “Germany is . . . morally bankrupt. The German dishonesty which showed itself in lying and stealing on a grand scale during the war is now become chronic in the smallest circumstances of life.”

Germany's own economic machinery is not only intact—it has been strengthened during the war. It is in far better condition to-day than that of any other country, except possibly England and

America. It has suffered nothing from warfare. It has been reinforced by the machines looted from Poland, France and Belgium, while in all the country where the German hordes have been there has been destruction that has been aimed solely at economic crippling of a future competitor. Germany's war debt is to her own people, and can be repudiated if she wishes. In spite of the losses of war, she has a tremendous force of skilled labor. She has been gathering vast stores of raw materials. In Switzerland alone there are 30,000 bales of raw cotton waiting the signing of peace to be shipped in to start the German spindles and looms, and in South America are millions of dollars' worth of wool. The machine is not running, but it is intact.

Measures Taken to Meet Menace

The governments of the Allied nations, and especially of America, and the business men of neutral nations, have not been idle in the face of this menace. Many measures have been taken to meet it; more are in contemplation. The war has developed, it has forced the development, in many countries, of industries which meet the German on his chosen ground. It has aroused the attention of the world to the danger. War measures have

gone far to destroy the German machine outside of Germany itself. Following are the leading points which stand to the credit of the Allies and of America in the coming war:

The Saar Valley field contains 18 per cent of Germany's coal, 60 per cent of her iron, and enough potash to supply the world when developed. If the entire Saar field goes to France under the peace treaty, Germany will have been struck a crippling blow.

America has developed a supply of potash that is now able to care for about 30 per cent of her own needs, and that, experts believe, if given protection, can supply the world in five years.

In England, France, Italy and America hundreds of millions in German property has been seized and sold to loyal citizens. The fabric of the invading octopus has been torn to pieces. In South America, too, through the use of the war powers, German business has been badly crippled. But this has nowhere been quite complete, and there are great fragments of the octopus left, ready to function again. Nor has any adequate scheme been devised for preventing the prompt reconstruction of the machine, as fast as American or Allied citizens can be tempted by greed or duped by conspiracies.

To Clinch the Dye Industry

In the dye industry, a key to the great textile trade, and, with its by-products, to the whole drug trade and the basis of explosives and of war itself, both Britain and America have made great strides. In these the elimination of the German agents has been far from complete, but Francis P. Garvan, United States Alien Property Custodian, has devised a plan for pooling the patents seized from the Germans which should give America a great degree of protection during the years needed to get our industry on its feet. With a bar against German imports, which he is trying to get, it is believed that America can be made safe on this line.

In regard to optical glass, recent inventions in America have made it certain that this country can produce a world supply, if the industry again can be given a chance to develop itself.

Much of the German property has escaped seizure by being transferred to neutrals, who hold it as "cloaks" for the German owners. A plan has been formed for an inter-Allied agreement to impose so heavy a tax on the retransfer of these properties as to cripple them seriously, or else force the Ger-

mans to continue doing business in a roundabout and costly way.

It has been found that by restrictions on ship fuel and supplies—"bunker licenses"—all shipping can be brought under almost full control of any agreement made between America and Great Britain. This can be used to prevent any revival of the German merchant marine. England has under discussion the adoption of this scheme by herself, which she could use single-handed to bar Germany from the Orient and from all but the Mediterranean coast of Africa.

Vast amounts of information have been gathered by the intelligence service of the Allied and American governments, which are available to their officials, and could, if desired, be put at the disposal of their business men as a trade weapon.

Hun Looks Toward America

It is toward America, the greatest market in the world and the least protected—except Russia—that Germany is chiefly turning her eyes. Her attempts to divide us from the Allies are notorious. Her propaganda has centered here and it showed a great revival immediately the armistice was

signed. Men who had escaped internment, Viereck and his ilk, suddenly became vocal.

"The day is not far off," wrote Viereck in December, "when the United States of America can freely salute the United States of Germany, and 'The Star Spangled Banner' will wave side by side with the red, black and gold of our new sister republic." "Germany is still unbeaten," he said in the same article. "The avowed purpose of our Tories to keep Germany in economic subjection is contrary to the spirit and to the letter of our President's fourteen points."

Hundreds of Millions Still Unseized Here

Thus to Americans in particular is the German menace important, since we seem singled out for the first attack. America has seized some three-quarters of a billion of German property, but an amount perhaps as great has not been seized. Mr. Garvan is confident that most of the active capital has been taken in, but he has been unable to touch the millions invested in stocks, for the fact that dividends have not been called for on these millions is not legal proof of enemy ownership. Moreover, there is much German property he has been unable

to get, as under the law nothing could be done against a German subject here who was not caught in an overt act. Nor has he been able wholly to drive out the American agents of the German octopus. Hampered by a hastily made law, with holes in it that have had to be plugged as he went along, hampered by lack of funds and of trained men to do the exceedingly difficult and technical work of searching out the German funds, he and A. Mitchell Palmer, his predecessor, have accomplished much, probably more than many men who voted for the law thought they could. They have supplemented it with individual initiative and daring.


Protection Needed to Give Us Time

They have assured America time, if their work can be completed by legislation, in which to prepare herself for the fray; they have driven underground those tentacles of the octopus which they have not lopped off. But no work of theirs, or of any other men, can protect America for long, nor protect her entirely, even in the present.

The German machine is ready and at work, its spies and propagandists are busy. Secrecy will be

one of its chief weapons. Its agents and its goods will come to us under all kinds of disguises and with all kinds of suave plans and attractive inducements. Often the most deadly hook will be baited with immediate gain for us. The trade war's general staff, watching in Berlin, will seize every loophole in our laws, will evade every barrier that can be evaded by force or fraud, and will drive home their wedges with tremendous blows.

Against this there is no defense but unceasing vigilance and patriotism, often at a sacrifice. Unless our legislators and our Administration, unless our business men and our consumers, down to the women who buy the least of household wares, are alert and ready to think of other things than the price or profit, we shall fight a losing war.



CHAPTER II

THE NEW HUN PIRACY

GERMAN CAMPAIGN CAREFULLY PLANNED—HER
SOLID ECONOMIC STRUCTURE—BUILDING TRADE
WEAPONS TO SUBDUE THE WORLD—THE “PRO-
TECTIVE INDUSTRY” SCHEME—TREACHERY, ES-
PIONAGE AND DECEIT TO BE USED—PROPAGANDA
A CONSTANT AID

RAPACITY, greed, dishonesty and piracy are united to form the structure of the new German cult of world dominion through commercial exploitation, which has found its voice and prophet in Dr. S. Herzog, who stands to the trade war Germany has just begun as Bernhardi did to Mitteleuropa, conquest and Germany's campaign of terrorism. Through his book, the “Future of German Industrial Exports,” run the same race egotism, the same disregard for others' rights, the same willingness to commit any and all crimes for Kultur and

Deutschtum, the same ambitions and the same fanaticism that marked the soldier-professor's work.

The book was written by a man of the Inner Circle, for the Inner Circle. Its aim is world dominion through trade, its methods are German, as we have learned to know them during the last five years. It is, of course, without shame, and it is based on the well-established German principle that Germans show superior Kultur and efficiency in their discovery that other people can be tricked by bad faith and dishonesty.

Herzog's Plans on Solid Foundation

Herzog's plans are built on no dream foundations, but on the solid structures inside Germany that the world war and revolution have not touched. They take into account the present ruin of German overseas trade, and the implacable hatred of the world. But they provide to meet these or evade them, and with the assets and resources that Germany has left, and with no others, they postulate victory. These plans, like the war plans of the Great General Staff, are daring. But if they do not win it will be only because the new invaders are met as Joffre and Foch met the Hun in arms.

The aim at world dominion is made clear. Germany is to be put into such a position that she can force other nations to buy such goods as she determines that they should have at such prices as she may name; to sell her their goods, in the quantities she demands, and at her prices; to pay all bills with German exchange, and to come to German courts for the decision of every disputed point of international trade!

Other provisions, like forcing foreign nations to sell to Germans such sites of raw material production as she wishes, to guarantee transportation on Germany's terms, and to insure the safety of German investments in that country, are simply added velvet. Yet Herzog demands all these things.

German Egotism and Insolence Shown

The usual German egotism runs through the book. It starts on the first page:

One of the strongest girders which has been wrought into the fabric of the German Empire, whose trustworthiness, though suspected by many, has been recognized by the whole world through the fortunes of war, is Germany's genius in industry. . . . Because the weapon is so terrible, because German industrial genius is showing itself superior to all opposition, hostile in-

genuity in the future will direct itself before all else toward undermining the mighty bulwark of the German pile. After all, we cannot blame the enemy so much, but we must make his molehill work thoroughly unpleasant for him."

Germany's export trade, Herzog admits, "must enter hatred as a liability." He discounts it, and prepares to meet it by deceit.

Business, when actually conducted in foreign countries, therefore, *will be forced to assume other forms*. . . . Consciously to court chauvinistic opposition over and above the industrial and economic difficulties would be unthinkable.

And again:

All the hatred of foreign nations cannot deliver them from their needs and necessities. This act can be safely counted upon. . . . For his business' sake he will temporarily forget his hatred of Germany. . . . Quality and price combined are two factors which in short time will overcome all opposition, even of a chauvinistic nature.

Bribes to Neutrals to Aid Huns' Plans

Having thus disposed of the resentment of the 300,000,000 who have suffered from the German

lust, Herr Herzog proceeds with his plans. A first step is to offer good bargains, chiefly to the nations that have remained neutral; to bolster certain weak spots in German commercial power. For these the neutrals are to be allowed a profit in selling German goods to unsuspecting former enemies. He then explains his great weapon.

This is the "protective industry." As a last resort he plans that general embargoes against countries which do not meet the demands outlined above shall force them to take German orders. But, usually, this will not be necessary. Certain industries—he mentions chiefly chemicals, dyes and drugs as examples—are to be kept so exclusively under German control that there is no possible supply for the rest of the world except from Germany. When a country fails to take German orders it is to be cut off from its supply of these essential products. If anyone tries to smuggle the needed supplies, this will be detected by the reports which all users of German goods will be obliged to turn in. "He would then fall a victim to the same fate, as would the whole foreign industrial association in question, the destruction of which in this way would in no wise be difficult," says Herzog. He goes on:

To Make Others Fight Battles for Germany

The same procedure is to be recommended when a foreign industry, which is not dependent upon German manufactures, persists in boycotting German goods. In this case a closely allied industry which supplies it, or is supplied by it, as the case may be, will have to feel the effects of the embargo unless the closely allied industry makes redress in some internal way and brings the hostile industry to its senses. The battle will thus be fought out according to the approved German method on foreign soil, only with the difference, nevertheless worthy of notice, that both contesting parties must be furnished by foreign countries.

The state's embargo mentioned above always remains ready as a powerful reserve for the attack in case petty warfare degenerates into a general conflict.

Such is the protective industry scheme—quite simple. Armed with this weapon Germany enters the conflict. Her first step is to flood the world with spies, who will tell her just how much of each product any given country can take. From these are to be compiled "defense statistics," and the quotas assigned on the basis of these statistics mark the line below which no other nation's consumption may drop under penalty of direct attack.

To back up this chief weapon Germany is to have "economic organizations with formerly unthinkable authority, and operating, perhaps for this very reason, with shining success. . . . They can be still better organized (than the war bodies) and designed primarily to keep certain superior industries located exclusively in this country."

Whole State Power Behind Each Industry

Industries which have protective power for the state are to be given state help of all kinds. Funds from all other industries, which may receive their aid in a commercial war, are to be collected to support them. The whole thing is to be under direct state control. The industries "are to make known their foreign customers to a bureau of control. This bureau works hand in hand with the directors of the general guarantee fund."

"Change of ownership in protective industries and also the appointment of their higher officers are subject to the approval of the state."

Internal competition is to be abolished.

All businesses are to be organized into federations and "protective measures for the export trade are issued by a single body, which is composed of state

and industrial representatives and which hands down its instructions to the individual federations."

Capital, science and labor are all to be drafted by the state and held under most rigid conditions. Here is his provision for labor:

Care must be taken that special material advantages . . . be granted to these individuals *to hold them fast* to the industry in question. These persons, whether they be directors, operating or scientific officers, or laborers, must be subject to a state organization similar to that of an army. Without permission of this organization no emigration of persons on these lists can take place. . . . There will always be deserters. They must expect severe punishment.

State's Money to Back All Campaigns

The state is to give industries every means of support, premiums, tariffs, freight concessions and direct subsidies when necessary. In fact, the German government has long been doing this for certain industries.

Finally, the methods of the organization abroad are carefully laid down. The vast espionage system, to center chiefly in young engineers and chemists who seek work, apparently on their own

responsibility, with foreign firms, has been mentioned. Representatives of the commercial army are to be made a part of every diplomatic mission. Treaties are to be made—and broken. He writes:

Commercial treaties will come again . . . and will also be broken again. They must be couched in such terms that they bring advantages to the export trade so long as they are kept and do not threaten its existence when, for variety, they are arbitrarily abrogated. . . . To reckon on the security of treaties . . . would be more than improvident.

Propaganda to Precede Invasion

Propaganda is to precede the invasion.

The propaganda is to be carried out in increased measure . . . in a form which will not irritate the feeling of past enemies. . . . Where it is a question of carrying out propaganda in countries whose feelings for the first few years will presumably remain hostile to Germany this effort toward transformation must be abandoned. Rather we must strive to make the influence of such feelings secondary, placing in the foreground a recognition of the quality of German export products.

Because of this hostility abroad German goods must not appear in their true colors:

Out of regard for the rehabilitation of trade with formerly hostile countries the German garb of manufactured articles will have to be put away.

Trade marks are to be pirated, bought or rented. Goods are to be sold through neutral cloaks. When these are not enough the goods are to be sold without trademarks, and—in case Germany won the war—there was to be a peace treaty provision forbidding the use of all trademarks, so that the German goods would be lost in the unidentified mass.

This is the German scheme as outlined by Herr Doktor Herzog.

It sounds fantastic and incredible, as did Bernhardt's prophecies.

But Bernhardt's prophecies have come true—all but Germany victory—and an examination of German preparation to-day shows that far more than half of these plans of Herzog's are already in effect.

More are prepared.

CHAPTER III

THE MACHINERY OF CONQUEST

WHOLE GERMAN NATION COMBINED FOR ATTACK ON
THE WORLD—SCHEME WORKED OUT IN EVERY
DETAIL IN AMERICA—SCIENTIFIC “DUMPING”
TO BE USED TO RUIN AMERICAN INDUSTRIES—
GREAT TRUSTS, RAILWAYS, AND BANKS ALL
UNITED AND BACKED AND DIRECTED BY THE
GOVERNMENT

“BANKS, cartels, transport services—all these forces are combined in one single organism, the tentacles of which are spread out in all directions,” writes Henri Hauser, the great French economist, in his book on “Germany’s Commercial Grip on the World,” which has become almost a handbook for the men in America who have been fighting the German octopus. He proceeds to summarize the machine and its menace, and of his description Francis P. Garvan, United States Alien Property

Custodian the man in America most familiar with the German danger, says:

We have found the German commercial invasion, as portrayed by Hauser, worked out in perfect detail in America. Every part of it is present, and the menace which it still has can hardly be overemphasized. So accurate is his summary of conditions here that in reporting what we have found in our investigations it would be entirely possible to use his book as a basis, merely putting in the facts as to German concerns in America as illustrations or footnotes.

Germany's Machine for Trade Conquest

Here are a few more points from Hauser's summary:

It would show scanty knowledge of Germany to imagine that this organism could be brought to life by appealing exclusively to economic forces, individual or collective. . . . Modern Germany is essentially a state. No form of national activity in it is conceivable outside the framework of the state . . . German industry demands much of the state; it concedes even more to it.

By means of this concentration of all its energies, by this unity of control, economic Germany has become a power nearly as formidable

as military Germany, and of the same species: a power of domination and conquest.

During forty years the German staff prepared itself for a war which had to come at some time or other and whose outbreak would end in a decision. But the economic battle rages every day. Every day the general staff of the banks, cartels and shipping companies elaborates its plans of conquest, and with marvelous flexibility adapts them to circumstances. The execution on this ground immediately follows the strategic conception. Espionage, which in matters military is only a preparation for war, is already in economic matters a form of conquest. Not content with besieging, with attempting to surmount the frontiers of the enemy, German industry plants itself during open peace in the very heart of the countries it wishes to enslave, in the positions whose importance the economic strategy has revealed to her.

By this daily invasion Germany established her domination over all peoples so firmly that only a stroke of madness could have made her prefer the formidable hazard of battle to the progressive and sure infiltration. (Note: This is one of the statements which Mr. Garvan declares has been PROVED by the work of the Alien Property Custodian in America.) This certain power, almost elemental and destined, of the German effort appeared to many good souls as a guarantee of world peace. Why should Germany make war? Another ten or twenty years of peace—of this apparent, quite material peace—and the

world, economically speaking, would become German.

Trade Plans Basis for the World War

M. Hauser then shows how Germany recognized certain weaknesses which time would develop in her plans for economic conquest.

If one doubted the role of the economic causes, (he goes on), or rather of the economic mentality of this war, it would be sufficient to convince one of it to see how the Germans in their dreams conceive of the German victory. It is an industrial victory. It is the compulsory marriage of German coal and foreign iron, it is the reduction of vassalized peoples to the role of perpetual customers of the German factory. . . .

It is madness to think of the ruin of Germany, (he says, after pointing out the tremendous strength which remains to her in spite of all that the Allies may do). It is a further madness to believe that by a kind of collective boycott we are going to suspend all commercial relations with Germany. . . .

The Germany of to-morrow will be an economic reality. With this reality we shall be obliged to reckon. And this reality will remain a menace, because vanquished Germany will renounce neither her ambitions nor her methods.

