

AFD Ep 466 Links and Notes - The Nye Committee [Bill/Rachel] - Recording Apr 15, 2023

[Bill] For as long as the United States has existed there has been high-level concern, expressed publicly, about the dangerous policy influence of private weapons manufacturing companies. Perhaps most famously this crystallized into former five-star General and US President Dwight D. Eisenhower's January 1961 farewell address warning of a "military-industrial complex," but he was by no means the first figure, even of his stature, to raise these concerns out loud. According to an April 1976 journal article on the subject, titled "[Historical Antecedents of Military-Industrial Criticism](#)," published in *Military Affairs* by Earl A. Molander, President Washington considered "overgrown military establishments" to be a threat to liberty. President Jefferson worried that these companies making private sales to foreign countries or belligerents within foreign countries risked undermining American foreign policy, especially during efforts to remain neutral in a conflict overseas. The naval arms race of the 1890s by the world's major powers led to new laws in the US – largely unsuccessful laws – attempting to control price-gouging, contract corruption, and lobbying by former military officers on private payrolls.

Congressional investigations of arms supply companies were a recurring feature of US history with each major war, like the American Revolution and the Civil War, but one of the most prominent and influential on public opinion was the interwar-era Nye Committee in the US Senate, which levied severe criticism on the role of major weapons manufacturers and financial institutions in the run-up to the first World War.

Where previous investigations had led to little more than a slap on the wrist or some grumbling, the Nye Committee would finally make it a mainstream opinion in the American public for at least a few years that militarism might not be patriotic and might simply be a manipulation of major capitalist enterprises with a vested interest in the making and use of weapons (or the loans to acquire them). In the decade and a half between the Spanish-American War and the start of the conflagration in Europe, the growing international peace movement had been unsuccessful against both boosters of Navy spending and the Second Hague Conference that enshrined "neutral" arms sales to foreign conflicts. Efforts to criticize the largest arms-makers in France, Germany, the United Kingdom, Austria-Hungary, and the United States did not gain widespread appeal and did nothing to stop the coming war. Democratic Congressman [Clyde H. Tavenner](#) of Illinois got nowhere with his call in 1914 to nationalize arms manufacturing in the United States as a curb to the private power and influence of these firms and to halt the corrupt relationship between senior military officers and these for-profit companies. (Defenders of private arms manufacturing and independent sales to minor conflicts argued that this was a way to keep production lines available between wars at no cost to taxpayers and without stockpiling soon-to-be-redundant technologies. Quoting from what would become the final report of the Nye Committee in February 1936: "*The committee finds that the War Department encourages the sale of modern equipment abroad in order that the munitions companies may stay in business and be available in the event of another war, and that this consideration outranks the protection of secrets. (General Ruggles was quoted: 'It was vastly more important to encourage the du Pont Co. to continue in the manufacture of propellants for military use, than to endeavor to protect secrets relating to the manufacture.'*") But in Europe in the years leading up to the Great War, it was already becoming clear that weapons makers were sometimes deliberately circulating false news stories about military build-ups in rival powers and other provocative claims to justify public spending on their own products. Nevertheless, nearly everyone found themselves swept along anyway by war fever in 1914 in Europe and 1917 in the United States, including many of those lonely critics in government and the media. And after the war, a series of smaller conflicts and civil wars continued in places like China, Mexico, Morocco, and Eastern Europe, where the League of Nations (which the US never joined) did little to curb private arms sales from the major powers.

But the Nye Committee of the mid-1930s was different. Many of the findings it would publish were actually already to be found in the completely ignored League of Nations report from 1921 on arms makers “fomenting war scares” and “disseminat[ing] false reports concerning the military and naval expenditures of various countries” to drive policy, bribing government officials, influencing newspaper coverage around the world, collaborating with foreign partners to spur arms races, and forming monopolistic trusts to inflate government contract prices. However, the Senate investigation begun in 1934 seemed to capture the public imagination much more seriously and significantly. A passive, apathetic isolationism that took the attitude of “not my problem” when it came to arms companies seemed to have hardened during the Great Depression to a more active isolationism that felt they really shouldn’t be doing all that. For several years from 1928 onward, a steady drumbeat of newspaper and magazine articles around the world had been raising the alarm on the negative influences of these companies. Even *The Reader’s Digest*, one of the most mainstream and widely-read publications for average Americans, began printing criticisms of the industry. By April 1934, when the US Senate voted to create a committee, there was no opposition to its formation. The public was completely primed to hear whatever dramatic revelations and sweeping recommendations it might make, as its work unfolded each day in the public eye.

