22.9 Ethics E. I. du Pont de Nemours & Co. (Du Pont) is a manufacturer of chemicals, paints, finishes, fabrics, and other products. General Motors Corporation is a major manufacturer of automobiles. During the period 1917–1919, Du Pont purchased 23 percent of the stock of General Motors. Du Pont became a major supplier of finishes and fabrics to General Motors.

Du Pont's commanding position as a General Motors supplier was not achieved until shortly after its purchase of a sizable block of General Motors stock in 1917. The company's interest in buying into General Motors was stimulated by John J. Raskob, Du Pont's treasurer, and Pierre S. du Pont, Du Pont's president, who acquired personal holdings of General Motors stock in 1914. General Motors had been organized six years earlier by William C. Durant to acquire the previously independent automobile manufacturing companies Buick, Cadillac, Oakland, and Oldsmobile. Durant later brought in Chevrolet, organized by Durant when he was temporarily out of power, during 1910–1915, and a bankers' group controlled General Motors. In 1915, when Durant and the bankers deadlocked on the choice of a board of directors, they resolved the deadlock by an agreement under which Pierre S. du Pont was named chairman of the General Motors board, and Pierre S. du Pont, Raskob, and two nominees of Mr. du Pont were named neutral directors. By 1916, Durant settled his differences with the bankers and resumed the presidency and his controlling position in General Motors. He prevailed upon Pierre S. du Pont and Raskob to continue their interest in General Motors's affairs, which both did as members of the finance committee, working closely with Durant in matters of finances and operations and plans for future expansion.

Raskob foresaw the success of the automobile industry and the opportunity for great profit in a substantial purchase of General Motors stock. On December 19, 1917, Raskob submitted a treasurer's report to the Du Pont finance committee, recommending a purchase of General Motors stock in the amount of $25 million. The report made it clear that more than just a profitable investment was contemplated. A major consideration was that an expanding General Motors would provide a substantial market needed by the burgeoning Du Pont organization. Raskob's summary of reasons in support of the purchase included this statement: "Our interest in the General Motors Company will undoubtedly secure for us the entire Fabrikoid, Pyralin (celluloid), paint and varnish business of those companies, which is a substantial factor."

General Motors was the colossus of the giant automobile industry. It accounted annually for upward of two-fifths of the total sales of automotive vehicles in the nation. Expressed in percentages, Du Pont supplied 67 percent of General Motors's requirements for finishes in 1946 and 68 percent in 1947. In fabrics, Du Pont supplied 52.3 percent of requirements in 1946 and 38.5 percent in 1947. Because General Motors accounted for almost one-half of the automobile industry's annual sales, its requirements for automotive finishes and fabrics must have represented approximately one-half of the relevant market for these materials.

In 1949, the United States brought an antitrust action against Du Pont, alleging violation of Section 7 of the Clayton Act and seeking the divestiture of Du Pont's ownership of stock in General Motors. The United States argued that Du Pont's ownership of 23 percent of the stock of General Motors constituted a vertical merger that gave Du Pont illegal preferences over competitors in the sale of finishes and fabrics to General Motors and therefore violated Section 7 of the Clayton Act.