All Charges Proved On American Soil

All this, says the man who is directing the American fight against this menace, has been proved true, and on American soil. It was proved true by what Germany did to America before the war. The hundreds of German companies here were found to be each a tentacle of the great German beast in Europe—each an outpost of an army of invasion.

That army had been organized at first as a matter of defense against Germany's own mistakes of industrial development—as a means of getting rid of the surplus products which her over-developed factories were turning out; and of bringing in more work to tide over periods of depression. But its offensive power was soon recognized, its possibilities were carefully studied, and there began the building up, under state control and with state backing, of a great system for the economic enslavement of the world. All German activities and powers were made to help.

Greatest Weapon is Scientific "Dumping"

Its greatest weapon, the thing on which the campaign started and around which it is built up, is

"dumping." This means the selling of goods in foreign countries at a price below the market and often below the cost of production. It is a practice to which the business men of all countries have often resorted as a temporary expedient, when their factories were overstocked, or they were in immediate need of money. It has the result of destroying the market in the foreign country, while not breaking the prices in the producers' own territory. It has been bitterly denounced, even as a temporary expedient. But it remained for Germany to make of dumping, and of over-production behind it, an economic weapon with which to fight a world campaign.

Germany organized "dumping" as a national policy. She saw that funds were provided by which any individual industry could continue dumping at a loss till the campaign had been won. She put behind these industries her banks, her shipping facilities, both external and internal, and the profit of government contracts and sometimes subsidies.

Three Advantages Won by "Dumping"

By this she accomplished three things.

First, she beat down, by the low prices at which

her products at first came on the foreign markets any attempts at competition which were made. America could have no dye or chemical industry. In England she forced the sheet iron mills to close. All over the world—except in America—she controlled smelters. These are merely examples.

Second, when the foreign competitor had been killed she put the prices up to a point where the profit was enormous. In America, for instance, to kill our manufacture of bicarbonate of potash, the Germans sold as low as 2.2 cents a pound. When the Americans were killed the price went up to 7½ cents and stayed there!

Third, there is an advantage to a manufacturer, at certain times, in keeping his factory running even at a slight loss. Germany secured this. And when a factory is running at a profit, from the sales in well-protected home territory, there is a considerable margin within which it is profitable to increase production of goods to be sold, not quite at a loss, but at a price which is far from carrying a full share of the factory costs. Germany gave her manufacturers protection in the home market to assure that home profit, and encouraged them to take advantage of that margin.

Banks Gave Unified Support to Invasion

To back up these dumping campaigns and the thousand auxiliary schemes by which they were reinforced, covered and consolidated—espionage, propaganda, transplanted industries, agencies, and so forth—Germany depended first on her banks. These, however they might compete at home, co-operated to push foreign trade. They became a part of the “dumping” industries, putting men from these industries on their boards of directors—the Reichsbank has directors in 174 other concerns, with a total capital of \$2,636,988,000.

They furnished capital on speculation, depending on the multiplicity of their gambles to bring in a net profit, and won on the scheme. They saw that all these concerns worked in co-ordination for Deutschtum and against the rest of the world, no matter what apparent alliances might be made with concerns in other countries. They gathered, digested and distributed the most confidential information. They became the brains, as well as the support of the invasion—they organized, mobilized and directed the commercial army.

Great Trusts Formed to Push Exports

Next came the cartels. America has nothing exactly like them, and the term is applied to several differing forms of organization. But they amount to this—in each industry an organization is formed to coördinate the work of the different producers or sellers for mutual—and German—advantage. They often fix selling prices, sometimes consolidate selling organizations, gather information, regulate production and export and allot profits. They make of each industry a regiment—a unit in the army.

Elaborate, far-sighted and daring development of cheap transportation was provided to back up the producers. The inland waterways, the railroads, the ports, were all used and canals were built. Nowhere in the world was transportation so easy or so cheap. France for example often found that she could put down her products in the Russian market most cheaply by shipping them through Germany, and letting a German house make a broker's commission on them—and control the market.


All Used to Back "Dumping" Campaigns

All these facilities, mostly under state control, were used to back the dumping campaigns, and

freight rates were always adjusted with one or both eyes on the effect they would have on the price at which the goods transported could be placed in the foreign market.

Finally, and only after a struggle with the individual interests, the state took charge of the campaign. It began to force the organization of cartels, it made sure that the banks carried out the campaign. It helped with tariff schedules and diplomacy all calculated to aid the business interests. It aided the espionage system, and finally linked the commercial and the military and naval spy machines. It did not quite have complete control when the war began, but its control was fast increasing, and it was a recognized partner in the general campaign, and a dominating factor in many of the individual enterprises.

This organization is not only uninjured by the war—it is stronger than ever. The state control has increased, the consolidation of interests perfected, and goods for a tremendous dumping campaign have been collected. Details of how the army has been prepared for the new campaign will be given in the next chapter.



CHAPTER IV.

MOBILIZING THE NEW ATTACK

THE ALLIED WORLD CAUGHT OFF GUARD—GERMANY'S INDUSTRIAL MACHINERY STRONGER THAN IN 1914—GOVERNMENT DEPARTMENT ORGANIZED TO DIRECT TRADE WAR—CHEMICAL INDUSTRY THE "SHOCK DIVISION"—EXPORT TRUSTS FORMED AND GOODS STORED FOR "DUMPING CAMPAIGN"

GERMANY'S new trade attack, like her invasion of Belgium, caught the world asleep. Her mobilization was instant, her preparation complete, and she has been operating at every moment since the armistice was signed, and even before, right up to the limit permitted by its terms. Defeat, revolution, disorder, threatened Bolshevism and her much advertised industrial prostration, none has in the least slowed down her campaign or changed its course.

She started with her industrial plant, her base of campaign, in splendid condition.

"It must be kept in mind," says a War Trade Board Report, "that in all of this time the German economic organization was not destroyed. The Allies may have shut off trade, destroyed some of the units, and damaged it by forcing it to remain idle, but it was very largely intact."

In addition she had added to her equipment millions of dollars worth of machinery stolen from Belgium, from northern France, and from Poland, three of the greatest industrial regions of the world. Incidentally she is making a great diplomatic fight at this moment to avoid restoring these stolen machines.

Munition Plants Ready for New War

Even during the war, preparations were completed for turning the great war plants to industrial uses, as speedily and efficiently as they were turned from the arts of peace to those of war in July and August, 1914. The great Krupp plant to-day is making typewriters! And on a stolen American patent! If the putative visitor from Mars should fly over Europe in an airship to-day he would never

guess from the appearance of the regions of Lens and those of Essen and Ludwigshaven that Germany was a loser in the war.

Most menacing of all, she has during the war consolidated her industrial organization, following closely Herzog's plans. He says:

In this statement are given the guiding lines for the construction of the state protective organization. Such a federation is to be compared to a large reservoir into which flow the carefully defined protective measures of the state, and also the special interests of industry. Here they mingle, to be unified at last in a quiet and clarified whole, the pressure of which finds its outlet through proper channels.

Protective measures for the export trade are issued by a single body which is composed of state and industrial representatives, and which hands down its instructions to the individual federation.

Machine Improved While War Went On

So during the war, the German government's control of all trade has been made firmer, the different industries have been organized—by force when necessary; new bodies for external aggression have been formed; the whole machine has been

consolidated and made responsive to a single dominant and predatory Teutonic will. Materials have been gathered in great quantities to be thrown on the world market to beat down the competition that has grown up during the war. Finances have been reorganized. Finally the soldiers of the commercial and industrial army have received intensive training even in the prison camps of the Allied nations.

The reorganization began in the government. First, as a war measure, which it is now planned to continue, the importation of new materials has been centralized in a government institution, the Central Einkaufsgesellschaft. Importation of other goods for private account has been strictly regulated. Export has been permitted only under restrictions, and only when the shipper agrees to place the exchange received at the disposal of the Reichsbank.

New Department to Manage Trade War

Next there has been organized a new Imperial Department of Economic Affairs, the Reichwirtschaftamt. This takes charge of social and commercial policy, matters affecting the welfare of labor, commerce and shipping, and economic ques-

tions affecting agriculture and industry. Its jurisdiction in commercial matters embraces questions of commercial policy, commercial treaties, the economic aspects of the tariff and taxation, and of mobilization and demobilization, insurance, corporations, banks, the stock exchanges, exhibitions of goods and matters concerning conditions of production at home and abroad, general statistics of the trade with foreign countries and weights and measures. It is Herzog's dream come to life.

Herzog also provides for solid trade federations. These have been formed, widely extending the cartel system, which Germany found so powerful and useful before the war. The most notable of these is the great chemical syndicate, uniting the whole tremendous industry, on which have centered Germany's war strength and commercial spy system, and which is to be the backbone of her aggressive machinery, the chief of Herzog's "protective industries." This cartel has a capital of about 400,000,000 marks and an actual worth, according to the exchange prices of the stocks, of nearly four times as much—about \$400,000,000.

Industries Forced to Form New Trusts

Other industries, besides the many already fairly well organized, such as coal, steel, machinery of various kinds, etc.—have come together during the war and formed cartels. Among these are the bar iron trade, the silk products, other textile manufactures and tool and implement making. But this has not been enough. When an industry refused or failed to combine, the government has forced it, and the result has been great and powerful cartels in leather, boots and shoes and soap.

Finally there has been a lining up of the already powerfully consolidated bank system. In Germany, as in no other country, the banks are the active and direct partners of business. Practically all of the great trusts, old and new, were fathered by one of the four "Big D" banks, the Deutsche, Dresdner, Disconto and Darmstädter. The system centered, rather loosely, in the Reichsbank. Before the war there was some competition among these banks—competition that did not cost Germany money, always. Now they have agreed to sink their differences and put up a common front. There is much talk of an actual consolidation.

Plenty of Labor for Huns' Factories

Germany has suffered far less than the casualty figures show in the destruction of labor. In the first place, whenever possible she has kept her most skilled laborers in the factories, both for the sake of wartime production and for the sake of having them for use now. This has counted heavily, as against England, where the volunteer system put the best and finest of her skilled labor in the trenches, and it was only after months, and heavy losses, that she began the combing out process that saved the remnant. In the second place Germany, a country where it was always a common sight to see a woman yoked with a cow for the ploughing, has used its women in its factories far more brutally and more efficiently than any other country. She plans to keep them there.

Germany's plans for the demobilization of her factories from a war to a peace footing have been made with the same care that marked her entrance into the war. The change to commerce-war production can be made as quickly as was the change from peace to munitions. In one American-owned factory in Berlin, for instance, on the day war was declared, an order was received that a

wagon should be sent to a certain place. There the Germans delivered tools, chucks, gauges, all the wherewithal for the manufacture of shell fuses, and all prepared to fit the machines in that particular factory. And the management did not know that the general staff knew anything about its machines. In twenty-four hours that factory was at war. The reversal will be as swift.

Great Export Bodies Also Organized

Another step in the Herzog plans is the organization of bodies to push the export trade. This, too, has been done, though not so completely as yet. More than fifty such bodies are now in existence to cover the gathering of information, propaganda, selling agencies, price fixing, rate making, legislation and all the other details of exporting. These all center, finally, in four great bodies:

The "Handelvetragsverin" (Association for Treaties of Commerce), which is to collect information.

The "Deutsche Uebersee Dienst" (German Oversea Service), to handle and sell export products, care for credits, collections, etc.

The "Actiengesellschaft für In-und-Ausland Un-

ternehmymgen" (the Corporation for Foreign and Domestic Undertakings), capitalized at 25,000,000 marks, with the backing of banks and others having a great financial power, to form subsidiaries in foreign countries for floating railways, irrigation projects, electrical plants, factories, development of mines and so forth.

The "Kolonialivavereinkaufs Gesellschaft" (Colonial Buying Association), including fifty firms for the handling of colonial goods.

New Unions to Pool Whole Natural Strength

But this is not all. There are now being formed the "Verein fuer das Deutschtum in Ausland" (Union for Germanism Abroad) and the "Deutsch-Sud-Amerika Verein" (German-South American Union). And a bill has been submitted to the Reichstag—and the news suppressed by the censor—for the "Auslandamt," a single great corporation to have full charge of all German interests abroad.

The training which has been given the men who are to carry the German war abroad has been intensive. In every prison or internment camp the Germans have been studying, studying languages, trade needs, salesmanship, customs of countries,

technical trade matters, studying anything and everything that could help them to make or sell German goods.

The standardized German method of opening a trade fight is by dumping. Goods are thrown on the market at prices below cost till the competitor is stifled. In one American dumping campaign the buyers were assured by the Germans that they would cut a half cent under *anything* the doomed American concern could offer. They did it, too—till the American went under.

Ready to "Dump" Dyes and Potash


Germany's central industry is her dyes and chemicals. These come as by-products of the explosives, and hundreds of millions of dollars worth of them have been gathered during the war. They are ready to be dumped, in America as elsewhere, at prices that will make the American buyer of dyes think heaven has come. Then when the new American dye industry is killed Germany will make us pay the costs of the dumping campaign.

The potash (fertilizer) industry has also grown in this country and the Germans need a monopoly of it as a bludgeon over us. Therefore great quan-

tities of potash have been gathered, and Allied prisoners have been used to help accumulate this weapon against their own countries. There are dumping stocks ready in steel, and it is suspected in all other things in which Germany was not so very short of material that she had to send every ounce to the trenches.

A dumping campaign takes money. Germany, as a nation, may be bankrupt, and she may be crippled by the peace demands for reparations, but her great export industries are richer, far richer, than ever before. The profits of her iron, steel, coal and dye industries have been tremendous, and they are ready to pay for the campaign until the campaign begins to take care of itself through indemnities from beaten competitors. Nor are the banks poor—their balances, their deposits and their other resources have never been at so high a point.

Germany is prepared. And we?



CHAPTER V.

HIDING BEHIND THE NEUTRALS

GERMAN PLAN PREPARES TO OUTWIT WORLD'S RESENTMENT—NEUTRAL NAMES TO BE USED TO CAMOUFLAGE HUN'S PRODUCTS—SCHEME PUT INTO OPERATION WHILE WAR WAS GOING ON—DRUMMERS TO BE DISGUISED—TRADEMARKS BOUGHT OR STOLEN

HERZOG, the prophet of the New Prussian Piracy, lays down among others these rules for tricking the world:

The reopening of export relationships with once hostile countries must take place through neutrals, instead of through direct representatives, as in the past.

Neutral trading journals represent an effective means for promoting the German manufacturing export trade.

Denationalization of goods should not be avoided.

German exporters must expect that, for a long time after the war, German exports will be outlawed among our present enemies. . . . The intrinsic quality of exported goods must be typically German; their external garb, for better or for worse, will have to be anonymous—neutral.

This scheme, in full, is now being put into effect, as official reports to our government show. Germany is——

Buying control of neutral concerns of all kinds.

Organizing new concerns, under neutral colors.

Buying, pirating or imitating neutral or Allied trademarks and labels.

Using neutral camouflage to cover her agents.

Under all this neutral coloring is always the German power, and Germany is taking the greatest pains to see that the camouflage shall not weaken her control in any way. At a recent trial of three Germans in Bergen, Norway, they testified that failure to obey the orders from Berlin, in no matter what part of the world they might be, and even if they were ordered to commit crime, meant certain death. Germany recently tried for treason Germans who held stock in a neutral concern, the Fagersta Bruks A/B, because they could not prevent the neutral managers of that concern from trading with the Allies. Germany holds her grip tight.

Neutrals Organize in Their Own Defense

The German infiltration of the neutral countries to establish bases for her commercial war has already caused defensive action from the business men in these countries. They fear that as the world comes to learn of the tricks resentment will fall on the genuine neutrals, and that to avoid buying German goods the world will avoid all that comes from the countries where the Germans operate.

An example of this defensive organization is the *Syndicat pour l'Exportation Suisse*, which has adopted a collective trademark to go on all Swiss goods, and has formed an elaborate organization to make sure that the mark does not go on any German goods. One of the most dangerous of the German schemes is to have the goods made in Germany, all except the assembling or finishing, and then to have the final process in the neutral country, this process to include the putting on of a neutral trademark. To meet this the S. P. E. S. has ruled that its mark can be used only when two-thirds of the capital of the company is Swiss, and the goods have been entirely made in Switzerland by Swiss workmen.

The German penetration has already covered the

four northern neutrals, Holland, Denmark, Norway and, apparently to a less extent, Sweden; it has overrun Switzerland, and eaten deep in Spain. It is now reaching out for a firm footing in Poland, Hungary, Rumania, the Ukraine and Russia.

Official Reports Show Big Campaign

The extent of the German activities along these lines is startling when taken in connection with the pleas of bankruptcy which come from Berlin. Here are a few excerpts from official reports:

Montreux, Switzerland.—The Germans are buying up bankrupt Swiss concerns and running them under the original Swiss names. They have got the trade of this country and are likely to keep it. . . . There are indications that Germany has been very active in her attempts to establish close post-bellum relations with the Allies through Switzerland. . . . In all these activities Germans appear to have unlimited capital.

Copenhagen—The Germans are sly and shrewd. Long ago they made us a German vassal. Gold stolen in Belgium and Russia has smoothed the way. They have erected meat factories, milk factories and frozen fish factories, so that citizens here can for days and days not

get a pound of meat or a fish, and only on rare occasions a pint of milk. Branch factories of the great industrial works in Hunland are built here, so that they will turn out "Danish products" to avoid suspicions. They are buying up shares everywhere and offering large rewards to those shipowners who will loan them their ships to sail under the Danish flag, but with German officers aboard.

These examples might be extended indefinitely. Germans have bought an island near Copenhagen for a shipyard. They are buying up the Dutch river craft. They are building textile plants throughout Switzerland, and equipping some of them with machinery stolen from Belgium. Stinnes & Co., of Hamburg, are reported behind a big new shipbuilding plant at Landskwina, Sweden. There have been indications that even in America a recent attempt to buy up control of a big neutral steamer line was backed by German money.