https://en.wikipedia.org/wiki/Nye_Committee

*The Nye Committee, officially known as **the Special Committee on Investigation of the Munitions Industry**, was a United States Senate committee (April 12, 1934 – February 24, 1936), chaired by U.S. Senator Gerald Nye (R-ND). The committee investigated the financial and banking interests that underlay the United States' involvement in World War I and the operations and profits of the industrial and commercial firms supplying munitions to the Allies and to the United States. [...] Historian Charles Callan Tansill's *America Goes To War* (1938) exploited the Nye Committee's voluminous report of testimony and evidence to develop and confirm the heavy influence exercised by Wall Street finance (notably J.P. Morgan) and the armaments industry (notably Du Pont) in the process that led to American intervention. [...] The committee was established on April 12, 1934. There were seven members: Nye, the committee chair; and Senators Homer T. Bone (D-WA), James P. Pope (D-ID), Bennett Champ Clark (D-MO), Walter F. George (D-GA), W. Warren Barbour (R-NJ), and Arthur H. Vandenberg (R-MI). [...] The Nye Committee conducted 93 hearings and questioned more than 200 witnesses. The first hearings were in September 1934 and the final hearings in February 1936. The hearings covered four topics: The munitions industry; Bidding on Government contracts in the shipbuilding industry; War profits; The background leading up to U.S. entry into World War I.*

As a side note: One of the committee’s counsels was Alger Hiss, later alleged to be a Communist spy for the Soviet Union, although this has still never been definitively proven or disproven, even with declassification of secret records from both Soviet and US intelligence agencies since 1991.

The Nye Committee helped popularize the growing term “merchants of death,” although it did not ultimately endorse the notion after looking into it. In part this was because, according to the committee’s [findings](#), “almost none of the munitions companies in this country confine themselves exclusively to the manufacture of military materials. Great numbers of the largest suppliers to the Army and Navy (Westinghouse, General Electric, du Pont, General Motors, Babcock & Wilcox, etc.) are predominantly manufacturers of materials for civilian life.” But the committee certainly felt there was an undeniable negative influence being exerted: “While the evidence before this committee does not show that wars have been started solely because of the activities of munitions makers and their agents, it is also true that wars rarely have one

single cause, and the committee finds it to be against the peace of the world for selfishly interested organizations to be left free to goad and frighten nations into military activity.”

[Rachel] [General Smedley Butler](#) also made his [“War is a Racket”](#) national speaking tour against the arms industry and the US intervention in the Great War during the period of the committee’s existence. In a New Republic review of the January 2022 book [“Gangsters of Capitalism”](#) by Jonathan M. Katz, General Butler’s tour is described as [“remarkably critical – even confessional”](#) about his role in not only World War I but also his terrorization and pillaging of multiple Caribbean basin populations and the Chinese in the course of US interventions in those countries before and after World War I over a three-decade career in the US Marines. General Butler spoke to pacifist groups that were already sympathetic to his views, but also to veterans, trying to recruit them for the Veterans of Foreign Wars (VFW), and to spur them to organize for their benefits that were promised in exchange for their participation in the Great War. He saw this effort as “trying to educate the soldiers out of the sucker class.” He also served as a spokesman for the American League Against War and Fascism from 1935 to 1937, speaking out against the nascent fascism he saw forming in the US. In the November 1935 issue of socialist magazine *Common Sense*, Butler wrote about the ties between private industry and the US military: *I spent 33 years and four months in active military service and during that period I spent most of my time as a high class muscle man for Big Business, for Wall Street and the bankers. In short, I was a racketeer; a gangster for capitalism. I helped make Mexico and especially Tampico safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped in the raping of half a dozen Central American republics for the benefit of Wall Street. I helped purify Nicaragua for the International Banking House of Brown Brothers in 1902–1912. I brought light to the Dominican Republic for the American sugar interests in 1916. I helped make Honduras right for the American fruit companies in 1903. In China in 1927 I helped see to it that Standard Oil went on its way unmolested. Looking back on it, I might have given Al Capone a few hints. The best he could do was to operate his racket in three districts. I operated on three continents.*

One recommendation of the committee during the course of its investigations, besides generally promoting neutrality as a foreign policy, was nationalization of the arms production industry in the US, which had long been privately operated. This idea was never adopted. They also proposed [several constitutional amendments](#) that were not taken up. Nationalization of these private arms manufacturers was not a completely left-field idea, because the Committee [reported](#) in 1936 that already *“The Army manufactures its own rifles, cartridges, and field artillery [and] The Navy manufactures most of its own propellant powder, its own guns, and half of the battleships.”* But they also acknowledged in an earlier report from 1935 that there would be a great deal of resistance in the business community to any government takeover of arms and munitions production from the private sector.

