

# WALL STREET AND THE RISE OF HITLER

By  
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**Dedicated to the memory of Floyd Paxton —  
entrepreneur, inventor, writer, and American,  
who believed in and worked for individual rights  
in a free society under the Constitution**

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## PREFACE

This is the third and final volume of a trilogy describing the role of the American corporate socialists, otherwise known as the Wall Street financial elite or the Eastern Liberal Establishment, in three significant twentieth-century historical events: the 1917 Lenin-Trotsky Revolution in Russia, the 1933 election of Franklin D. Roosevelt in the United States, and the 1933 seizure of power by Adolf Hitler in Germany.

Each of these events introduced some variant of socialism into a major country — *i.e.*, Bolshevik socialism in Russia, New Deal socialism in the United States, and National socialism in Germany.

Contemporary academic histories, with perhaps the sole exception of Carroll Quigley's *Tragedy And Hope*, ignore this evidence. On the other hand, it is understandable that universities and research organizations, dependent on financial aid from foundations that are controlled by this same New York financial elite, would hardly want to support and to publish research on these aspects of international politics. The bravest of trustees is unlikely to bite the hand that feeds his organization.

It is also eminently clear from the evidence in this trilogy that "public-spirited businessmen" do not journey to Washington as lobbyists and administrators in order to serve the United States. They are in Washington to serve their own profit-maximizing interests. Their purpose is not to further a competitive, free-market economy, but to manipulate a politicized regime, call it what you will, to their own advantage.

It is business manipulation of Hitler's accession to power in March 1933 that is the topic of *Wall Street and the Rise of Hitler*.

ANTONY C. SUTTON

*July, 1976*

BACK

# INTRODUCTION

## Unexplored Facets of Naziism

Since the early 1920s unsubstantiated reports have circulated to the effect that not only German industrialists, but also Wall Street financiers, had some role — possibly a substantial role — in the rise of Hitler and Naziism. This book presents previously unpublished evidence, a great deal from files of the Nuremberg Military Tribunals, to support this hypothesis. However, the full impact and suggestiveness of the evidence cannot be found from reading this volume alone. Two previous books in this series, *Wall Street and the Bolshevik Revolution*<sup>1</sup> and *Wall Street and FDR*,<sup>2</sup> described the roles of the same firms, and often the same individuals and their fellow directors, hard at work manipulating and assisting the Bolshevik revolution in Russia in 1917, backing Franklin D. Roosevelt for President in the United States in 1933, as well as aiding the rise of Hitler in pre-war Germany. In brief, this book is part of a more extensive study of the rise of modern socialism and the corporate socialists.

This politically active Wall Street group is more or less the same elitist circle known generally among Conservatives as the "Liberal Establishment," by liberals (for instance G. William Domhoff) as "the ruling class,"<sup>3</sup> and by conspiratorial theorists Gary Allen<sup>4</sup> and Dan Smoot<sup>5</sup> as the "Insiders." But whatever we call this self-perpetuating elitist group, it is apparently fundamentally significant in the determination of world affairs, at a level far behind and above that of the elected politicians.

The influence and work of this same group in the rise of Hitler and Nazi Germany is the topic of this book. This is an area of historical research almost totally unexplored by the academic world. It is an historical minefield for the unwary and the careless not aware of the intricacies of research procedures. The Soviets have long accused Wall Street bankers of backing international fascism, but their own record of historical accuracy hardly lends their accusations much credence in the West, and they do not of course criticize support of their own brand of fascism.

This author falls into a different camp. Previously accused of being overly critical of Sovietism and domestic socialism, while ignoring Wall Street and the rise of Hitler, this book hopefully will redress an assumed and quite inaccurate philosophical imbalance and emphasize the real point at issue: Whatever you call the collectivist system — Soviet socialism, New Deal socialism, corporate socialism, or National socialism — it is the average citizen, the guy in the street, that ultimately loses out to the boys running the operation at the top. Each system in its own way is a system of plunder, an organizational device to get everyone living (or attempting to live) at the expense of everyone else, while the elitist leaders, the rulers and the politicians, scalp the cream off the top.