German Companies Under Neutral Names

Then there is the system of forming new companies, under neutral names, to push German trade. Legal proof against most of these is lacking, but suspicion is strong. To illustrate, there is the case

of a big Scandinavian company, established in 1916. Though it has a capital of only a few million kronen, it has already established connections with somewhere between fifty and a hundred concerns—the exact number is not known—all over the world, including America and the Allied countries. The plan is to put capital into exporting and importing houses abroad and then take over control of their contracts. There are indications that the idea is not to buy control of the firms, but to put in just enough money to carry them through some pinch, and get an influence out of all proportion to the investment. This influence, of course, will be used to push those goods in which the company is interested.

This company has never been on the enemy trading list, though a previous concern organized by the same men, was blacklisted. By August 1, 1918, it was estimated that the total capital of the firms with which it was affiliated was close to a hundred million kronen. It is backed by a foreign bank which before the war was the center of German financial interest in the country and is suspected of being part of a German trust.

There are several other concerns under similar suspicion. Of course, if legal proof had appeared

before the signing of the armistice they would have been put on our enemy trading list.

Neutral Trademarks Bought or Stolen

The game of buying trademarks has gone on merrily. In Holland they are constantly registering both trademarks and labels, which look like neutral marks. A report from Denmark tells of similar work there, where the Germans own the rights to the use of certain Danish names. Another report states that goods are already stored in Scandinavia for export under false trademarks.

In particular, Germany is to-day manufacturing from American patents such things as typewriters, sewing machines, adding machines and other distinctively American articles, and she is putting them out under American trademarks, which she seized along with the American patents when we entered the war.

Big Drive Made for Neutral Shipping

The German effort to get control of neutral shipping, both for war and post-war use, has been tremendous, and till the signing of the armistice met with great success. Her method was to supply to

the shipyards of adjoining neutrals material which they had to have for the repair or construction of ships, but she put heavy conditions on the ships so constructed or repaired. Here, for instance, are the terms on which she sold materials to a certain neutral yard, the terms to apply to all vessels either built or repaired:

The ship not to be used while Germany is at war.

Germany to be informed of any change in the name or build of the ship.

Germany to have the right to purchase the vessel at any time within four years of the close of the war.

Any violation of the conditions to be punishable by a fine of 800 kronen per ton of the ship.

Germany must approve any sale of the vessel.

German courts must decide all issues concerning it.

Any purchaser must accept these terms.

Three yards are known to have accepted these terms. Another is suspected.

This scheme, however, has been partly taken care of. In the first armistice agreement the Allies took pains to attack it instantly. Paragraph 32 provides:

The German government will notify the neutral governments of the world, and particularly

the governments of Norway, Sweden, Denmark and Holland, that all restrictions placed on the trading of their vessels with the Allied and associated countries, whether by the German government or by German private interests, and whether in return for specific concessions, such as export of ship-building materials or not, are immediately cancelled.

Drummers to Go Out Under Forged Passports

Germany seems to have felt no doubt that her schemes would work, and has, as usual, boasted about some of them. Here is a report from a neutral capital dated three days before the signing of the armistice, when the whole world, and particularly Germany, knew that the end of the war was at hand:

There are 300,000 Germans here, all ready to rush into France and England to be received with open arms, so they say—and if they cannot go in as Germans they go in on forged passports. (Note: Other reports show that immediately after the signing of the armistice “neutral” agents flooded Italy in particular, selling camouflaged German goods far under the market price.) If they cannot manage that they will trade here as neutrals and pay for all their material in French and English banknotes. They have bought bil-

lions of these notes, I now hear, for this purpose. All neutral countries are Germanized, ready to start operations, and all raw materials will be snapped up by Swiss, Dutch, Swedes and Spanish.

There is another phase of German plotting among the neutrals which hits at American exports, but not at our home trade. Throughout the war the Germans have been supplying small quantities of certain products—camera films, dyes, machinery, drugs, coal, and even sugar—to neutral firms which found their American or Allies supplies cut off. In return they have demanded agreements from these neutrals to continue their purchases from the Germans after the war, and have got them. Isaac Marcossou reported recently that most of these agreements were beyond reach of any treaty provision, and that the beneficiaries of the German “kindness” would keep their promises, whether forced to or not.

CHAPTER VI

THE HUNS' TRADE SPIES IN AMERICA

PRACTICALLY COMPLETE ESPIONAGE SYSTEM COVERED EVERY PHASE OF AMERICAN BUSINESS LIFE—ONE COMPANY FORMED SOLELY FOR THIS PURPOSE—PAYING A PROFIT TO OUR BETRAYERS—TREACHERY OF GERMAN COMMERCIAL TRAVELERS—INSURANCE COMPANIES, BANKS AND SHIPPING FIRMS ALL HELPED

German industries must, therefore, be constantly informed about such facts as these (every kind of commercial secret). . . . It is self-evident that for this purpose the industrial federation will not only try to enter into official relationships and those of a semi-official nature, but that it will devote special care to making sure of private connections which have a deeper insight into the special conditions of each case.

Thus diplomatically does Herzog, spokesman for German industrial aggression, lay down the principle

of espionage. It is to be one of the foundation stones of the new industrial empire for which he plans and toward which Germany is working.

In this, as in so many other things, he simply states and reduces to a centralized and Teutonic system what is already the German practice. Investigations into German business in America show that even before the war she had a practically complete espionage system covering American business life. It was a system that was not "sniping"—its branches worked together, and the information they obtained was available to almost any German.

These investigations have shown that, before the war, German espionage in America covered:

Specifications and plans of all big manufacturing plants to be erected.

Blueprints of almost all plans for American machinery.

Every step taken concerning chemicals, drugs and dyes.

Movements and loading of ships—that is, our export trade.

Full commercial information about every important American business house.

And a great mass of miscellaneous espionage, covering new patents, salesmen's lists and in gen-

eral almost everything that a trade rival could want to know.

Information Procured by Devious Methods

This information the Germans procured by the most devious methods. In at least one case a company was apparently formed for the sole purpose of espionage (it paid dividends, too), and information it secured was promptly and systematically forwarded to Germany. In the chemical lines German spies under the guise of experts seeking work were introduced into our shops, factories and laboratories. The voluble German commercial traveler, getting a job on the strength of his familiarity with languages and with some special field, would send his sample cases and the lists of people from whom he got orders for American goods to his real employers in Berlin, who would make efficient, if dishonest, use of them.

"In many of the large German companies taken over by the Alien Property Custodian," A. Mitchell Palmer reports, "it was found after investigation that espionage was one of the chief functions. Every scrap of information of commercial or military value to Germany was carefully gathered by

the representatives of these concerns in this country and quickly forwarded to the home offices in Germany. The German agents were particularly keen on gathering information that would help in Germany's commercial warfare.

"Once in Germany this information was carefully card-indexed for the use of German manufacturers. Bulletins of commercial information were also prepared and placed at the disposal of the German manufacturer. In Germany the collection of all information is under a bureau which is controlled and financed by the great German banks, such as the Dresdner, the Disconto and Reichsbank."

Spies Made Handbook for Commercial Burglar

This bureau, known as the Schimmelpfeng Institut, is one of the most deadly of Germany's commercial weapons. Its information is available only to those approved by the banks. And it is said—little real data about it have been unearthed—that it covers not only the commercial standing, but the political affiliations, religious beliefs and susceptibility to corruption of every official of every firm

whose business is at all worth having. It is a handbook for commercial burglars.

One of the best instances of a plant established in America, apparently for espionage purposes, and certainly with a regularly organized espionage branch, is that of the Orenstein-Arthur Koppel Company. This was a branch of a concern in Germany, which has similar branches all over the world, so that practically every civilized nation has been subjected to the same abuse.

This concern manufactured light railways and other inside transmission equipment for factories. It would bid on practically every job in the country. To bid it must have blue prints of the entire plans of the factory so that it could design and estimate costs on the equipment desired. These blue prints were regularly forwarded to Germany.

Confidential Plan Sent to German Staff

This company installed equipment in practically all American munitions plants, steel plants and kindred concerns. It had contracts with the Westinghouse Company, the United States Steel Corporation, the Du Pont Works and nearly half the big industrial plants now operating in this country.

The German general staff and the commercial information bureau now have plans of all these. The managers of the concern are all in internment camps.

Another concern that had a high commercial espionage value was the Becker Steel Company of America. This company had patent monopolies on the processes for making high speed tool steel and supplied practically all of that vital material for America. This, of course, gave it wide information regarding the needs, processes and products of the factories it supplied. This steel is required in the manufacture of aeroplane and auto motors and dental and surgical instruments. The control of this material of course also gave Germany a heavy strategic advantage as against American concerns.

Almost Every Hun Dye Expert a Spy

Almost every German dye and chemical expert or worker was a spy, Mr. Palmer reports. There is little doubt that many of them are still located in our factories.

"The chemical industry was a natural center for espionage, and this had been true long before we entered the war," says Mr. Palmer, "indeed, long

before the war began. The relation between the German government and the great chemical houses was so close that representatives of the industry were naturally almost direct representatives of the government, and their work in this country gave them unequalled opportunities for examining our industries from within. Customers of the German export houses were constantly in need of expert advice in regard to the processes in which their goods were used. The advising expert supplied by the German houses naturally saw everything, and what he learned was seldom concealed from his government.

“After the war began the industry became not only a center of espionage but of propaganda and of direct governmental activity.”

It made bombs, among other things.

This espionage, of course, covered not only American drugs, dyes and chemicals, but the whole textile industry, the leather business, the printing trade, through inks, and all other forms of business in which any delicate use is made of chemicals.

Great advantages for espionage over the mining industry were held by the Roessler-Hasslacher Company, which supplied all cyanide in America, and will be discussed later. It could tell to a pound

the output of every mine, and of course gathered much other information.

Another "pipe line" was in the big magneto companies, the Bosch and Eisemann. Through patents they had a most powerful position in America, and there were few gas engines designed on which they did not receive full information.

German Spies in U. S. Drafting Rooms

There was one other form of espionage widely practised, though it did not center in any one German concern, and thus did not come within the scope of the alien property office or of the War Trade Board. This was the stealing of secrets from drafting rooms. Germans make splendid draftsmen, and it would be hard to find a drafting room anywhere in America without a high grade workman or two of German blood. Often he is the foreman. It is impossible to guess how many of these were spies, but it is known that prints of American drawings of the most confidential kind were continually finding their way into Germany. After the war there was a tremendous weeding out, and the Department of Justice began it, with start-

ling results, in our own government as well as private munitions plants.

The sending to Germany of confidential information and samples secured by a camouflaged—or often uncamouflaged—German salesman, may be regarded as “sniping.” But there were other means of getting information on the borders of the commercial field, that were of great importance and value.

Insurance and Banks Used in Spy System


One of these was through insurance of industrial plants, and particularly of ships. The custom of splitting big risks among many companies made this easy, for a German concern could take only a small part of the risk and at the same time receive all the information about the property insured. This information, in case of ships, included full specifications of the ship, and even a manifest of the cargo, itemized as to value. In case of a factory, it covered full plans of the plant and inventories of the stock on hand. This activity was particularly marked in the first years of the war.

Another espionage method was through the use of banks, which turned over to Germany what any

other bank would regard as confidential information. This, like the insurance, was in its infancy, though getting well started. The most conspicuous example of it was the Transatlantic Trust Company, which not only maintained thousands of agents, but carried on an active propaganda, and particularly stimulated the draining back to the Central Powers of hundreds of millions of dollars earned and saved by their immigrants here.

One more scheme deserves mention, for its possibilities at least. The Germans were fast getting a monopoly of the transatlantic wireless field—that is, they were making sure that a great part of the most confidential business messages would go through their hands. How important this may be is shown by the fact that the German wireless messages have been the most important single clew for the Alien Property Custodian in digging up the German property here.

Germany has already begun sending out new spies, to take the place of those she has lost.



CHAPTER VII

GERMAN ALLIES IN THIS COUNTRY

SECURE BASIS HERE FOR COMMERCIAL INVASION—
PROPAGANDA MACHINE BACK AT ITS OLD WORK
—SPY SYSTEM BEING RE-ORGANIZED—FEW GER-
MAN AGENTS DRIVEN OUT—THE NATURAL
FRIENDLINESS OF THE GERMAN-AMERICANS

GERMANY is re-entering the commercial and industrial field in America with tremendous factors in her favor here as well as abroad. This is in spite of the war handicaps which have been so much emphasized, especially in her own propaganda. Her position will not be that of 1914, but she has here a broad and secure basis on which to build, and the means for the rebuilding of the great machine was that smashed by the work of the Alien Property Custodian, the War Trade Board, the Intelligence services and the Department of Justice.

She has here money, an organization, millions of

sympathizers and a host of men who, for one reason or another, see possible advantage to themselves from alliance with the new trade invasion.

First, as to money. The Alien Property Custodian has seized all that can be located, but there are hundreds of millions that he has not been able to touch.

This is not all. Evidence was put before the Overman committee recently that the subjects of the Central Empires in this country have been hoarding savings ever since the opportunity to send them home was cut off, and that the German and Austrian bankers were counting heavily on getting these funds to use in starting the trade war. These funds are estimated at the tremendous total of a billion and a half dollars.

There are even official German and Austrian funds still in America. Much of the money left by Bernstorff, Intelligence officers believe, has neither been used nor seized. And as late as last August this government came into possession of a report from the Commercial Attaché of Austria in a neutral country on the expenditure of Austrian official funds in America, together with a promise for a statement of the sums remaining at a later date.

All these—something around two billion dollars, are ready for Hun ammunition.

Propaganda Machine Already Back at Work

There is next in importance the German organization. The great commercial machine has been smashed and the propaganda machine partly destroyed. But with the signing of the armistice German propaganda reappeared in a wave and has been going ever since.

With the ratification of the peace treaty the hundreds of German agents who have been in internment camps will be released. Some of them, under present government plans, will be deported. But many will stay here, and it has never been impossible for Germany to replace her agents here, even during the war.

Not a German spy has been shot or hung in America, and the sentences given even the biggest of them, like Franz von Rintelen, have been only for a year or two. The German propaganda machine here, and much of the commercial organization, as distinct from the invested concerns, will soon be intact and running.

It will have the old leaders. Dr. Albert, who

conducted the propaganda here till we entered the war, has entered the German foreign office, under the new government, and it is officially stated that this is because of his familiarity with the American situation. Bernstorff and Dernburg are in places of power for the same reason, while the whole German home organization is filled with men whose chief qualification is their supposed ability to "handle" the American mind and psychology.

Commercial Spy System Restored

Already the old German commercial spy system is being reconstructed, both in America and other countries.

"Many Germans and Austrians, recently naturalized, have been made export managers of big American houses," says a recent official report. "This is because they are expert linguists. Mostly these were commercial travelers in South America and the Orient, who agreed to turn over their connections to the American houses." The report then names several places where this has occurred.

It will be equally simple for these men to return to the German and Austrian houses and take with

them their inside knowledge of the American firms' business.

Another report shows that the great German *Allgemeine Electricitats Gesellschaft* has engaged many Swedish engineers to learn the A. E. G. business, and then scatter all over the world, still on the A. E. G. payroll, but ostensibly free to act as "under-cover" agents, getting places where they can gather information and swing contracts to the German concern.

Some Americans Will Aid Enemy

Germany's third strength is in the selfish interests of certain Americans. The Alien Property Custodian has found that many of the most dangerous enemy agents here, in the business world, were of long-standing American parentage, often not even of German blood. Not all of these have been eliminated and some are still known to be waiting to make sure that it would not be more worth their while to resume their German connections than to continue the loyal course into which they have been forced. One such man, who had worked himself into a position where he thought he would be able to hold up both Germany and America, has been

cleverly outgeneraled by the Alien Property office, but he is still dangerous and he is only one of several.

In a similar class are many men who expect the German commercial invasion to win, and hope to share the spoils. There are others who see Germany and Britain as rivals on American soil and will help Germany against our Ally. There are, too, the men, many of them to-day ignorant that they are serving Germany, who have made connections with the German trade army camouflaged under the colors of neutrals, as already described.

And lastly, there are still German concerns, both here and abroad, which have been put under the cloak of neutral, or even American ownership, and which are waiting the safe and proper time for retransfer.

Greatest Strength Lies in Hyphenates

But Germany's greatest strength here lies in the sympathy she will still find among the 12,000,000 men and women of Teutonic blood in America. Her emigrants have always been one of Germany's greatest trade assets. Henri Hauser, the great French economist, whose "Germany's Commercial

"Grip on the World" is the standard work on the German machine as it existed when war broke out, says of the hyphenates:

It happened that Germany, on the morrow of her sudden industrialization, found in every corner of the globe groups of customers ready to hand, speaking her language, accustomed to her products, fully disposed to sound her praises abroad—in short, armies of consumers and commercial travelers. . . . Those spontaneous colonies have been an initial base of operation for German commerce.

The restoration of German consciousness among these Germans abroad has had commercial consequences of incalculable value.

It is no reflection on the very general and devoted loyalty which the German-Americans showed during the war to say that the signing of the peace means a new attitude to many of them. Till America entered the conflict the ties of blood, of education and of interest in many cases made them very generally sympathetic with Germany and the ending of the armed conflict will go far toward permitting the return of their affection to the people and products of the Fatherland. That this has been true is shown in the attitude of the German

language press and of many business men of German blood.

This, of course, means much in view of the German commercial invasion. Men who did not believe, who could not see, that Germany was making an armed attack on the world, even when it was demonstrated in terrible action, will not recognize the new warfare or feel the new menace. Many in addition, who did see and fight Germany's imperialism, now believe that that has gone with the Kaiser, and will naturally and blamelessly aid what they believe is a new Germany.

During the fighting American officials found the German-Americans in business no better and no worse than other business men. Much of the most abominable crookedness came from them, as did much of the most self-sacrificing loyalty and patriotism. But there seems no doubt among those in touch with the situation that in the next few years Germany will find here as much blood-support as she ever did.