[Bill] [The committee](#) did not just focus on the drive toward the US joining the Great War but also demonstrated that between these US wars, the private US arms industry was also fomenting and arming military crises in smaller countries, especially in Latin America, as well as the interwar warlord clique conflicts in China, to generate business, regardless of any specific interest by the US government in those particular situations.

In South America there have, in the post-war years, been moments of severe tension, occasionally breaking out into war. One of these moments apparently came directly after the World War, when Chile bought from Vickers a considerable battle fleet. This caused agitation in Brazil, Argentina, and Peru, with Vickers taking the lead in Chile and Argentina, and Electric Boat Co. in Peru and Brazil. The situation was apparently so delicate that an administration

countermanded an offer from the United States Navy to sell destroyers to Peru inasmuch as the sale might encourage an outbreak of war between Chile and Peru [...] Mr. Carse, president of Electric Boat, recognized the danger of armament when he pointed out in regard to financing Peruvian purchases "the armament which this money could purchase would not insure victory, as the other nation has much stronger armament and would tend more to bring conflict to a point than if they did not purchase the armament" [...] It was sold, nevertheless.

These interventions by the arms manufacturing companies were generally not planned conspiracies but usually as simple as offering weapons to both sides of a dispute in order to make a sale, with the offer itself frequently provoking outbreaks of violence. As noted, the arms makers didn't really care what the consequences would be, even when they understood them.

The committee finds, further, that not only are such transactions highly unethical, but that they carry within themselves the seeds of disturbance to the peace and stability of those nations in which they take place. In some nations, violent changes of administration might take place immediately upon the revelation of all details of such transactions. Mr. Lamont du Pont stated that the publication of certain du Pont telegrams (not entered in the record) might cause a political repercussion in a certain South American country. At its February 1936 hearings, the committee also suppressed a number of names of agents and the country in which they were operating, in order to avoid such repercussions.

[...]

The statement of a Federal Laboratories salesman that "the unsettled condition in South America has been a great thing for me" is the key, and also, "We are certainly in one hell of a business where a fellow has to wish for trouble to make a living."

Colombia and Peru, at the time of the Leticia incident, were each kept well informed by the munitions companies of the proposed purchases of the other nation. The evidence of the Colt agent in Peru was that the Vickers agent, after unloading a huge armament order on Peru, had boasted to the Peruvians that he would sell "double the amount, and more modern, to the Chilean Government." When a limited amount of materiel, such as machine guns, was available, Bolivia could be forced into ordering them on the threat that unless she acted quickly, Paraguay would get them. Killing the back-country Indians of South America with airplanes, bombs, and machine guns boiled down to an order to get busy because "these opera bouffe revolutions are usually short-lived, and we must make the most of the opportunity"

Kickbacks to purchasing officials overseas were common too:

Attempts to sell munitions frequently involve bribery, which, to be effective, must go to those high in authority. This is apt to involve the companies in the politics of foreign nations. Federal Laboratories, by putting itself at the disposal of the administration of Cuba and two opposing factions, all at the same time, is a case in point. The Colt agent in Peru reported on his helping overthrow the general in charge of ordnance orders.

[...]

The committee finds, further, that the constant availability of munitions companies with competitive bribes ready in outstretched hands does not create a situation where the officials involved can, in the nature of things, be as much interested in peace and measures to secure peace as they are in increased armaments. The committee finds also that there is a very considerable threat to the peace and civic progress of other nations in the success of the munitions makers and of their agents in corrupting the officials of any one nation and thereby selling to that

one nation an armament out of proportion to its previous armaments. Whether such extraordinary sales are procured through bribery or through other forms of salesmanship, the effect of such sales is to produce fear, hostility, and greater munitions orders on the part of neighboring countries, culminating in economic strain and collapse or war. The committee elsewhere takes note of the contempt of some of the munitions companies for those governmental departments and officials interested in securing peace, and finds here that continual or even occasional corruption of other governments naturally leads to a belief that all governments, including our own, must be controlled by economic forces entirely.

