

IG-NOBEL DYNAMITE TRUST

British Shareholders Profit from British Deaths

'England is a jewel worth the rest of the world. A dynamite company there would have the entire Empire as its market.'¹ These are the words of the man who ended up giving his name to the Peace Prize.

Irony is clearly something that came easily to the nineteenth century chemist and industrialist Alfred Nobel who invented 'superior blasting powder'² along with a safety fuse and detonator. He gave his name to the Nobel Dynamite Trust. The wartime history of this conglomerate shows that politicians were willing to avoid the letter of 'Trading with the Enemy' legislation and grant permissions and licences when it came to exchanges of wealth and influence.

The Nobel Dynamite Trust was created in 1886 in order to overcome fierce competition between dealers in dynamite, encouraged by Alfred Nobel who was a shareholder and adviser to fifteen companies. It was one of the world's first multinational business ventures: a holding company comprised of three British and four German explosives companies. The largest, Nobel's Explosives Company Ltd, with a head office at Nobel House, 195 West George Street, Glasgow, became a contractor to the British Government in 1907.³ The Trust loaned these companies capital to advance their businesses and distributed a percentage of the profits that such investments made back to the shareholders of the Trust.⁴

The British and German companies sold explosives all over the world. This arrangement ensured that German shareholders profited from the death of German soldiers and British shareholders profited from the death of British troops for the first two years of the war,⁵ especially as share prices and dividends rose during the entire conflict.⁶

The Board of Directors, with 14 members in all, had five individuals representing British companies and four representing German businesses. The remaining five were shareholders.⁷ The Trading with the Enemy Act of September 1914 caused some problems for the Trust. This piece of legislation passed through the British Parliament made it illegal for any citizen of the Empire to conduct business with anyone of an 'enemy character.' However, this law, although clear in its aims, did not cause as much trouble for the Trust as one might suppose.

The separation of the British and German interests within the Trust took a long time to actually come about. Although the German members of the board resigned from the Trust in September 1914 (creating one British and one German trust) financial wrangling about exchanging shares and final settlements prolonged the company's activity for another 22 months.⁸

A memorandum written by British representatives of the Trust to the Secretary of State on 13th May 1915 shows the Government was aware that British shareholders were profiting from British deaths. The Trust's correspondent realised that 'patriotic' business men benefitting from the slaughter of their countrymen could become a public relations disaster. **'Good business men are doubtless much alarmed as to what might be said if the public realised that this was the state of affairs,'**⁹ he continued.

The process of winding up the Trust's affairs was headed by the Undersecretary of State for the Home Office and was mediated by Dutch, Norwegian and British legal firms. The negotiations were rather intense as both sides were afraid of their national governments' interference. A number of companies and countries were named in the exchange

correspondence, as the two sides were intertwined in deals worth millions of pounds sterling.¹⁰ Problems arose when the British shareholders realised that they might lose control of a North American company engaged in important government contracts - Canadian Explosives Ltd. The British owned 30 percent but they had to buy out the Germans who owned 20 percent.¹¹ The Trust's North American 'friends' paid the British debt to the Germans and the North American friends were to be reimbursed at the end of the war.¹²

The two sides debated the exchange of 'cash' (as opposed to bank securities) and the question of interest. There is evidence that the British and the German chairmen of the two Trusts were communicating directly in 1915 and were discussing the possibility of a direct meeting '*licensed*' by the government in a neutral country.¹³ It appears that the actual share certificates were exchanged physically as part of the deal. Meanwhile, peace activists such as Sylvia Pankhurst and other would be delegates of the women's Peace Congress at The Hague were prevented from travelling. All (official and confirmed) financial differences in the exchange of shares were to be settled after the war, with interest from the start of the war.¹⁴

On 15th June 1916 the Board of Trade agreed the final settlements, and the international company was finally split into its warring halves. The Germans would pay the British about 30 million Marks via the Treasury and the British would pay the Germans between £1.5 and £1.8 million via the Norddeutsche Bank in Hamburg.¹⁵ Any differences were to be settled after the war. The Trust in Britain was succeeded by Nobel's Explosives Company, Limited. By 13th May 1920 the Trust was in liquidation. In 1925 the Liquidator wrote to the Home Office about a threat of legal action from the German side, as the shares of the Canadian Explosives Company handed over in 1915 had still not been paid off.¹⁶