CHAPTER VIII

DYES AND CHEMICALS—THE HUNS' STRONGHOLD

BILLIONS OF DOLLARS WORTH OF AMERICAN BUSINESS
CONTROLLED—EVEN OUR HEALTH IN GER-
MANY'S POWER—HELPING THE KAISER TO PRE-
PARE FOR THE GREAT WAR—THE CENTER OF
ESPIONAGE AND PROPAGANDA SYSTEMS—
BRIBERY COMMON—COMPETITION KILLED BY
EVERY AVAILABLE MEANS

WHEN the great war began Germany had in-
vested in the dye and chemical trade in this country
not more than \$25,000,000, a tiny sum in business.
But with this tiny amount she had held a pistol
to the head of \$3,000,000,000 worth of American
production, prevented our establishment of any
adequate manufacture of war explosives and made
us absolutely dependent on her for drugs vital to
our health or our recovery from sickness.

This industry furnishes the best proof of the keenness of Germany's commercial strategy, for the chemical industry is the right hand of war. The manufacture of drugs and dyes from coal tar is a marvelously complicated process and there are great quantities of by-products, which are, or easily may be made into, explosives. These form by far the greatest part, in weight, of the whole production. Dyes made without explosives, or explosives made without dyes to help pay the cost, become doubly expensive.

Thus Germany, storing explosives, kept down the price of her dyes. Thus, during the war, making explosives, she stored dyes to be thrown on the market to-day. Thus, also, she, for years, prevented America from establishing great chemical plants and hopes to break down those we now have started.

War Also Center of Spy System

In another sense the chemical trade served the war god, as well as the commercial needs. It was the center of German espionage, managed for twenty years by Hugo Schweitzer, a "consulting chemist" of the Bayer Company, but with power

which in many things exceeded that of an ambassador. He handled funds running into the millions which never showed on the books. He paid the chemical and dye men throughout the country salaries three and four times their business income. He managed the German propaganda.

The work done by A. Mitchell Palmer and Francis P. Garvan, his successor as Alien Property Custodian, and by the War Trade Board, has smashed that beautifully built chemical machine. Thanks to Mr. Garvan and the men who worked with him, it has been thoroughly exposed. The story of their investigation and success is one of the most dramatic chapters of the secret history of the war, but it may not yet be told.

The facts they have revealed have amazed even those most familiar with the situation, for they show an enemy (whether in peace or war) that was firmly established in a position of great strategic power, holding up American business for an enormous profit, crushing competition by every available method, a center of espionage and propaganda and of crime when need arose, dodging our taxes, evading our law and hiding under American name and citizenship through all manner of deceit and camouflage.

Germany's Chemicals Her Greatest Asset

Germany's estimate of the value, to her, for after-war uses of the chemical industry to force Allied business to meet her demands, is voiced by Herzog:

Those raw products which are obtained by the use of chemicals, however, will be of especial importance. Thanks to the marvelous development of German science, they assure a monopoly to German industry—a monopoly the use of which is of great importance. The experiences of the war thus far have given in this very connection an incontrovertible proof of the absolute dependence of the foreign countries upon Germany. . . . With few exceptions the dependency of foreign countries is not easy to prove. In these exceptions are included certain dyestuffs and chemical products. . . . Products of German origin are considered for purposes of protecting the export trade primarily if they are absolutely indispensable.

That is the theory—here is the plan to put it into practice, as expressed by the "Farber-Zeitung," the dye trade paper of Germany:

The German coal tar dyestuffs industry ought, after the conclusion of peace, to be permitted

to sell dyestuffs only in Germany, Austria, Turkey and Bulgaria until the German textile factories are again fully occupied and all warehouses and stores and all concerns are again fully supplied with good white, dyed and printed goods. Only then would it be permissible to furnish German coal tar dyestuffs to neutral or hostile foreign countries. . . . If foreign countries begin again too soon to receive good German coal tar dyestuffs they might easily ruin the business of the German export trade in finished products. . . . It would be permissible to furnish dyestuffs to America only if the American government should consent to bury for a long time the unjustifiable so-called anti-trust question in connection with the aniline dye interests.

Industry Busy in War Plots Here

In spite of the facts that have become known as to the war activities of the German chemical interests, few people have yet realized how tremendously useful they were to the Kaiser in his war against America on American soil. Dr. Hugo Schweitzer and his propaganda plots are known, as are Dr. Scheele's bomb manufactures. At least two of the chemical companies, the Bayer and the Geisenheimer, were suspected of transmitting code messages under the guise of business. Officers of

the latter concern were deep in the councils of Boy-Ed, von Papen, Albert, *et al.*

Even more important were the chemical plots engineered with the idea of preventing the manufacture in this country of munitions. One aimed at the manufacture of toluol and benzol—products essential to many industries—so that there would be no impetus for the establishment of an American plant which could provide them for explosives, for which they are indispensable. A plant for this purpose was built, financed by the Deutsche Bank, through Hugo Schmidt, and did supply America—under contracts preventing the use of the products for explosives. Thus the war found America dependent on a German plant for her powder!

Another anti-explosive scheme was the so-called "Chemical Exchange Associated," of which Thomas A. Edison was the target. Early in the war there was a great shortage of phenol (carbolic acid) and Mr. Edison, who needed much in his business, invented a new process for its production and started manufacture on a scale that left him a big surplus, which easily could have gone into the making of valuable explosives. The German ring got a contract for all this phenol, and to prevent its reaching the powder factories had it converted into other

non-explosive products. This prolonged the carbolic acid famine, to the great distress of the country. Incidentally the plot paid a profit of \$816,000.

There were many others.

Our Enemies Even in Days Before War

But long before there was any war the German chemical invaders were our enemies. On dyes and coal tar drugs the Germans had a practical monopoly—held by driving every American effort along these lines out of business. On heavy chemicals the situation was not quite so bad, though serious enough.

This situation was used to derive enormous profits, the dyes in particular often being sold here at four or five times their cost. The Bayer Company, for instance, after paying enormous prices to the German cartels for its goods, in 1914 made \$2,702,391 profit on sales of \$6,465,320, while the Synthetic Patents Company, owned by it and used as a "milker," made \$1,177,242 on \$1,214,538 of sales—a total profit of nearly \$4,000,000 by a concern capitalized at \$750,000. On another of its subsidiaries the profits for that year are not at hand, but the Williams & Crowell Color Company made

\$240,851 net in the first six months of 1918. The total turnover of the dye business did not pass \$25,000,000 a year, but the profits were probably half of that.

All of the six big German chemical houses which operated before the war—they have been formed into a single gigantic trust now—were represented in America by what seemed to be independent firms, buying from them under exclusive contracts, but what were really branches under absolute control. The Alien Property Custodian caught one of these concerns and seized it, because it had, though apparently entirely American-owned, wirelessly to Berlin asking permission to raise the pay of some of its employes.

Contract Shows How Germans Kept Their Grip

The following contract shows the method by which the Germans kept their cake and sold it too:

'Agreement made this 30th day of June, 1913, between Adolph Kuttroff, of the City of New York, of the first part, and the Badische Aniline and Soda Fabrik, a corporation duly organized and existing under the laws of the Grand Duchy of Baden, Germany, of the second part, witnesseth——

The party of the first part agrees that if he shall die or for any reason shall cease to be an officer of the said Badische company at any time prior to the first day of January, 1916, he or his legal representatives shall sell the stock held by him in the said Badische company to the party of the second part or to such person, firm or corporation as it may designate, on payment of the par value thereof, with interest at 6 per centum per annum from the first day of the current fiscal year;

It is further agreed that the party of the first part shall not sell or transfer his stock of said Badische company or any part thereof, nor create nor suffer to be created any lien, pledge or incumbrance of or upon the said stock or any part thereof;

This agreement shall also apply to and cover any further shares of the Badische company the party of the first part shall hold or acquire by any increase of the capital stock of the said Badische company or otherwise, as well as to the shares now held by the party of the first part.

A second agreement of even date, with almost identical preamble, provides:

The party of the second part hereby agrees that it will not sell, directly or indirectly, any of such dyestuffs, chemicals or other articles outside of said exclusive territory, and that it will not directly nor indirectly deal in any merchandise

that shall or may come into competition with the articles so to be purchased from the party of the first part, nor will it or any of its officers have any interest in any competing firm or corporation.

It is further understood and agreed that when and so long as the party of the first part may be a creditor of the party of the second part, the party of the first part shall have the right at its own cost and at any time to inspect and make or cause to be made extracts from the books and documents of the party of the second part. . . .

Another agreement of even date and like that with Kuttroff is made between the Badische Company, of New York, and the following stockholders therein: Herbert W. Reed, 15 shares; George M. Snow, 20; A. Lendle, 20; Frederick Kuttroff, 20; Rudolph Reichard, 20; Howard L. Waldo, 20; Morris R. Poucher, 20; W. P. Pickhardt, 20; Ernst Halbach, 20, and Hugo Hill, 20.

Additional Clauses in Another Contract

Perhaps an even more complete control in some ways is shown in the following contract made between the so-called Farbwerke-Hoechst Company and Herman A. Metz. Provisions omitted regarding the sale of stock are along the lines of those

of the Kuttroff contract. In addition are the following, summarized because of the great length of the original contract:

The name of Farbwerke is not to appear on the books of these corporations nor be known to any but the parties to the agreement, and the transfer of shares to be made by indorsement and delivery of the certificates thereof. On demand, however, the Farbwerke will at any time be entered on the books of the respective corporations.

Should Metz die or withdraw from active management of said three corporations all of his shares in all three companies must be tendered to Farbwerke at prices fixed in agreement, who will have the right to preëmption. The option is to purchase shares of all three corporations and not of one or two such corporations.

Metz agrees to continue in active control and management of these three companies unless Farbwerke should acquire control of all stock of such corporations, and in turn Farbwerke agrees to give the exclusive sale of their products to H. A. Metz & Co. at their lowest market price. This agreement for five years and to go on unless a written notice of the intention to let the same expire is given by either party a year in advance.

Metz agrees not to enter into a competing business nor permit the use of his name in such business as long as either he or Farbwerke re-

mains stockholders in the three corporations or he is manager and so long as Farbwerke faithfully observes his agreement. In turn Metz promises not to sell any of his stock without giving an option on it at prices given in Paragraph 13 to Farbwerke, and for three years thereafter not to go into a competing business nor lend his name to one.

Agrees Not to Sell Competing Products

A later agreement provides:

H. A. Metz & Co. or the Hoechst Color Co. is not to buy or sell products competing without reporting such to Farbwerke for approval or disapproval. Of such products the American company is to send a report every three months and samples if desired and statement of stock-in trade on hand when desired, and also a weekly report, when requested, as to goods and wares delivered with the prices. When name is changed goods are to be marked Hoechst Color Co.

An agreement on July 22, 1912, includes the following:

The dividends of H. A. Metz & Co. shall be paid to the holders of record of its stock, but in division between Metz and Farbwerke the entire sum of dividends to stockholders out of the profits of the general business shall be regarded

as one amount and the entire sum paid out of the profits of the pharmaceutical business as another amount and these amounts to be used as bases for calculating the above 50 per cent or 25 per cent, as the case may be. Metz not to have a separate claim to dividends for his ten shares. All profits and dividends not paid to Metz as aforesaid to be the property of the German corporation, subject to the bonuses payable as aforesaid to employes, if the German corporation elects to undertake such distribution.

As long as Paragraph 11 remains in force Metz agrees not to purchase or sell competing products without referring such transactions to Farbwerke for approval or disapproval, also to send a report every three months to Farbwerke and samples if desired, and render to them when requested a statement of the stock in trade on hand and statements of all goods and wares delivered.

So strong was the German control! Metz, who is an American, had been trying for years to free himself from this control, Mr. Garvan declares, but without success.

For the rest, the German trade methods were in most cases all that is despicable and much that is illegal.

Bribery Common; Espionage Rampant

Bribery was a usual thing. Espionage was rampant and the country was filled with "expert

chemists," who constantly betrayed to the Germans the interests of their employers. Of course, they resorted to "full line forcing," a practice common in this country but much condemned. The most used scheme was the corruption of the boss dyers, mostly Germans, who by manipulation could make the best dyes result poorly, and would get good effects only from the product of the man who paid them. There are charges that in some cases these boss dyers took pains to do poor work on goods that were to meet German competition in the market.

Dumping was the accepted way of killing American competition, wherever it showed its head, and it was almost completely successful. This was done mostly in branches other than dyes, because the dye industry never needed the German killers' expert attention. When the Benzol Products Company was organized in 1910 the Germans cut the price on aniline oil, which it manufactured, from 11½ cents, normal, under 8½. When there was competition in salicylic acid they sold it here, after paying a duty of 5 cents a pound, for 25 cents, the home price at that time being 26¼ to 30½ cents. In 1910 they sold oxalic acid at 6 cents. An American factory opened and the price was cut to 4.7

cents. In 1907 the American factory shut down and the price went to 9 cents; it reopened after some months and 4.7 cents again became the figure. In 1908 the American failed and the price went to $7\frac{1}{2}$ and stayed there.

Of course there was tax dodging. In the Bayer Company, for instance, Mr. Palmer reports the organization of a subsidiary company "to conceal the profits for the purposes of taxation," and he adds "the investigation also uncovered a number of less legitimate evasions of the tax laws and resulted in the recovery of a large sum by the Treasury"; and at least a part of the concealed ownerships of the German agencies, which helped make it hard for the Alien Property Custodian to seize them after we entered the war, were unearthed at this time. Elaborate arrangements also were taken to avoid the law against selling pools, and these seem to have worked.

Big Propaganda Against Americans

Backing all this was an elaborate propaganda. It has not been determined how far this was under central German control, but it carries all the earmarks that distinguish the propaganda we have

learned to know. It became very complicated at times, and some of it was so convincing that the myth of invincibility, as Mr. Palmer calls it, still lingers in many minds.

The Germans, from their high places as the chemical experts for the world, announced that American coal would not produce a tar suitable for dyes. They declared that Americans had neither the brains, the training nor the skill to produce them, and we Americans meekly swallowed the insult. They laid it down as an axiom that no one could compete with them in the niceties of chemical research—and we took that, too. Finally, they pointed out that the German industry had such a start that we never could overtake it; and, but for the war, there may have been some truth in that.

But to-day we have found that we have the brains, the skill, the patience, the inventiveness and very usable coal, and with a little more time we shall have overtaken the German industry, and, many believe, have put it far in the rear. The invention of coal tar dyes is not German, anyway.

Industry Here Deep in Hun Plots

When the war began and after we entered it the German chemical industry here remained as pro-German as ever. Its first lookout was to save its own markets from the British, French and American competition that soon sprang up. To this end it went to every length except the manufacture of the more valuable secret dyes. This was started, but absolutely forbidden by the home companies. Herzog, it will be remembered, emphasizes in his book the principle that in no circumstances shall valuable trade secrets concerning the industries which Germany intends to use to bludgeon the world be permitted to leave Germany.

With what supplies were on hand the German concerns mixed cheaper or more available substitutes to string them out. Those that could be obtained they bought at almost any price and sent them out as their own under trademarks and labels that closely imitated the German and with legends that emphasized the German origin of the goods. They sought longtime contracts as the price of parting with what they had of the more precious materials. Finally they organized an American edition of the great German dye cartel, the Republic Trad-

ing Corporation, which included all the principal agents and which was intended to guard their mutual interests and fight American competition. As is stated in a letter from the Bayer company to Dr. Christian Hess, one of the German owners:

It was interesting to note in our last conversation with Mr. Metz that he was specially anxious that the organization should aim later at placing in the pillory all dealers who would not publicly agree to run the business according to the fixed principles of sale laid down by us. You will understand what I mean, and I think Mr. Kutroff also will enlist under the flag later.

This precious corporation languished for lack of having any dyes to sell, though it got a little when the Deutschland came over, and was doing little when it came under the control of the Alien Property Custodian, through his seizure of most of the member companies.

Many Schemes to Avoid Seizure

When the United States entered the war and it became evident that German property was to be seized Teutonic evasion reached its highest point. Every conceivable scheme was resorted to in the efforts

to conceal the actual German ownership, and some of these schemes were so smooth that the courts still are untangling the messes, with a fair chance that the government may get a lien on the companies, but will not get control of them. Less than half of the German owned companies found themselves in a position where they thought it safer to make reports to the Alien Property Custodian. The schemes of evasion were all different and each was a pretty puzzle in itself.

One of the first unravelled, and the simplest, was that of the Bayer Company. This company, which was exceedingly profitable, reported that its stock was held by one of its officers, on behalf of Germans who held for the parent company. It also reported the stock, similarly held, of the Synthetic Patents Company, which owned the patents and other rights under which Bayer operated, was used as a milker to conceal profits.

The readiness with which such an important concern surrendered aroused suspicion, and after a prolonged investigation the joker was unearthed. This was the Williams & Crowell Company, a concern in Connecticut, to which had quietly been transferred many of the most valuable rights of the Bayer. It finally was possible to prove that, though

the stock of this concern was held by American citizens, the money to pay for it came from Germans.

Contract Revealed Control by Germans

The ownership of the branch of the Badische Company, Kuttroff, Pickhardt & Co., was perhaps the most carefully concealed. This stock apparently was held by the officers of the concern, and it was not till the contract printed above was unearthed that it was plain they had no real control. In fact, the New York concern asked permission of the Badische for every raise of salary to an employe, and paid it sums running into hundreds of thousands for which no reason appeared.

A trick that failed was that of the Bauer Chemical Company, a much smaller concern, which owned the rights to Formamint and Sanatogen. This concern, by the way, raised a pretty problem for the Alien Property Custodian when he seized it. It became his duty to protect the interests of the property, and one of the interests lay in the sale of Sanatogen. Mr. Garvan, who was in charge, remembered The New York *Tribune's* exposure of the fake involved in this scheme of selling a few

cents' worth of stuff—chiefly cheese—for a dollar, and refused to continue the advertising.