In some cases, however the interference in US policy was much more explicit, if not outright conspiratorial:

The committee finds [...] that there is no record of any munitions company aiding any proposals for limitation of armaments, but that, on the contrary, there is a record of their active opposition by some to almost all such proposals, of resentment toward them, of contempt for those responsible for them, and of violation of such controls whenever established, and of rich profiting whenever such proposals failed.

Following the peaceful settlement of the Tacna-Arica dispute between Peru and Chile, L. Y. Spear, vice president of Electric Boat Co. (which supplied submarines to Peru) wrote to Commander C. W. Craven, of Vickers-Armstrong (which supplied material to Chile):

It is too bad that the pernicious activities of our State Department have put the brake on armament orders from Peru by forcing resumption of formal diplomatic relations with Chile

When the proposal to control the international traffic in arms was made in 1924 the Colt licensee in Belgium wrote:

It is, of course, understood that our general interest is to prevent the hatching up of a new agreement plan "under such a form" (as Sir Eric Drummond says) "that it may be accepted by the governments of all the countries who manufacture arms and munitions of war."

It then proposed methods of "lengthening the controversies" and to "wear out the bodies occupied with this question."

[...]

The committee finds, from official documents it has not entered into the record, that the United States naval missions to Brazil and Peru have been given considerable help to American munitions makers, and that their participation and leadership in war games directed at "a potential enemy" have not advanced the cause of peace in South America, and that their activity can be misinterpreted by neighboring countries as support of any military plans of the nations to which they are attached.

The committee finds, from official documents which it has not entered into the record, that the sales of munitions to certain South American nations in excess of their normal capacity to pay, was one of the causes for the defaults on certain South American bonds; and that the sales of the munitions was, in effect, financed by the American bond purchasers, and the loss on the bonds was borne by the same people.

[Bill] The Nye Committee also stated in its findings that overseas sales of arms and arms patents by private US corporations posed a serious threat to US national security. First:

as improvements are developed here, often with the cooperation of the military services, and these improvements presumably give the United States a military advantage, we are in the anomalous position of being forced to let the other nations have the advantages which we have obtained for ourselves, in order to keep the munitions manufacturers going, so that the United States can take advantage of the same improvements which its companies have sold abroad.

And second:

the licensing of American inventions to allied companies in foreign nations is bound to involve in some form the recurrence of experiences similar to those in the last war in which Electric Boat Co. patents were used in German submarines and aided them in the destruction of American lives, and ships, and that in peacetime the licensing involves the manufacture abroad, at lower costs, of American material.

[Rachel] In addition to arms manufacturers, the committee noted that banks also had a large role in pushing the US into WWI. *The committee reported that between 1915 and January 1917, the United States lent Germany \$27 million. In the same period, it lent to Britain and its allies \$2.3 billion. These loans were made during wartime: July 28, 1914 – November 11, 1918.*

Because of these facts Senator Nye, many war critics, and members of the American public concluded that the US entered the war for reasons of profit, not policy — because it was in the interest of American finance banks and investors for the Allies not to lose so that they would be able to pay interest and principal on their loans.

https://en.wikipedia.org/wiki/Nye_Committee

The committee's work came to a sharp, sudden end in February 1936 when Senator Carter Glass, formerly of Woodrow Wilson's cabinet, went sicko mode on the floor of the Senate in defense of the late President, whose role in bringing the US into the war in 1917 was coming under fire from the investigation's hearings. According to a [US Senate history article](#) on the committee, Glass and his Democratic colleagues saw Nye's suggestion that Wilson withheld information from Congress as they were considering the declaration of war that would bring the US into WWI as a personal attack against Wilson. Glass made an impassioned speech decrying the Committee, accusing them of "dirt-daubing the sepulcher of Woodrow Wilson." He got so worked up he even slammed his fist on his desk so much that blood dripped from his knuckles. Glass was Appropriations Chair and ended funding to the special committee immediately. They did manage to publish [a summary report of their findings in February 1936](#), however. (They had also been publishing [interim reports](#) during the course of their work.)