The Trust made huge profits during the war. Reports of the Annual General Meetings of shareholders, published in *The Economist*, reveal how profits increased every year of the war. It was able to pay their shareholders between 5 percent and 15 percent dividends; some with bonuses, all tax-free. The profits were all ultimately derived from the taxpayers of the nations buying arms from the Trust. In 1916, the Nobel's Explosives Company chairman, Sir Ralph Anstruther Bart (formerly the chairman of the entire Trust) reported the success of the transaction by which the Germans were paid for their returned British shares. The balance sheet presented at the fortieth annual general meeting showed 'a fresh start' with 'accumulated reserves of £1,136,000 plus an extra bonus to all shareholders already received at 20 percent on their former holdings in the Trust company.' The recommendation was 10 percent dividends on ordinary shares, plus 5 percent dividends on preference shares plus a bonus of 5 percent! All dividends were tax-free. Bart gloated, 'you will admit [this] is a considerable concession in the present state of income taxation.' He indicated that as they were now working in the 'national interest', they were 'entitled' to tax free income!¹⁷

The Nobel Dynamite Trust, however, is not an aberration in the history of arms companies. We can look towards the Harvey United Steel Company, (1901-1913) which exploited the patents for the manufacture of steel and armour plates in every advantageous country. On the 27th May 1902 its Board of Directors included seven British individuals, three French, one Italian and two German. Two chairmen on the board were Mr. Albert Vickers and Sir W. G. Armstrong.¹⁸ These men also owned shares in a torpedo factory in Hungary and had strong connections with various sites in Italy. Such arrangements were often protected by the exercise of political leverage within the heart of Government. Sir George Murray, a Director of Armstrong Whitworth and Co. was once the permanent Secretary to the Treasury, while Sir Arthur Trevor Dawson, a Director of Vickers, was also a late experimental officer at Woolwich Arsenal; a state armoury.¹⁹

The exchange of correspondence in the National Archives suggests that the Trust had a huge influence on the politicians. The international nature, and the economic power, of such companies meant states were at a loss to control the effects of their own money. However, was it really the statesmen who truly lost out? The Union of Democratic Control published a pamphlet in 1915 entitled *The International Industry of War* and they described the arms industry as 'injurious to working-class interests.'²⁰ Taxes that could have been spent on health or education were spent on arms to fuel wars in which only shareholders profited. (Read more about financial entanglements between British arms firms and Britain's antagonists in the Ottoman Navy Scandal and the Vickers & Krupp case studies.)

Researcher: Eva Turner with thanks to Tom Kelsey

¹ Lundström Ragnhild, 'Alfred Nobel's Dynamite Companies,' 2003, http://www.nobelprize.org/alfred_nobel/biographical/articles/lundstrom.

² Glasgow University Archive Services, 'Records of Nobel's Explosives Co Ltd, explosives manufacturers, Ardeer, North Ayrshire, Scotland,' 28th February 2002, <http://archiveshub.ac.uk/features/0412nobel.html>.

³ *ibid*.

⁴ Nobel Dynamite Trust Statement 1-3, HO 45/16501, The National Archives.

⁵ Memorandum to the Secretary of State, 13th May 1915, HO 45/16501, The National Archives.

⁶ *The Economist*, May 16, 1914, 115, *The Economist*, May 30, 1914, 1346, *The Economist*, June 5, 1915, 1171-1173, *The Economist*, August 28, 1915, p.336-337, *The Economist*, September 11, 1915, 409, *The Economist*, March 13, 1916, 1082-1083, *The Economist*, June 13, 1918, 1020.

⁷ Glasgow University Archive Services, 'Records of Nobel's Explosives Co Ltd, explosives manufacturers, Ardeer, North Ayrshire, Scotland,' 28th February 2002, <http://archiveshub.ac.uk/features/0412nobel.html>.

⁸ HO 45/16501, The National Archives.

⁹ Memorandum to the Secretary of State, 13th May 1915, HO 45/16501, National Archives.

¹⁰ Nobel Dynamite Trust Co. Ltd arrangement between the German and British Interests, Date Range: 1 September 1914 – 2 July 1915, HO 45/16501, old section number 264756, The National Archives.

¹¹ German telegram agreeing to return Canadian Shares valued at \$848,850 + five percent interest from 1st January 1914, 1st July 1915, HO 45/16501, The National Archives.

¹² Final agreement, 18th August 1915, HO 45/16502, The National Archives.

¹³ Letter from Doctor Aufschläger from Ralph Anstruther (Chairman of the Trust, 11th March 1915, HO 45/16501, The National Archives.

¹⁴ Agreement of 18 August 1915, HO 45/16502, The National Archives.

¹⁵ Board of trade agreement, 15th June 1916, HO 45/16501, The National Archives.

¹⁶ Letter from the Liquidator of the Nobel Dynamite Trust Co., 23 July 1925, HO 45/16502.

¹⁷ 'The Economist' 13th March 1916, 1082-1083.

¹⁸ Union of Democratic Control, 'The International Industry of war,' (1919), 4-5.

¹⁹ *ibid*, p.12.

²⁰ *ibid*, p.14.