The stock of this concern appeared to have passed into the hands of T. Ellett Hodgkin, its lawyer, who now is under indictment on another matter, also connected with German interests in this country. Hodgkin bought 744 of the 750 shares in May, 1916, borrowing the money for the deal from Richard Kny, father-in-law of George Simon, vice-president of the corporation, who held the stock himself, in escrow for the debt, leaving Mr. Hodgkin's ownership rather thin. Mr. Kny appears in another place on the records of the Alien Property Office, in connection with the Kny-Scheerer Corporation, which held the monopoly of German surgical instruments in this country.

Wanted Ownership "To End of the War"

In addition, there was taken from a man who reached Montreal from Germany an authorization sent in response to a letter in which Hodgkin said:

Get authority to Hohmeyer [a German subject in control of the company for the owners] to deliver to me or to you all the stock certificates of the company, for us, or me or you, to own

absolutely until we sell them, or otherwise until the end of the war. The company and name are so well known that I would like it to be American in name and in fact, so that in case I am ever called upon to show my hand I can safely do so. . . . I am sure you will understand what I am after.

The Alien Property Custodian has since sold out this concern.

Although the American chemical industry took a fair start about 1880, the Germans promptly crushed it, and when war broke there were but five plants manufacturing dyes in this country, three of them German owned, and the other two practically merely assembling German products. With the war there came an immediate tremendous expansion and many companies were formed. At first the Germans paid little attention to this, a letter from the Cassella Company of New York stating: "There is no grave danger to be feared for German industry," and expressing the belief that the textile industry would prevent the dye makers from getting enough protection to let them continue after the war.

First American Dyes Like a Bride's Biscuits

At the start the American industry was practically without resources. Something of the situation they had to meet is shown by a few figures. There were more than ten thousand dyes patented in Germany, of which some 900 had an extensive sale in America. There were more than 5,000 patents in America on German dye manufacture. Of course all these patents very shortly were put at the disposal of the American manufacturers, but producing the dyes was a very different matter. —

Some of the American makers did, and there were many justifiable complaints of the dyes produced—of which the German propagandists took full advantage.

But to-day the American industry is nearly out of the woods. It is actually making some dyes better and cheaper than Germany ever did. It has produced practically all the staple colors. And within a few weeks the great Du Pont laboratories have begun turning out "vat" dyes, the last and most complicated of the lot. Also, America now has a small army of splendid chemists at work inventing new dyes of her own. This process, how-

ever, has always so far taken about four years to come to a head.

Germans Get Inside American Development

The Germans did not long keep out of the American development, and there are now prominent in it several men who have been German agents. The Alien Property Custodian has seized and sold most of the big German companies here, but their brains remain, and in some cases the evasion has been such that he could not get the concern.

Several small companies are also imperfectly cleaned out, and there are a few the stock of which is apparently in the hands of neutrals, but which are decidedly under suspicion. Altogether the chemical trade was in a far from satisfactory condition. Mr. Palmer in his report could say of it nothing better than this:

This, it is to be hoped, may interpose some difficulties in the way of any attempt on the part of the latter to reestablish themselves in this country.

Patent Trust Plan Gives Protection

The whole situation, however, has been changed as the result of a scheme recently put into effect by Francis P. Garvan, the new Alien Property Custodian, and devised by him when chief of the Bureau of Investigation.

This scheme hangs on patents. It was discovered that the Germans had registered in this country some 5,000 patents. There was practically no manufacture here under them, and it soon became evident that their chief purpose was to prevent the importation of dyes made under them, such importation being an infringement of the patent. Mr. Garvan saw no reason why this should not work both ways—why the patents seized and sold to American owners should not be used as a bar to the import of German dyes.

He therefore organized the Chemical Foundation, Inc., which is to hold in trust all such patents and others that may be developed, and to which practically all of the German patents have already been turned over. The Foundation will conduct experiments as well as protect the patents, and all its patents will be open to the use of any American

manufacturer, but not to others, and will bar importation of anything infringing.

This scheme, he believes, will, when supplemented with a plan for licensing the importation of German dyes in such quantities as may be necessary, and no more, at reasonable prices, offer almost complete protection to the American industry till the period when the patents now held are superseded by new ones. By that time, he hopes, the American industry will be able to take care of itself.

Octopus Prepares for New Attempt

Meanwhile, the German octopus has gathered strength for a new assault on America, and is planning to crush out the new industry instantly. It is estimated that a hundred million dollars' worth of dyes—four times the normal annual consumption of America—have been gathered ready to “dump” through Copenhagen the moment the blockade lifts. The prices at which these dyes will appear may be judged from the fact that already “neutral” agents are selling dyes in Italy at half the market price. In addition, there has been a tremendous development of Swiss dyeworks, under the Herzog rule that German goods must appear

in neutral dress. In 1913, the last year before the war, Switzerland took from Germany 5,000,000 pounds of "intermediates," the bases from which dyes are manufactured. In 1916, the last year for which figures are available, she took 21,000,000 pounds—more than four times as much.

The flood may break, as the war broke, with America unready to meet it. No protective action has been taken so far except that by the Alien Property Office.



CHAPTER IX

THE GERMAN METAL OCTOPUS

METALS THE LIFE OF GERMAN INDUSTRY—DANGER OF SHORTAGE ONE OF CAUSES OF WAR—WHOLE INDUSTRY OF WORLD DOMINATED EXCEPT IN AMERICA, AND WEDGE DRIVEN IN HERE—BIG FIGHT MADE TO DESTROY THE INVADER—THE MENACE THAT REMAINS

WHEN the great war began Germany controlled the metal situation—prices, production and supply—of all the world except America. Into the United States even the great metal octopus had thrown three powerful arms, which already had secured for Germany amazing advantages against America even on American soil and which were so placed strategically that they were fast tightening their grip on the whole American industry.

The war gave both the Allies and America a chance to break the grip of this octopus, and heavy

blows have been struck. As with other of the Hun invaders, this has been largely smashed, but as with others, too, there are powerful pieces left, though in America itself the work has been so thorough that A. Mitchell Palmer, former United States Alien Property Custodian, reports it practically complete.

Germany, however, is already on the move to regain, and more than regain, her old control. She starts under a handicap. But nowhere has any barrier against her been erected that will last more than a few years, if American and Allied stockholders succumb to the tremendous prices she can and will offer for a new hold on us.

Metals the Life of Huns' Industry

Metals are the lifeblood of Germany's industrial progress, and of her hope of exploiting and dominating the World. Before the war exports of metal manufactures and products constituted more than a quarter of all her exports—\$615,175,000 worth in 1913. She has built her army of invasion around them, with the belief that the coming age will be even more that the present the age of metals, and that he who can control the world's metals will be

supreme. And Germany, in trade as in arms, aims at nothing short of supremacy.

Germany herself, however, is short of metals. Even the tremendous loot from the French stores of coal and iron in 1870 have proved too little, though the great wealth of the Rhine industries was built on them. The steel barons reported to the Imperial Council ten years ago that unless Germany could increase her stores of iron she would soon lose in the race. And about the same time a survey of her mineral wealth showed that at the probable rate of consumption practically all her stores of every kind would be gone in from forty to sixty years.

Facing this situation she saw her whole vision of world dominion tottering, in spite of the tremendous strides in commerce of the past few years. The whole course of the war—Lens, the Saar and Briey basins, Warsaw and Poland—all prove that their stores of metals were the loot that seemed largest in her eyes, and in speech, writing and action the whole nation gloated over the wealth they would bring. When the plunder began to slip through her fingers she did all that could be done to ruin the mines she could not hold, so that at least they would not count against her in her coming trade

campaign. She proved here again that her objects in the war were commercial and industrial.

Plans to Get Other Metals

Even these mines, however, were not enough to satisfy her, as there are other metals she would still lack. Herzog, as usual, tells her plans for securing these, including other natural products and classifying them in general "raw materials." These are the terms he would have Germany impose on other countries:

It must stipulate, also, an unlimited opportunity to acquire the sites needed for winning raw materials and an unlimited right to get them out by German enterprises. It must preclude any further restriction by providing that these enterprises cannot be bound to sell any amounts of these raw materials in the countries where they have been gained, nor to use them there in manufacture or in any other way. The government of the country in question can be permitted to exercise its right of requisitioning them only with the consent of the proper German officials. The commercial treaty must assure an opportunity to procure unrestricted quantities of raw materials in foreign countries and to export them without restriction to German territory. . . . It must be made possible for the German govern-

ment to interfere without foreign countries protesting that their sovereignty is being violated.

He says much more along this line.

Metal Octopus Dominated World

It was to get these other metals—copper, zinc, tin, lead and so on—that the metal octopus was formed. It has not even yet been entirely consolidated, though through its banking connections and government supervision it has achieved perfect unity of action. There were three chief metal firms—the Metallgesellschaft, Beer, Sondheimer & Co. and L. Vogelstein & Co. Involved with them were the Metalbank and the Deutsches Gold and Silber Anstalt.

This octopus reached into every country of the world, and only in America had there remained any independence. A chart prepared by the United States Alien Property Custodian shows the ramifications of the great system; there are 102 companies in it. In practically every one the control was German (often through Germans naturalized in the invaded country, as was the case with the Mertons in England, who were originally named Moses and came from Frankfort). Also, in nearly

every case the Germans were making use of the capital, brains and, of course, the natural resources of the invaded country for the benefit of German trade, German profits, the employment of German immigrants and German preparation for war against the very nations that were granting this hospitality.

The chart is not complete. Here is Mr. Palmer's official description of the octopus:

We find in their control not only German metal and chemical companies (those making chemicals used in mining), but also French, Belgian, English, Australian, American, Swiss, Spanish, Austrian, Italian and Mexican. In addition, they control syndicates for the exploration of mines in South America, Hungary, Russia and on the African continent. In this vast combine we find charted 245 separate companies, whose interests lie in almost every part of the globe and who produce every known form of mineral.

Furnished Sinews for German War

These companies had furnished the material sinews of Germany's war machine. Herzog's bitterest complaint is that the war stepped ahead of the commercial control Germany had already won and crippled her.

Zinc was completely in their hands, except in America. The case of Australia illustrates her methods. There, through some blunder of English business, Germany had been able to take full control of the buying of all Australian ores produced. She distributed them to what smelters she chose. She fixed the buying and the selling price. Australia worked for her and at her own terms. From this the Germans soon worked to complete control of world buying of zinc, and from this again to control of the smelters. They forced in the smelters of other countries, and in 1911 formed a syndicate which actually controlled production, price and distribution.

In lead the control was as great.

In copper the Germans never had gained complete control, because 60 per cent of the world's supply comes from the United States, and here other powerful interests were ahead of them. But through the metal triumvirate and because of the great buying power of Germany, amounting to 25 per cent of the world consumption, she was able to exercise a powerful control over prices. She took advantage of the American attitude that there should be no speculation in copper prices, and she speculated with great profit.

Four Invaders Fastened on Us

Four firms in the United States, Mr. Palmer found, came as parts of the German invasion—the American Metal Company, representative of and owned by the Metallgesellschaft; Beer, Sondheimer & Co. and L. Vogelstein & Co., representatives of Beer, Sondheimer & Co., and of Aaron Hirsch & Sohn in Germany, and Roessler, Haslach & Co., a chemical firm, but controlled by the Gold und Silber Scheide Anstalt.

The first of these was the greatest, and ranked next to the powerful Guggenheim interests in America. It had connections with a total of thirty-seven concerns in the United States and Mexico, of which eighteen were owned or controlled and operated by it; six were partly owned and in close relations; nine in which stocks or bonds were owned, and four which had ceased to operate. It not only produced, it acted as both broker and speculator in metals, especially copper, of which it bought 141,398,982 pounds during 1918. In two years ended June 30, 1917, it produced 1,700,000,000 pounds of spelter and bought 585,000,000 pounds more. It dealt in lead, arsenic, sulphuric acid, coal, silver, zinc oxides and dust, antimony

and molybdenum. Its annual business has run above \$150,000,000 a year and its profits above \$7,000,000. This is for the American Metal Company alone—the total, including its subsidiaries, has not even been estimated.

L. Vogelstein & Co. was far less powerful. Its business was purely that of trading, not of producing, except in one or two very minor cases. But something of its influence can be seen from the fact that in five years it had handled 870,931,737 pounds of copper, 578,138,191 ounces of gold, 25,120,134 ounces of silver, 323,099,014 pounds of lead, 397,740,356 pounds of spelter and 91,128,623 pounds of tin. The total business was \$342,538,188.70, an annual turnover of more than \$68,000,000.

The Beer, Sondheimer business was smaller yet. Most of this was in the zinc trade, though it also figured heavily in copper and lead. Its total business in the last four years amounted to \$18,052,958.

Thus the German octopus, through the last five years, has been handling about \$220,000,000 annually of American metal business.

Price of American Coppel Manipulated

A single fact, far more than columns of figures, shows the power of the German metal octopus in America, and how it worked. Though copper was not under Germany's control, though its mining was almost entirely in American hands, though the German purchases were only about a quarter of world consumption—Germans were able to get their copper, year after year, at about a cent a pound less than Americans could—from ten to five per cent advantage in price. That advantage hurt America, and helped the German campaign of world exploitation, in every single thing into which copper enters.

A. Mitchell Palmer, in his report on the work of the Alien Property office, thus sums up the menace:

Who will say that these were not a standing menace to the security of our domestic metal industry, as well as to the development of our own commercial interests in Mexico and South America? It is no answer to the obvious potential power for evil which these companies possessed to point to the fact that since the European war the American Metal Company has been entirely officered by Americans who have shaped the policy of that powerful organization or to

show that Vogelstein is a naturalized American citizen, or to remind us that Elkan and Frohnknecht, in control of Beer, Sondheimer & Co., are likewise American citizens—they were late converts to citizenship. The power lay in the hands of Hirseh & Sohn and Beer, Sondheimer & Co. and the Metallgesellschaft and its stepchild, Henry R. Merton & Co. at any and all times to direct the policy of these American concerns.

These outposts of German commercial aggression having gained a foothold in the United States, were gradually spreading into Mexico and South America, which are legitimate fields for our own commercial development. In Mexico to-day the American Metal Company is second only to the American Smelting and Refining Company (Guggenheim) in its control of the mineral wealth of that country. In Peru and Chile and other parts of South America these companies not only control the output of mines and smelters, but the American Metal Company also owns mining claims of great extent.

With unlimited resources at their command, they bought up mines, financed and built smelters and refineries, bought and sold huge quantities of metals, organized and controlled their own systems of transportation and even invaded the oil industry. With the controlling power of these great organizations centered in the hands of Germans—knowing what we know about Germany and Germans—who will deny that they have been a menace to this country?

German Outposts Skilfully Placed

The skillful strategy and location of many of the German outposts here made the menace far greater than the bare figures of comparative capital and turnover show, as is proved by the manipulation of the price of copper.

One example of this is the Roessler-Hasslacher company, not a member of the triumvirate, but working hand and glove with it through the home control. This firm was primarily a chemical company, and its power lay in the fact that through patents and other advantages it had a complete monopoly in America of the manufacture of cyanide, which is indispensable to the reduction of gold and silver ores. That is, it was in a position from which it could at any time throw a great advantage to German controlled companies, or even force American concerns out of business by favoritism in the price of the vital cyanide, or by such delays in delivery or refusal to sell as would make production impossible by the concerns singled out for attack.

This concern was entirely German controlled up to the war, and many charges of activity hostile to American interests have been laid against it. Its

officials were admittedly pro-German, and shortly before America came into the war they sent as their agent for certain negotiations in Germany Oscar Rolland Seitz, who was active in many pro-German movements and was formerly editor of Hearst's "Morgen Journal." Five of its officers drew salaries of \$70,000 a year each, and one of them admitted to the Alien Property Custodian that this was a scheme for transferring profits to Germany secretly.

Big Power Lay in Patents' Control

Another similar strategic advantage lay in the control by Beer, Sondheimer & Co. of the patents for "minerals' separation," the process by which the metals are removed from the worthless material in which they are found in the ore. These patents were taken out as late as 1914, and a syndicate was formed for their exploitation which was extremely profitable, because of the great saving they permitted as against the old processes. Beer, Sondheimer & Co. became exclusive agents for these in the United States, as well as having a heavy interest in the syndicate. Thus there was another noose around the neck of American business.

A third strategic move is seen in the heavy investments in Mexico. There are two advantages to be gained there. The first is that all Mexican property is cheap at present, and by going in under American names the German capital will have the chance to realize heavily when the time comes for the United States to adjust its claims in Mexico, while if this government does not do this, the interests could be retransferred to Germans and the German power invoked.

The second advantage, of course, is the concealing of the German wealth, to keep it out of reach of the Allies when the demand for indemnities is presented. Thus Germany on this continent is pursuing the same course in chaotic Mexico that she is following in Bolshevik Russia—buying cheaply to get a secure foothold on the country for future exploitation, and counting on the use of force to make the speculation good.

Hun Government Kept Close Touch

The close touch which the German government kept on these concerns is illustrated in the case of Vogelstein, the company being for some time in

financial troubles in the early years of the war. Hugo Schmidt, the German commercial agent in America, promptly took hold and threw the power of the Deutsche Bank behind the concern. He supplied credit, arranged for shipments and finally helped to get the assets concealed when war with America became unavoidable.

The American Metal Company figures in another way. When the lack of German potash drove America to the development of her own resources, it became very much to Germany's interest to make sure that the American developments could be crushed when the time came. Von Bernstorff, accordingly, started a scheme to have the American Metal Company made the selling agent, "in Germany and America," for the American potash. He reported to his government as late as February 6, 1917, just a few days before relations were broken off, that the prospects of this were good, after the war. Officials of the American Metal Company deny any knowledge of this scheme.