An unfortunate unintended side effect of the committee's investigations was that some people in the public decided to conflate its findings on the warmongering role of institutional finance and figures like J.P. Morgan Jr. with pre-existing anti-semitic conspiracy theories. J.P. Morgan & Co. had been the credit-broker for the Allies, and in exchange received an 8.3% commission, resulting in over \$200 million in profits

(https://encyclopedia.1914-1918-online.net/article/war_finance). In addition, from 1915 until sometime after the United States entered the war, his firm was the official purchasing agent for the British government, buying cotton, steel, chemicals and food, receiving a 1% commission on all purchases. (https://en.wikipedia.org/wiki/J._P._Morgan_Jr.#World_War_I). Instead of the public takeaway from the Nye Committee being that major capitalist firms had unsystematically but self-interestedly promoted a US government policy beneficial for their bottom line, a more sinister and false explanation gained currency, with nasty figures like Charles Lindbergh

promoting that interpretation. Of course it's worth emphasizing that the Morgan family, of old American colonial stock, was very much not Jewish in any way.

Ironically, many Jewish financial leaders on Wall Street during World War I had actually been extremely reluctant, or even adamantly opposed, to loaning money to the Entente war effort because of the virulent and wildly violent anti-Semitism of the Tsarist regime in the Russian Empire. https://en.wikipedia.org/wiki/Anglo-French_Financial_Commission By contrast, six US munitions manufacturers themselves had jumped at the chance to put up \$100 million in bonds for the British and French, knowing much of it would come right back to them in arms sales. <https://www.jstor.org/stable/3638495> Once again, gun dealers, not some secret Jewish conspiracy, were throwing their economic weight around with major policy implications.

The focus of the Nye Committee was much more generic when it came to the role of Wall Street. In one sense, it simply echoed the views of Nebraska Senator George W. Norris back in April 1917, when he was one of just six US Senators to vote against the US entry into World War I, whereupon he stated "The object in having war and preparing for war is to make money. Human suffering and the sacrifice of human life are necessary, but Wall Street considers only the dollars and cents... We are going into war upon the command of gold." <https://www.jstor.org/stable/3638495> In another sense, the Committee also merely emphasized the very public profit motives of many people and companies in the American economic system.

For example and to take this point a step further, while a case could perhaps be made that private US lenders lobbied for US intervention on the side of or support for the cause of the Entente (often not very successfully before the resumption of German unrestricted submarine warfare) in order to ensure their loans would be repaid, it was also argued at the time that those loans were not only helping the Entente war effort but were continuing the flow of money to US farmers and manufacturers who typically sold their crops and goods to Britain during peacetime (whereas trade ties were much weaker with Germany and its allies). <https://books.google.com/books?id=qfTPAQAQAQBAJ&dq=Anglo-+French+Financial+Commission+lord+reading&pg=PA147#v=onepage&q=Anglo-%20French%20Financial%20Commission%20lord%20reading&f=false> US Treasury Secretary William G. McAdoo Jr. had warned President Woodrow Wilson that the Entente powers are "our best customers" in terms of trade with the US and that "To maintain our prosperity we must finance it. Otherwise it may stop and that would be disastrous." <https://www.jstor.org/stable/3638495> So, again, the motives were complicated and a lot of Americans, down to ordinary farmers, had a lot of economic interest in the outcome of the war.

What we also now understand better with records not available in 1917 or 1936 was the extent to which the British authorities themselves, regardless of American financiers, were trying to sway not only American policymakers but also ordinary Americans across the US interior in a desperate attempt not merely to win the war but also to raise private capital (even from everyday people) for war purchases and to stabilize a mounting currency exchange crisis between the pound and the dollar. <https://www.jstor.org/stable/3638495>

[Bill] At any rate, according to Earl Molander's 1976 article, the Nye Committee's influence on public opinion seems to have been pretty short-lived. By 1936, when its work was halted and its report was published, there was already a growing fear about the implications of renewed militarism and re-arming in Europe, and within a few more years, in December 1940, President FDR was re-branding the so-called "merchants of death" as the "arsenal of democracy."

The short-lived “neutrality laws” growing out of the committee’s work in 1935 were soon the subject of intense criticism by those who believed the US should, in fact, have been building up its defenses in preparation for or deterrence against another possible world war. The former committee’s members were put on the defensive when the war did arrive, claiming they had never intended to affect US defense readiness (and still believed they had not).

Between the end of the committee in 1936 and the Eisenhower military-industrial complex speech of 1961, the industry in the United States was allowed nearly unchecked free rein, not only to make and sell weapons, but to dig its hooks further into the American government, culture, and society, making itself indispensable and omnipresent in people’s lives, as if it were no different from any other job-creating, capitalist industrial titan of the period.