Since America entered the war, official reports show, there has been no misbehavior by the American Metal Company. As much cannot be said for some of its subsidiaries, especially in Mexico, where officials have been most active in the anti-

American propaganda on which Germany counted for a diversion.

Big Fight Made Against Octopus

Against the octopus the Allied world has made a vigorous fight and has scored heavily. Britain forced the breaking of all the Australian zinc contracts. France and Belgium built smelters. England drove Merton & Co. into liquidation by refusing to give it a license, though the firm could not be seized since all the owners were British subjects.

In America also heavy blows have been dealt it. In spite of fictitious transfers of stock into American names, Beer, Sondheimer & Co., and L. Vogelstein & Co. were seized by the Alien Property Custodian, as were the German shares in the American Metal Company. The first concern was put into liquidation. In the case of the second, since Vogelstein is an American citizen, and since it has been impossible to obtain an exact accounting from Aron Hirsch & Sohn as to the interests involved, a five-year voting trust, with Americans in control, has been arranged, and the actual control of the business has been turned back to Vogelstein.

The American Metal Company was more complicated, but this, too, has been put under American control, through an agreement between the American shareholders and the Alien Property Custodian, by which trustees appointed by the latter will exercise control for five years.

“The German metal octopus,” says Mr. Palmer, in summing up the result of these operations, “had spread his tentacles across the ocean and over the United States into Mexico and South America, but for the present surely, and for all time, it is hoped, he has been driven back and a wall of Americanism erected which, it is hoped, he will never be able again to scale.”

Not All Believe America is Safe

Not all who have watched the fight are so confident. Premier W. M. Hughes, of Australia, who had a struggle against the octopus at home, made the following remarks in a speech last September. Some of the things which he criticizes have since changed, but his attitude remains of interest:

The Metallgesellschaft in America had extended one of its most powerful tentacles. The


American government has placed these concerns under the control of trustees, but this, while placing the present control in the hands of the government, in no way affects the designs of the enemy. It does not change the German octopus into a truly American institution. If the American government does no more than it has done, when the war is over the trade which flowed formerly down these alien channels will again resume its normal course. American labor and American capital will again exert themselves for the benefit of an enemy which the manhood of America has sworn to destroy.

It is not by changing names or any such surface scratching methods that we can destroy the great octopus. Most certainly it is not by appointing as two public trustees, as has been done in America, the very men who were the original conspirators. Of course, there are other trustees who are bona fide American citizens, but we may be quite sure that Vogelstein and Hothorn, who controlled the operations of the business for Germany before, will continue to do so. Of course, they will alter their methods, cunningly avoiding anything calculated to arouse comment or excite suspicion. They will endeavor to persuade the American citizens that all is well, that German influence is dead, but if nothing further is done Beer, Sondheimer & Co., A. Hirsch & Co. and the American Metal Company will after the war, resume the place in America which they occupied before the war began.

Garvan Believes Fears Groundless

Francis P. Garvan, the present Alien Property Custodian, believes Mr. Hughes's fears are groundless, first because the financial control of these concerns has come into American hands, and second, because, as will be explained in a later chapter, he believes that the German agents, once forced into line, will be faithful. But apart from this, he believes that everything the existing law permits has been done.

Meanwhile the German home concerns have throughout the war been piling up profits at a rate unprecedented, even in their own history, and they are to-day far more powerful than when the war began. Nowhere has any measure been taken to prevent their growing again, if they can find any man who will take the money they are able to offer, in return for stock in these and similar concerns.



CHAPTER X

TEXTILES—A COLONIZED INVASION

WOOLEN MILLS OWNED, OFFICERED AND MANNED BY
GERMANS—THE “WOOL PLOT” AND ITS BACKERS
—BLOCKING THE MANUFACTURE OF UNIFORMS
—MANY OF MEN WHO WERE GERMAN AGENTS
STILL IN CONTROL

ONE of the most completely and perfectly entrenched of the German interests in America, discovered when the Alien Property Custodian began its work, was that in the great textile trade. Here in six great woolen mills and five smaller concerns, in two big lace factories, and in a score of silk, velvet and other businesses, the German hand was found.

The textile industry is of particular interest because of its close dependence upon the dye business—which until the war was almost a German monopoly here. The combination held a powerful

threat, though one that had never been exercised, against American interests along the same line. For the dyers, by favoritism of any kind—in price, in quality, novelty or delivery of dyes, could put any American firm against which an attack was to be directed, under a frightful handicap.

The Alien Property Custodian has used the full power of the laws at his disposal to eliminate the German power here, but has been unable so far to clean the industry up completely. If the present status should become fixed when peace is signed Germany in the textile mills will still be entrenched, not indeed with more than a fraction of her former power, but still strong and dangerous. The sale of the German interest in one great mill, the Botany, has been held up by a suit. In a group of mills the same naturalized American citizen who was representative of the former German owners, has bought in the control.

German "Experts" Honeycomb Business

But especially, throughout the industry, the proportion of German officials, experts and workmen is so great, and the task of replacing them with other skilled men is so serious, that the most pa-

triotic of the new owners will find it a long time before he can be sure that he controls the mills he owns. The whole industry was practically a German invading colony.

"These mills have always kept their distinctively German organization," the Alien Property Custodian's report says, "both as to executives and employes. It may be said that German is the official language of the workmen. The discipline among the employes reflects the typical military spirit of Germany."

In spite of these handicaps, the Alien Property Custodian has succeeded in turning these German bought spindles and looms to the service of the American army, and from four of the mills alone the output of war material has totalled above \$24,000,000. Also, the companies have subscribed to more than \$10,000,000 worth of Liberty bonds, \$500,000 to the Red Cross and \$300,000 to the United War Work Fund.

German Interests Centered at Passaic

The German textile interests centered at Passaic, N. J., where are located the great Botany Worsted Mills and the group controlled by E. W. Weissflug,

of Gera, Germany; the Gera Mills and the New Jersey and the Passaic Worsted Spinning companies. The Botany was owned by the Stoehr interests, of Leipzig, Germany, and though the control has been seized by the Alien Property Custodian Max Wilhelm Stoehr, a naturalized citizen, the son of the owner and a previous army officer detached from the German front and sent to America to handle, in 1915-'16, the great "wool plot," has brought suit to save the property.

The Botany Mill has been charged from the beginning of the war with vigorous pro-German and often unneutral, if not anti-American, activity. Chief of this was the "wool plot," by which the whole American industry was, for Germany's benefit, put in the position of breaking the most solemn pledges and the cutting off of the whole American supply was threatened.

Broke Faith to Help Germany

Great Britain, which had practical control of the world's wool supply, found early in the war that considerable quantities, which were used to make uniforms for German soldiers, were reaching Germany. She then put on an embargo and released

wool to America only on pledges that none of it should reach Germany. The Textile Alliance was formed to see that these pledges were kept.

The Germans, under Hugo Schmidt and Stoehr, set to work to beat the game, and the Botany Mills and the Forstmann & Huffmann Company were used, to quote one of Schmidt's reports, as "shove-in-betweens." Of this performance an official report by Deputy Attorney General Becker of New York says: "Every step in this transaction, from purchase to importation and release, was a fraud on the Textile Alliance and the British government and a violation of voluntarily assumed obligations."

The Textile Alliance itself, after an investigation, reported that:

The firm had attempted to mislead the alliance as to the residence and citizenship of its directors.

That by false representations it had imported wool from Australia and then refused to help straighten out the shipping tangle, and was antagonistic, if not dishonest.

That it had shipped quantities of wool as waste, in violation of the interstate commerce act.

That its imports greatly exceeded its needs, and there were indications that it was accumulating a supply for Germany after the war.

That it accepted orders from the United States

government and tried to get wool from the British government to fill those orders, saying it was necessary, though it had 5,000 bales of wool in stock and the orders called for only 1,600.

In return for this the Botany got a shipment of dyes direct on the submarine *Deutschland*, instead of having to take its chances with other mills in buying from the dye concerns which received the rest of the shipment. There was also money compensation.

Workmen Blocked Army Contracts

So firmly entrenched was the German in this mill that even after the Alien Property Custodian took charge and appointed seven of the eleven directors, there was a notable falling off in the production of the mill. One investigator reported this was nearly a 60 per cent reduction from normal. Another reported what amounted to sabotage on government contracts from German executives who had remained in place. A third said that the executives were doing their best to make conditions such as to bring about a strike. It was months before this was cleared up.

No such charges have been made against the

Weissflug group of mills, and the Alien Property office attributes this to Christian Bahnsen, who was superintendent of the three mills, as representative of the German owner. Mr. Bahnsen, who was born in Germany, but is naturalized and has a son in the American army, bought in these mills at the A. P. C. sale.

Other Seizures of Textile Mills

Another branch of the textile industry in which the Germans had invested heavily was that of lace-making. The Dresden Lace Works, Inc., which was chiefly owned by the *Dresden Gardinen und Spitzen Manufactur Actien Gesellschaft*, and was sold to one of the stockholders, Richard Muller, an American citizen of German birth, who was the president, on condition that he put his stock into a voting trust, under Alien Property control, for five years.

The International Textile, Inc., another lace concern, has also been partly seized. This was owned jointly by Max and Albert Henkel, together with a similar concern in Langerfeld, Germany. The concern originally reported that there was no enemy

interest, but the Alien Property Custodian seized 2,298 shares after an investigation.

Nineteen other textile firms, including several dealing in cotton waste, and others making silks, velvets, etc., were found to have an enemy interest, which has been seized and sold at auction or soon will be.

Thus great German textile interests in America, after going through the Alien Property Custodian's hands and being disinfected and cleaned up so far as the law and the facts in the case permitted, remain practically under the immediate direction of the same men who, about two years ago, were handling them, only then as agents of German owners.

Germany, barred from the wool markets of the world for five years and straining to recover everywhere her position in world trade, as a base for a new campaign of commercial aggression, can be counted on to try soon to see whether these former agents of her's will return to her service, at a price.

CHAPTER XI

WEAPONS THE HUN HAS LOST

POTASH AND ITS LYING PROPAGANDA—AMERICA'S
EFFORTS TO DEVELOP OWN SUPPLY—SUCCESS
IN SIGHT BUT IS MENACED BY NEW ATTACK—
THE ROMANCE OF OPTICAL GLASS—U. S. CAN
NOW PROVIDE OWN SURGICAL INSTRUMENTS

THERE are three industries, in which the coming of the war found the Germans completely entrenched in America, which come under the classification of the "protective" businesses which Herzog plans—and Germany is preparing—to use as bludgeons to force other nations into commercial subjection.

These are potash as fertilizers, optical glass and surgical instruments.

Each is vital, in a different way. In each Germany had a dominating position, if not an actual monopoly, when the war broke.

The most important of these is potash, and Germany is particularly counting on it as a first weapon in her war of business aggression. Potash is an exceedingly valuable fertilizer, probably a vital one, for certain American soils. It is true that there has been no noticeable loss in fertility during the potash famine since the war, but experts agree that the soils have been impoverished, and that we today need not only our normal supply, but enough to make up the arrears of five years if our lands are not soon to show serious effects.

When the war broke Germany had a practical monopoly on commercial potash. Her deposits were of the kind that could be put on the market most cheaply, and she has made the most of them, killing all competition and reaping enormous profits. She openly counted on the damage she could do by withholding the stuff to force other nations to her terms after the war, and she has gathered great quantities of it to be used in her characteristic ways the moment the blockade is lifted.

Plans to Kill American Industry

It is estimated that there is \$100,000,000 worth ready to be thrown on the American market alone.

The first objective would be to kill the American potash industry, which has grown up since the war, and is still unable to meet the German product on equal terms as to price.

The German potash grip on America was won in characteristic manner. First there was the propaganda. Germany's high reputation in the scientific and particularly in the chemical world enabled her to put out a mass of material which was accepted as gospel. American scientists and agricultural experts took up the campaign, and there are suspicions that some were in German pay. The main points made by the propagandists were the great need of potash, the wonderful benefits of potash, and the alleged impossibility of American production. So powerful was this propaganda that there is much uncertainty to-day as to the exact facts in the case.

Propaganda to Force Potash Sale

The center of the potash sale and propaganda in America was the German Kali Works, Inc., a New York branch of the great Kalisyndikat, G M B H, of Berlin. Here is a report to one of the government intelligence services on this concern and its work:

The German potash monopoly has always been controlled by the government, and for a long time it kept a very large and expensive branch in America, and employed a large and expensive staff of lecturers, demonstrators and agents, who were sent to grange meetings and other meetings of farmers, and also to various agricultural colleges for the purpose of propaganda.

This propaganda had a twofold purpose: First, to impress on the agricultural communities that German potash was the one indispensable fertilizer, without which crop failure could be expected, and, second, to sow the seeds of Germanic kultur.

There can be no doubt that it was highly successful; so much so that when the British blockade shut off potash from Germany many agricultural publications published direful forebodings (there are many indications that some of this gloom was scientifically inspired), and the German government repeatedly referred to its potash as the one invaluable asset which could be used in dealing with neutrals and later at the peace table.

However, if there has been any crop failure in the United States or elsewhere as a result of the failure to import German potash the fact has escaped the press of America.

It is worth noting, though, that even after the United States had entered the war, and long after the Kali company had ceased to do business, its principal New York employes were put on half pay, there was no change in the clerical

staff, which was suspected of being employed in the distribution of German propaganda not of a strictly commercial character.

Propaganda Has Reappeared Already

The German potash propaganda has already reappeared both here and in Germany. Herzog classes it far up on his list of protective industries. "Among raw materials, the most important will be certain salts (potash) necessary in agriculture," he says.

The German potash monopoly, however, is one the destruction of which now lies in American and Allied hands. Dr. J. E. Spurr, of the Bureau of Mines, points out that in the Saar basin, which France is seeking under the peace treaty, are potash fields, still undeveloped, but which within five years could very nearly supply the world. Moreover, in America itself there has been a considerable development of potash production, so that the experts believe that safety is in sight.

The American supply of potash is low grade, and it has been a tremendous problem to put its production on a commercial basis. This process has now been perfected, but only partly applied. There are also being developed methods of saving potash; as

a by-product to other manufactures, like that of cement.

But it will take at least two years to bring the industry to a point where it can meet the German prices, and nearly five before it can supply the whole country. The Department of the Interior has asked Congress for a licensing system which will give the industry these needed years, and Dr. Spurr declares that if this is done it can safely be predicted that within five years America will be able to supply itself, and perhaps even to undersell Germany in the world market.

Romance in Solving of Optical Glass Problem

Optical glass of the highest grade is another vital need. Without it high grade scientific work is impossible, and in war time it was found tremendously difficult to get lenses for gun sights, range finders, periscopes and the hundred other imperative needs of war. Here again the Germans, operating chiefly through the Goerz American Optical Company, had obtained a powerful hold. In the first place, they were capable of producing a glass that was finer and clearer than any made in America, and in the

second, they had protected themselves with approximately eighty American patents, held by the German concern, and revokable at its option.

In this, as in potash, the war has brought relief. First, the Alien Property Custodian seized the Goerz company, and the patents with it, and has sold it to an American purchaser, who cannot be hamstrung by the Germans. But even more important, in many ways, was the accidental discovery of a method of making in America the clearest glass in the world, which was one of the everyday romances of the war.

This discovery came in the manufacture of phosgene, the deadly gas invented in America, and prepared by the ton for use on the West front. When one of the brick retort-towers in which the gas was made was torn down, it was found that the inside of the bricks had been perfectly and wonderfully bleached.

In due time the news of this reached the glass-makers, and experiments showed that this deadly stuff was the most powerful bleaching agent the chemical world knew, and that with its aid almost any kind of sand could be made into perfect glass. So here, again, a guard against German competition during the period when the industry already started

is getting on its feet, would seem to be all that is needed to insure America.

Can Now Make Own Surgical Instruments

There is no need of emphasizing the importance of the best surgical instruments. When the war began the American trade in these was almost entirely controlled by the Kny-Scheerer Corporation which, Mr. Palmer reports, after its false statements had been sifted and the facts dug up, was found to be a branch of the Actien Gesellschaft für Fein Mechanik, camouflaged to have the appearance of an American concern. Its hold on the trade was largely due to patent and trademark rights, and only partly to the development in Germany of a technical skill on the part of the workmen which was little known here.

The superiority of the German instruments was generally recognized. Recently a surgeon was asked about the matter.


"We can get other instruments," he said. "They are two or three times as hard to keep in condition. And some which I suppose are patented, I don't think we can get at all. Here is one," and he showed a little pair of drunken looking scissors,

“that means all the world to me, and I don't know what I can do when it wears out.”

The surgeon may be comforted. The surgical instrument situation, also, has been cleaned up. The Kny-Scheerer Corporation, patents, trademarks and all has been taken over. The putting under American control of the Becker Steel Corporation, which produces the high speed steel needed for such instruments, has also helped. The business soon will be put on the market for Americans to buy.

“The corporation has established the foremost place in surgical instruments in this country and its products find a ready market,” Mr. Palmer reports.

“An American factory has been established, and with the protection which can be given to the industry by my seizure of the German trademarks and patents, there is no reason why it may not compete with any instrument manufacturers in the world.”



CHAPTER XII

SHIPPING—A THREE-EDGED MENACE

TREMENDOUS POWER USED WITH UTTER DISREGARD
OF LAW AND DECENCY—A CENTER FOR BOMB
PLOTS—DISCRIMINATION AGAINST AMERICA—
ESPIONAGE A PART OF ROUTINE BUSINESS—
EFFORTS TO GET US INTO WAR WITH BRITAIN—
THE “BUNKER LICENSE” WEAPON

Two great German shipping companies and five smaller ones had fastened on America when the war broke.

Following the Kaiser's precept that “the future of Germany lies on the sea,” her merchant marine already had what seemed a secure hold on the American end of the great ocean lanes, and was fast tightening that grip. The war showed how powerful her hold was, and with what utter disregard of law and decency she used it. The worst of the bomb plots, the espionage and the murder

and arson conspiracies were hatched around the German ship companies. They broke our neutrality in every conceivable way, sought to involve us in the war against the Allies, furnished supplies to German raiders, and finally, after we were in the war, attempted to aid the sea-snakes that were sinking American ships in American waters.

In the German war of exploitation their power was not less great, nor less used. Their rates, of course, had to meet the competition of all other shipping, and the tribute we paid them was the same that America has paid other maritime nations for decades rather than carry her own sea tonnage. But the German had other methods.

There was discrimination in freights from this side. A man favored by the great German machine found his bills less. The American exporter was thus discriminated against.

There was worse discrimination on the freight rates on goods coming here. The German government, with its control over shipping as well as over its railways, used the freight rates to offset the trade barriers which had been provided by Congress. If a tariff was raised the freight rate dropped, and the German product came on the American market at a price which evaded the pro-

tection this country had tried to give its own producers. When there was one of the frequent German "dumping" campaigns on, the shipping companies were expected to help batter down the American firms by laying the dumped goods down cheaply.

Espionage Part of Ship Companies' Work

Always there was espionage—the German companies, from their manifests, were able to report to the great central commercial information bureau, where German exporters could make use of the information, what Americans were shipping, to whom and how much. Every shipment became a tip for a German commercial traveler in some distant part of the world.

The control of shipping, and the use of it, became a vital part of the German commercial army as soon as the system of overproduction, "dumping" as a trade weapon, and the drive for a commercial "Deutschland Uber Alles" became established. It was one of the best of her trade weapons. Throughout the war she has nursed it carefully. Shipbuilding has gone on in Germany when there was an actual shortage of men and materials for

munitions. More than that, she has sold ship-building material to the neighboring neutrals, no matter what her own straits, on conditions that gave her the control of their ships after the war.

"We shall inevitably draw the conclusion that the power of expansion of the new Germany is in large measure due to the organization and activity of her transport system," says Professor Henri Hauser, whose book, "Germany's Commercial Grip on the World," is the standard work on that subject.

"The intervention of the German ship by the side of the German railway reveals to us another means of German commercial penetration—the combined rate. It is somewhat difficult to be exactly informed about these combined sea-and-rail rates, which Germans consider one of the secrets of their power. What is known is that, by means of a single consignment note, one is able to send goods from certain German stations to certain stations abroad, by a determined port, at a single and very reduced charge which includes land carriage, sea freight and handling costs."

Immense Growth of Merchant Marine

The German merchant marine grew from 640,000 tons—a month's U-boat sinking—in 1870 to 5,000,000 tons in 1914. In 1909, the last year for which figures are available, there cleared from German ports, under the German flag, nearly 65,000 vessels, totalling 13,000,000 tons. Forty per cent of the German ships were concentrated under the Hamburg-American and the North German Lloyd companies and these headed a secret cartel which included many of the secondary companies. The Hamburg-American Line alone operated sixty-eight lines of steamers, touching all American ports and crossing the Pacific.

The Germans had a special advantage as regards America. When the LaFollette law passed it applied to all ships touching American ports conditions which improved the lot of the seamen, but were onerous on the owners. The Germans avoided this by a very simple expedient—the entire crews of their ships were put under naval law as reserves. Any chance that they would leave ship in New York, or join any activity for higher wages or better conditions, vanished.

The Germans, also, shipping men report, were

as quick to break their commercial treaties as their government was to smash its political ones. They are credited with the failure of the transatlantic pool, a shipping agreement to control rates and sailings, through their constant attempts to break the agreements whenever they saw any advantage to themselves in doing so.

Became a Part of Huns' War Machine

This was the nature of the tentacle that had fastened on our ports. When the war came it showed itself wholly German. It was put under the direction of Dr. Albert and Hugo Schmidt, the Kaiser's agents, and (to consider only its shipping activities) became immediately active in attempting to supply German raiders, contrary to law. Accounts submitted before the Overman Committee, which investigated German activities, showed that more than a dozen ships, and several million dollars, had been used in these attempts. Few of them succeeded.

Helped Keep Alive Wooden Ship Dispute

A side light on the wooden ship controversy, and the German interest in preventing America from

building a permanent merchant marine, shows the Teutonic hand. During the long controversy between General Goethals and Chairman Denman practically no correspondence reached the Shipping Board from indignant or advisory citizens. But the moment that controversy was ended the "country" was heard from and the board's mail was filled with demands that the wooden ships be built. The number of German names was amazing, but not one of the writers pointed out that wooden ships would be worthless for after-the-war trade purposes.

The work done by the Alien Property Custodian and the new powers which have been developed by the Transportation Bureau of the War Trade Board, and will remain in the American defensive arsenal when that organization disbands, have convinced the officials that the German merchant marine threat is over for the time being, even if the Allies permit her to keep any ships.

The Alien Property Custodian has seized the great piers and terminals of the North German Lloyd and the Hamburg-American line in New York harbor. He has also seized and sold, or will sell, the Brynhilda Shipping Corporation (camouflaged as Scandinavian), the Cargo Transportation

Corporation, the Lutz Shipping Company, the Seguranca Steamship Company and the Vogeman Shipping Company. In most of these the enemy interest was 100 per cent.


Until new piers are found in New York the German companies can come here only on sufferance and for the present, at least, the destruction of the German sea octopus, so far as America is concerned, is believed to be complete.

New Weapon Ready Against German Ships

The War Trade Board has developed, moreover, a weapon which can be used indefinitely to prevent this octopus getting a new grip. This is the so-called "bunker license" which, under the law as administered during the war, includes also every sort of ship supply. By it any ship can be prevented from carrying from any American port any commodity whatever, even if that commodity was brought in by the same ship. This is, of course, an extreme power and not likely to be invoked, but it remains as a possibility in case the new German attack becomes a serious danger along this line.

There is much talk in England of putting a

bunker license system into effect, leaving it without teeth until needed, but handy to use if necessary in forcing out the Germans. If America and Britain should join to enforce such a policy no German ship could get past Suez, Panama or the Kameruns and none could touch at any port in the United States, Great Britain or a British colony.



CHAPTER XIII

INSURANCE—ESPIONAGE AT A PROFIT

MILLIONS A YEAR PAID BY AMERICANS TO GERMANS
WHO BETRAYED THEIR SECRETS—THE NEUTRAL
CAMOUFLAGE AGAIN—PLAN FOR GREAT SECRET
TRUST—EVEN GOVERNMENT LET HUN SPIES
LEARN FACTS BY INSURING TRANSPORTS
AGAINST U-BOATS

Before the war Germany and Austria-Hungary had made great progress in the matter of insurance, not only in their own countries but in the whole world. They had made a specialty of reinsurance, and had established forty-seven large companies exclusively for reinsurance, which made large profits in Great Britain, France, Italy, etc.

They had gained this remarkable position (*a*) by their perfect organization; (*b*) by their system of commercial spying; (*c*) by controlling and financing companies pretending to be Italian, Russian, etc., and (*d*) by their system of appointing as agents of their reinsurance companies the sons and sons-in-law of the directors of the in-

insurance companies of France, Belgium, etc. Their system of companies devoted solely to reinsurance gave them a basic knowledge of the trade movements of other countries and particulars of almost every commercial transaction in the world; the name of the merchant, the name of the buyer, the price, the class of goods and the destination. A few days later all this information was tabulated in Berlin."

This is the summary approved by the Commercial Committee of the British House of Commons on the German insurance system. Every word of it, as the investigations of the Alien Property Custodian show, was true of America.

Insurance, and especially reinsurance, as organized by the German, was a system that made the countries where the Hun had established himself pay a handsome profit for being spied upon. America was very thoroughly spied upon and America paid the Germans a profit of millions a year on their system, receiving in return insurance that in case of a strain would have proved almost worthless.

No Protection Against Renewed Spying

This system, thanks to the work of the Alien Property Custodian, has been broken up and the

companies the Germans had here are being liquidated. But no measures have been taken which would prevent the immediate reappearance in American business of this branch of the German spy system and no measures, except the precautions of individual insurers, are possible under the present law.

The Germans' reinsurance scheme is another instance of the keenness of their commercial strategy. When big risks are to be taken, usually any running over \$100,000, it is customary to divide them among several companies, so that in case of loss no one will be hit too hard. The Germans made a specialty of the companies which should take up parts of such risks—usually rather small parts—and which thus received all the information on which the original policy had been issued.

By this and other means the German companies in America were able to:

Know the cargo, destination, value, shippers, consignors and destinations of almost every ship that left an American port, even after this country entered the war. This went so far that German companies were carrying insurance against U-boat attacks on ships sailing for the American government, and received as a routine matter information which the American newspapers were not permitted to publish.

Know the plans, conditions and state of activity in many of the great industrial plants of the country, including some government munitions plants.

Ship gold to South America to finance German propaganda there after this country entered the war, and at a time when no one else was able to do this.

Insure the heavy shipments of foodstuffs and other goods which were being made with the hope that they would reach Germany, and if they were seized by the British, appear as Americans and prosecute claims for recovery before the British prize courts. Several times they recovered their money.

Entered Many Fields of American Activity

The wide activities of the German insurance companies are revealed by the list of things the Alien Property Custodian has taken over from them. These include death claims under life insurance policies, matured endowment policies and annuity contracts, employers' liability and workmen's compensation claims and "group policies," claims under marine insurance contracts of various kinds, claims under fire, accident and casualty insurance policies, and a variety of small claims.

The power of the German companies in this country was amazing, as well as widespread, and a

grandiose scheme for extending that power and intrenching it behind American incorporation and American names was undertaken while the war was going on. Eighteen German concerns and agencies in this country have been seized and are being liquidated—a most difficult process which it will take some five years to complete—and since there were so many German companies camouflaged under neutral and American names their remains at least a doubt whether the entire field has been swept quite clean.

The insurance carried by the German companies in America four months after we entered the war was estimated by Senator Frelinghuysen, of New Jersey, at \$2,000,000,000, when he attempted to prevent the Senate from putting the German companies out of business on the ground that it would disrupt the whole American insurance situation.

The Southern Insurance Journal in 1917 made a compilation showing that in ten years the annual incomes of the German companies had grown from \$14,193,235 to \$53,494,740 in 1916, and that they had absorbed in those ten years a total of \$296,616,931 of American money. Even as late as last fall, when the Alien Property Custodian was closing out the business of the eighteen companies he

was able to seize, he found a premium income of \$14,680,005.

Low Reserve Made Insurance Almost Worthless

Against this tremendous business, with the wonderful insight it gave into American commerce of all kinds, the Germans carried a flimsy and almost worthless reserve. A high authority in Washington declared shortly after we entered the war that of the assets to which the American insurers must look for making good their claims \$62,000,000 of the \$68,000,000 required were invested in German government bonds. Further, he said, the German companies kept in America a reserve of only about 47 cents against each \$1,000 of insurance, or about one-tenth of what the American companies carry. So that the man insuring with the German concerns was paying Germany a good price for telling his secrets to the German government and getting almost worthless insurance in return. Ask the San Franciscans who had money in German companies when the fire swept that city!

In all this, of course, the majority of those buying such insurance were patriotic Americans, deceived by the German camouflage. The Germans had incorporated many of their companies under

American names even before the war, and continued their business under the direction of American firm names and American agents after we entered the conflict.

German Control Found Under New Camouflage

One of the most notable instances of this was the case of F. Hermann & Co. and O. G. Orr & Co. Hermann dealt largely in marine reinsurance, and, of course, went "out of business" under the President's proclamation. O. G. Orr and others of his partners organized the new firm of O. G. Orr & Co. and announced that they had cleared out the German influences entirely.

According to testimony given before the Overman committee, the Orr firm remained closely connected with the German insurance pool, paid its profits to Hermann through excessive salaries to its officers, which they turned over, and in general acted under Hermann's direction. It took over all the business of the Hermann firm. In a file in the Orr offices there was discovered a letter from the Mannheimer Versicherungs Gesellschaft referring to the German insurance pool as if Orr knew all about it, though he had written to the War Trade Board that "until the American insurance pool was

referred to by Mr. B——, of the War Trade Board, early in June, 1917, we never heard of such an organization." There was also found a letter instructing Orr to transfer \$100,000 from the Mannheimer account at a big Broadway trust company to the account of the Reichsbank.

The camouflage of American ownership was frequent. In one instance it was found that every share of stock in an "American" company was German owned, except those necessary for the directors to qualify, and that the Germans had an option on these shares. In the case of American agencies of German companies attempts were frequently detected to hide the funds due the Germans, in hope of sending them over after the war.

Plan for Great Underground Trust

The German insurance pool was one of the most ambitious schemes undertaken during the war. It was originally formed to insure shipments of goods intended for Germany, as has been described, but it developed into a scheme to unite all the German insurance companies of America, and to continue them after the war as a great underground trust. This scheme was fully under the control of Hugo

Schmidt and Dr. Albert, open agents of the Kaiser.

So close was the German government control that Albert gave directions for advertising the Hermann firm in South American papers and promised support for the handling of marine insurance "to any amount." In a letter to Schmidt he advised that he could promise that in cases where it was desirable he could make it appear that the insurance was being taken by other than German companies, and added that Hermann had perfected arrangements whereby policies could be issued by American companies, which would then be covered by reinsuring the risks with German companies whose names would not appear.

Germans Insured Against Own U-Boats

The Insurance Pool contract provided for the insuring against capture of cargoes bound for Europe from all American ports of all war goods as well as sea-risk insurance, and provided for the pooling and distribution of the risks and profits. It provided:

Paragraph 2—Issuing companies: Into the pools flow all sums turned over for policies

issued under the terms of the agreement by the common agency of the Mannheimer Versicherungs Gesellschaft and the Nord-Deutsche Versicherungs Gesellschaft of New York. These offices will hereinafter be designated as the issuing companies.

Paragraph 8—Guarantee: The Deutsche Seeversicherunge Gesellschaft of 1914, and all the companies forming the pool, undertake absolutely all the obligations of the policies of the issuing companies. They agree in advance to all customary clauses and conditions of the original policy as well as such as arise out of the circumstances and obligate themselves to pay their share of all damages, advances, costs, etc.

Paragraph 15—Duration of the pool: The pool goes into effect on September 1, 1915, and all business reported from New York on and after that date falls into the pool. The pool shall continue for the duration of the present war. At the end of the war any party to the pool may sever his connection by giving four weeks' notice.

Paragraph 33—Receiving companies: The sum total of the insurance flowing into the pool is turned over to the Deutsche Seeversicherunge Gesellschaft of 1914 to be distributed among the receiving companies at the percentage assumed by them.

Had No Insurance on the "Lusitania"

The close care which the German government

took of these companies is shown by the fact that they lost practically nothing on the Lusitania.

The early efforts to clean up this German system were not effective, as the German concerns simply got behind American names and continued their espionage as usual, seeing the manifests of ships and the plans of the munition plants the government was building. It was not until the Alien Property Custodian began work that they were really crippled. They have now practically disappeared as a factor in the American insurance world.

There is nothing to prevent their return as soon as Americans will do business with them again, or as soon as they buy into American companies under cover.

CHAPTER XIV

THE GATHERING ASSAULT ON AMERICA

ATTACK ALREADY GOING ON—METHODS INCLUDE PROPAGANDA, ESPIONAGE, "DUMPING," SECRECY, TREACHERY AND DECEIT—MUCH GERMAN PROPERTY COULD NOT BE SEIZED—TREACHERY AND WEAKNESS AMONG AMERICANS—OFFICIALS POINT OUT DANGER—REAL DEFENSE MUST DEPEND ON AMERICAN BUSINESS MEN

DR. S. HERZOG, the prophet of the New Prussian Piracy, lays down among others these rules for tricking the world:

The reopening of export relationships with once hostile countries must take place through neutrals, instead of through direct representatives, as in the past.

Neutral trading journals represent an effective means for promoting the German manufacturing export trade.

The denationalization of goods should not be avoided.

German exporters must expect that, for a long time after the war, German exports will be outlawed among our present enemies. . . . The intrinsic quality of exported goods must be typically German; their external garb, for better or for worse, will have to be anonymous—neutral.

Germany's new attack on America is going on to-day. Her advance guards are on the ground and behind them are massed the forces of the nation, ready for the new commercial conquest, new trade exploitation, new aggression. Their motto is "Subjugate America First."

The menace is forcibly stated by A. Mitchell Palmer, now Attorney General and lately Alien Property Custodian, in his report on the work of that office, which has been in closest contact with the Hun invaders. He says:

I do not want to continue the war after the war. I am for peace. I believe that the great overshadowing result which has come from this war is the assurance of peace almost everlasting among the peoples of this earth.

I would help to make that an absolute certainty by refusing to permit Germany to prosecute a war after the war.

The military arm of her war machine has been palsied by the tremendous hammering of the Allied powers. But her territory was not in-

vaded, and if she can get out of the war with her home territory intact, rebuild a stable government, and still have her foreign markets *subject to her exploitation, by means no less foul and unfair than those which she has employed on the field of battle, we shall not be safe from future onslaughts different in methods, but with the same purpose that moved her on that fateful day in July when she set out to conquer the world.*

Must Dislodge Hun Within Our Gates

"I have already referred to the importance and necessity of dislodging the hostile Hun within our gates, whose methods are such as to unsettle the future peace of the world," he says again. And he reports that the fight has started.

"With the cessation of hostilities something of a new fighting spirit has developed," he reports, "and lawyers who, while the war was on, would have been unwilling to play any part in resisting the just demands of the government in taking enemy property have not hesitated to throw all sorts of obstacles in the path of the Alien Property Custodian."

His evidence does not stand alone. The spread of a new propaganda, the appearance of German agents all over the country, the appointment of high

officials in Germany because of their familiarity with America, the diplomatic attitude and commercial preparations of the whole German fabric, all prove the same thing. The main outline of the German campaign, IN AMERICA, is already coming into plain view. With a startling accuracy it follows the lines laid down by Herzog, the commercial Treitschke.

Country is Full of Propaganda

First—PROPAGANDA. The country is full of it, often unrecognized. We are told that the German is a good fellow after all, that we must have his products, that we must give him a chance to live and pay indemnities, that we must not "lay up seeds of hate," that we really like him better than the French and British, that he has never hated us; that, in short, we ought to take him back on the old basis, or better.

"The propaganda," says Herzog, "is to be carried out in increased measure even in a different form from before, a form which will not irritate the feelings of past enemies—a form which takes these feelings into account in determining future activity. . . . Dollar-and-cent policies get the last word after all, as is to be seen in many

cases even in war—often against the interests of one's own country—and much more often in peace."

Germany Has Big Army in America

Second—ESPIONAGE. The country is full to-day of German agents; it has never been cleared of them. Captain George B. Lester, of the Military Intelligence Division, testified before the Overman Committee that there was a silent army of more than 200,000 persons registered at the German and Austrian consulates, ready to give their services, usually without pay, to the enemies of America. That army has never been disbanded. Some of its members were driven away—they are beginning to reappear. Some were interned—they will soon be released. A few of the worst were imprisoned, but even they will practically all be freed within two years.

Men who were on that list permeate our business life. They are agents and executives for our factories and traders. They are confidential accountants and experts. They have their fingers on every pulse. Legally, they cannot be touched, but there they are.

"German industries," says Herzog, "must

therefore be constantly informed. . . . It is self-evident that for this purpose the industrial federation . . . will devote special care to making private connections which have a deeper insight into the special conditions of each case."

Ready to Start Dumping Campaign

Third—DUMPING. Dumping has long been a scientifically controlled weapon of commercial aggression in Germany. It has been used to crush out foreign competition.

During the war America has developed a dye industry that shortly bids fair to rival and defeat Germany's, and America also has under way the development of a potash production that will destroy the German monopoly. Germany has been counting on these two industries to be her most powerful weapons against the world, and their usefulness will be gone to her—they will become simply profitable forms of business—if the American industries remain in existence.

Germany will therefore dump into the American market, at any kind of a price, dyestuffs and potash, and she will keep dumping, throwing in the whole resources of the national treasury to cover the loss, until the unsupported American industries can

stand the strain no longer. Then will Germany recover her great weapons—and America will pay the indemnities for the trade war.

“This protection of Germany’s export trade,” says Herzog, “will be permanent and effectual only if the weapons of protection (that is, the indispensable industries) remain exclusively in the possession of German manufacture. . . . Nothing stands in the way of the fulfilment of this condition provided that the war-forged watchword, ‘Our country first of all,’ retains, in peace times also, the same importance and general recognition which it now commands.

“Among raw materials, the most important will be certain salts necessary in agriculture. . . .

“The classification of finished products will be somewhat more difficult, since, with few exceptions the dependency of foreign countries upon them is not always easy to prove. In these exceptions are included, briefly, certain dyestuffs and chemicals of an industrial and pharmaceutical nature.”

Secrecy to Mark Huns’ Aggression

Fourth—SECRECY. The German goods will come under other trademarks and names. The German agents will appear as of other nationalities. Plans for this have been carefully made and are already in full operation. The most astute purchaser will

often be deceived, and it will more than often be difficult to detect the hand of the Hun behind apparently advantageous proposals and offers.

"In the immediate future," says Herzog, "the presence of anything German among formerly hostile nations will evoke emotions which are not advantageous for the advancement of commercial relationships. Of this there can be no doubt. Germans will certainly be more careful than ever not to give offense. But in this they will be successful only if they take as a pattern the Swiss method in linguistics. Men in manufacture and industry must take care in future to use foreign language in the native way. . . . We need not fear that Germanism will suffer because of this.

"A foreign exterior is necessary for purposes of protection. . . . German efficiency must link itself with a conformability not hitherto exercised. . . . Denationalization of goods should not be avoided. . . . The intrinsic quality of exported goods must be typically German; their external garb, for better or for worse, will have to be anonymous—neutral."

Germans Always Working Together

Fifth—MUTUAL AID. The German invaders, often if not always camouflaged, will always be found working together against the American business man and buyer, their maneuvers controlled

from Berlin, their joint efforts being centered on a man or a business, which is often unaware of attack, and still less often aware that he is between two hostile forces, which are coöperating against him.

Organizations to assure this have already reached tremendous proportions in Germany, and the consolidation is still going on, with every indication that it will not cease till every German exporter has been brought inside a single great cartel, which will control all their outside activities.

"What we need," says Herzog, "is a safeguarding of industry, as a whole, against the special interests of individual industries, which could only be satisfied, to the detriment of industry in general, and therewith the whole export trade. . . .

"War conditions have caused organizations for the purchase, sale and distribution of material to spring up in our economic life, the possibility of whose formation every one would have doubted before the war—economic organizations with formerly unthinkable authority, and operating, perhaps for this very reason, with shining success. Smooth off their rough edges and you can easily imagine similar bodies in time of peace."

Bad Faith and Bribery to Be Used

Sixth—BAD FAITH. Germany taught us what a "scrap of paper" is. In commerce, as well, her merchants are notorious for their failure to keep their agreements. American business men already know that a German's word is as good as his bond—it requires full security to make either worth anything. Germany will count her willingness to break faith as an asset in her new war. as she did in the old.

"Commercial treaties will come again," says Herzog, "like other international agreements, and probably will be broken again. They must be couched in such terms that they bring advantages to the export trade as long as they are kept, and do not threaten its existence when, for a little variety, they are arbitrarily abrogated."

Seventh—BRIBERY. Any American who has anything for sale which the Germans want can get his price. Bribery has always been a Prussian weapon. The chief clerk, the confidential employee, the private secretary who has information, can always find a market with the Hun agents.

Eighth—UNITED BUYING. Already before the war the German organization succeeded in buying its copper from America at a price that averaged 5 to 10 per cent lower than Americans themselves had to pay. The German organizations are strengthened for this now. By joining hands and placing tremendous orders they will seek to cut under the American market.

Banks Behind All Invading Companies

Ninth—BANKING SUPPORT. The German banks have long made it a practice to stand behind her traders in a way which is not done by any other country in the world. They speculate on the success of the business to which they make loans, and they are assured of the whole power of the German banking system, and of the nation behind it, to make each individual speculation good, or to distribute the losses if it finally fails. The German invader will come with a backing such as no American business man can ever hope to get. This was just beginning to work in America when the war broke. A new start is being made.

Tenth—RECOVERY OF HER STRATEGIC SITUATION IN AMERICA. The war found Germany with a

powerful, well coördinated army of invasion well intrenched in this country. The intrenchments have largely been destroyed. Germany's first desire is to get them back.

Throughout the process of seizure and sale of her investments here the German has been fighting hard, by every known means. Charges have been made that he had attempted to bribe government agents to make arrangements whereby he could get his companies back after the war. He has had a bidder at almost every sale, and the most unremitting vigilance has been necessary to prevent the companies going back immediately into camouflaged German hands. Since the armistice these efforts have been redoubled, and the law under which the seizures were made has been attacked at every point —by "American" lawyers

Kaiser Tried to Save Invaders Here

So vital were these American investments to the Germans that when the seizures began they sent an unprecedented note of protest to the State Department. In this they said:

The condition put upon the dispossession, which is left to the discretion of the President,

that it shall be necessary for the national security and defense, cannot be accepted as a valid ground for such rule, since the above stated ground can always justify a seizure for use during war, but not a lasting acquisition of the property. . . . The German government must see therein an attempt . . . to shackle, through measures of force, the opportunities of German interests in the future . . . consciously aimed to do lasting injury to German economic existence.

The recovery of these interests will be sought in every way—through law suits, through attempts to repurchase, both openly and secretly, and through the use of such German agents as still remain inside the seized organizations—and there are many who are at least under suspicion—to undermine them from the inside. ..

Huns Still Have Vast Resources

To back up her campaign Germany still has vast resources outside her own territory. Her policy of secrecy and the elaborate camouflage under which she has worked make it impossible to do more than guess at the figures. Those given are such a guess, concurred in by several men who have been in close touch with the matter, and are as of the beginning of the war.

Since that time there has been a heavy seizure in Allied countries, much injury done in neutral countries by the blockade, the trading with the enemy lists, and similar measures, and, on the other hand, a considerably increased German investment in neutral countries and in Russia. Whatever it now amounts to, this sum is out of reach of the measures taken by the peace conference to put German home wealth under control, and will be available for financing her new war.

These are the figures: The United States, two billion dollars; South America, two billions; Great Britain, one billion, Europe, two and one-half billions, and Africa and Asia, a billion and one-half, making a total of nine billions.

No Legislation Yet to Meet New Menace

Against this gathering menace America can set no measures for defense that have been taken, no preparedness that is ready, except what has been done by the Alien Property Custodian. This is much. Many measures have been suggested, some have been prepared. Opportunities for defense or for counter attack are on every hand. But there has been laid before Congress no comprehensive

plan, nor has one been offered, and the protection now given by the great war boards is vanishing as they fall to pieces. Indeed, they were never built, and they have not the powers, to give such protection.

One thing has been done, not indeed for the protection of America, but for the benefit of American trade, and that is the great damage inflicted on the German machine in South America through the efforts of the intelligence division of the War Trade Board. Its weapon has been the use of the enemy trading list for the control of exports and shipping which the export and bunker license power gives, and with this it has forced into liquidation many German interests in South America, and has driven others to expensive and crippling subterfuges.

Heavy Seizure of Huns' Property Here

The chief work done has been that of the United States Alien Property Custodian, under A. Mitchell Palmer and Francis P. Garvan, his successor. They have taken over about 38,000 separate enemy properties, each of which is administered as a separate trust. The book value of these trusts on

February 15, 1919, was \$502,945,724.75, but there were some 9,000 trusts as to which no estimate of value had been possible, and in the case of many others the real value will depend on the price realized at the sale, so that the total amount will be not less than \$700,000,000 and may run as high as \$1,000,000,000.

Mr. Garvan believes that the custodian's office is now within measurable distance of completing the task of finding and seizing enemy property—the job of administering and disposing of it will last for many months. Some parts of the country have been swept clear already of practically all that can be seized under the law, and a minute search of other sections is going forward rapidly. New York, which was, of course, the chief center of enemy investment, is practically clean, and probably by the time this book is published the bulk of this work will be over.

Indications of new enemy properties are still coming in, but most of these now involve only small amounts, of little importance from the point of view of commercial strategy. Under the law, too, those which have not been reported, and may still be discovered, will be subject to seizure for failure to report, even after the signing of peace.

German Papers Gave Best Clues

As has happened so often, the Germans themselves gave the best of assistance in seeking out these properties. German organization demands that the central authority shall know all that is going on, and throughout the war the American investments and companies were continually reporting to the home offices. Since November, 1916, when the government took over the Sayville wireless plants, most of the messages have passed through the hands of the naval censors at Sayville and copies of all these messages have been kept. There are 270,000 of them.

Mr. Garvan had these messages assorted and searched, and he then began investigations on the strength of the information unearthed and the relations shown between American companies and Berlin. One big concern was seized, for instance, following an inquiry started because it had consulted a Berlin person about some raises in salary, though on the surface it was purely American. Mr. Garvan feels confident that there were few German concerns here which did not consult their German owners at some time during the American control of the wireless, and he has got hold of all that did.

Other Hun Firms Driven Underground

Those concerns which have not been taken over have been driven so far underground that they have been put to great expense and badly crippled, and they will have to stay there or be seized when they come out. In the meantime, in the strategic industries at least, American companies have had time to get a fair start, and, with proper protection through the next critical years, should be able to meet German competition with more than an even chance of success.

Furthermore, some thousands of patents owned by the enemy and bearing royalties have been seized and sold to Americans, or will be so sold. These form a double protection—they enable the American owner to manufacture here the article which had previously been imported from Germany, or made under German supervision in this country, and they also form a protection against German imports of that article, which would infringe that patent. Not all the German-owned patents have been discovered, it is likely—the United States Patent Office grants approximately 35,000 patents a year—but enough has been done to give the American business man a great advantage. Against

this must be set off the loss of American patents in Germany.

Much Property Could Not Be Seized

But the law has not permitted a clean sweep by the Alien Property Custodian. In the first place, he has been unable to touch the property of a German subject who happened to be resident in America and who behaved himself well enough so that he was not interned as "dangerous." There is considerable property of this kind, and in one or two cases "dangerous" enemies have sought to evade the seizure by sudden transfers of property to wives or daughters who were quite harmless. These are among the cases still in the courts.

In the second place, it has been impossible to locate the amount of German money invested in certain securities. There are millions of dollars worth of stocks and bonds on which no dividends have been called for since the war began, and they are supposed to belong to enemies. But supposition does not permit the seizure of these millions.

Finally, there are some cases in which the transfers made by Germans to save their property come so close to being legal that suits have been necessary

to determine whether they will finally escape or not. Here is such a case: A naturalized American and his German brother-in-law had heavy joint interests in certain companies in the same line of business, both in Germany and America. In no case did they have actual control, though they were the dominating influence so long as they stood together.

Traded Stocks to Avoid Seizure

When the war became imminent, they agreed that, should it come, they would simply trade interests, the German getting all the American's interests in the German companies, and vice versa. An audit was to be made and the balance paid in cash. This was done, and the American duly reported to the Alien Property Custodian that he owed his German brother-in-law \$15,000, which he turned over. The agreement provided that each should have an option to call for a restoration of the original status at any time within five years after the war, and so far this option of the German against the American seems to be about all that the A. P. C. can seize. The amount involved is several hundred thousand dollars.

There have also been a good many cases where

from one reason or another the men who were acting as German agents in charge of companies here remain in charge of them since their "Americanization." These include some of the biggest in the country, and many men have a lingering suspicion that when the war is over they will be found working for their old masters. Mr. Garvan, however, who knows them all personally, is optimistic on this score.

"You mustn't be too hard on those men, at least some of them," he said. "Some of them were working to free themselves from the German control for years before the war, and are glad of the chance to get free. For a good many others it is plain that in future their interests lie with America. But in general you can safely count that they will be faithful servants of their new masters, as they were of their old ones. The German is good at taking orders, and he is more or less of a coward. They are in a position where they will suffer if they do not behave, and that is the best security you can have. Anyway, the law has not permitted us to do more than we have about them."

Two Weapons in American Hands

Aside from the limitations which may be put on German commercial aggression by the peace conference, or which already have been placed on it by the Allied terms and by the circumstances growing out of the war, only two possibilities so far have been suggested in the way of purely American defense. The first is the revision of the tariff with a distinct view to meeting the German menace. The second is the transfer to peace uses of the commercial weapon which has grown out of the war—the import license.

Great Britain already is using this last named weapon as a protection for her industries not only against German competition but against all the world. Under this system she absolutely controls all imports, whether of manufactures or raw materials, and assures that there will not enough of either come in to prevent the full production of her own factories, mines or farms, or to undercut the prices necessary for their prosperity. Incidentally she prevents the importation of luxuries which might drain off money needed for other purposes, but that is more or less a side issue.

It has been suggested that such a system be in-

roduced to protect America, and on its behalf is urged that it does not give the home manufacturers or other producers the same opportunity to raise prices that a tariff wall does. One such measure, designed to give the American potash production time to develop, already has been introduced in Congress, and another to do the same for the dye and chemical industry is being prepared and will be submitted by the Chemical Foundation.

Personal Watchfulness the Real Defense

Beyond all this, however, will have to come a constant watchfulness and patriotism on the part of all Americans.

Unless they realize that a war is going on the German will be able to work in his opening wedges in many places.

Unless they are on the watch for propoganda they will succumb to much of it.

Unless they are willing to make sacrifices in temporary price advantages, and understand that those sacrifices will be to their own advantage in the long run by keeping the American producers in the field, and preventing the Germans from recovering and exploiting a monopoly, a few years will find the Hun exacting a heavy toll from us.

Finally, unless there is a careful preparation made, if another war should come, we would find the German, as in this one, in control of many of our most essential war industries, and able to cripple us beyond estimate.

U. S. Officials Point Out Danger

The whole problem is summed up, and the danger clearly stated, in a report prepared by one of the officials of the War Trade Board. In conclusion it says:

After considering the German pre-war achievements in the economic field as evidenced by her comprehensive system, centrally controlled; noting with pride the laudable achievements of the Allies in exposing the system and holding it in check as a war measure; perceiving the ambitious post-bellum trade plans of Germany and her aggressive measures even in the midst of conflict to counteract Allied activities and rehabilitate that system, and viewing with apprehension the apparent failure of the Allies to press their advantages with the ruthlessness characteristic of their enemies, we ask: "After the war what is to happen in the fields of trade?"

All these questions affecting trade are fundamental. They must be decided at the peace table, and if there is a mistake in that decision then

we do not now experience peace, but only a truce. Let every patriotic American ponder these questions:

Is the revolution in Germany a great bluff? If not, will the training, sentiments and traditions of generations prevail over it in the re-establishment of the old order. Are not the wildly enthusiastic celebrations in Berlin, welcoming as victors not only the returning soldiers but also their officers—exponents of the old order—ominously prophetic?

In any event are the great business interests still, organized on the old imperialistic basis, strong and cohesive enough to support the pre-war system? These interests were represented in the original armistice commission by Mathias Erzberger. Are they playing a Machiavellian rôle and is their hand behind the present disorder in the selfish hope that they may survive the storm?

This report was written shortly after the signing of the armistice. The questions asked have now been answered.

Duty Rests on American Business Men

“There is no reason to believe,” says a report by the Department of Commerce prepared by Chauncey Depew Snow, “that the insensate aspirations for dominating the labor and commerce of

the world are entirely of the past. In fact, there is every reason to believe the contrary.

“There is a clear duty resting upon American business men individually to keep their eyes open to German competition in whatever form it may come. They must see to it that all operations of German enterprises shall take place in the open and bear a clear indication of having been ‘made in Germany.’ ”

THE END

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