The role of this American power elite in the rise of Hitler should also be viewed in conjunction with a little-known aspect of Hitlerism only now being explored: the mystical

origins of Naziism, and its relations with the Thule Society and with other conspiratorial groups. This author is no expert on occultism or conspiracy, but it is obvious that the mystical origins, the neo-pagan historical roots of Naziism, the Bavarian Illuminati and the Thule Society, are relatively unknown areas yet to be explored by technically competent researchers. Some research is already recorded in French; probably the best introduction in English is a translation of *Hitler et la Tradition Cathare* by Jean Michel Angebert.<sup>6</sup>

Angebert reveals the 1933 crusade of *Schutzstaffel* member Otto Rahn in search of the Holy Grail, which was supposedly located in the Cathar stronghold in Southern France. The early Nazi hierarchy (Hitler and Himmler, as well as Rudolph Hess and Rosenberg) was steeped in a neo-pagan theology, in part associated with the Thule Society, whose ideals were close to those of the Bavarian Illuminati. This was a submerged driving force behind Naziism, with a powerful mystical hold over the hard-core S.S. faithful. Our contemporary establishment historians barely mention, let alone explore, these occult origins; consequently, they miss an element equally as important as the financial origins of National Socialism.

In 1950 James Stewart Martin published a very readable book, *All Honorable Men*<sup>7</sup> describing his experiences as Chief of the Economic Warfare Section of the Department of Justice investigating the structure of Nazi industry. Martin asserts that American and British businessmen got themselves appointed to key positions in this post-war investigation to divert, stifle and muffle investigation of Nazi industrialists and so keep hidden their own involvement. One British officer was sentenced by court martial to two years in jail for protecting a Nazi, and several American officials were removed from their positions. Why would American and British businessmen want to protect Nazi businessmen? In public they argued that these were merely German businessmen who had nothing to do with the Nazi regime and were innocent of complicity in Nazi conspiracies. Martin does not explore this explanation in depth, but he is obviously unhappy and skeptical about it. The evidence suggests there was a concerted effort not only to protect Nazi businessmen, but also to protect the collaborating elements from American and British business.

The German businessmen could have disclosed a lot of uncomfortable facts: In return for protection, they told very little. It is undoubtedly *not* coincidental that the Hitler industrialists on trial at Nuremburg received less than a slap on the wrist. We raise the question of whether the Nuremburg trials should not have been held in Washington — with a few prominent U.S. businessmen as well as Nazi businessmen in the dock!

Two extracts from contemporary sources will introduce and suggest the theme to be expanded. The first extract is from Roosevelt's own files. The U.S. Ambassador in Germany, William Dodd, wrote FDR from Berlin on October 19, 1936 (three years after Hitler came to power), concerning American industrialists and their aid to the Nazis:

*Much as I believe in peace as our best policy, I cannot avoid the fears which Wilson emphasized more than once in conversations with me, August 15, 1915 and later: the breakdown of democracy in all Europe will be a disaster to the people. But what can you do? At the present moment more than a hundred American corporations have subsidiaries here or cooperative understandings.*



*The DuPonts have three allies in Germany that are aiding in the armament business. Their chief ally is the I. G. Farben Company, a part of the Government which gives 200,000 marks a year to one propaganda organization operating on American opinion. Standard Oil Company (New York sub-company) sent \$2,000,000 here in December 1933 and has made \$500,000 a year helping Germans make Ersatz gas for war purposes; but Standard Oil cannot take any of its earnings out of the country except in goods. They do little of this, report their earnings at home, but do not explain the facts. The International Harvester Company president told me their business here rose 33% a year (arms manufacture, I believe), but they could take nothing out. Even our airplanes people have secret arrangement with Krupps. General Motor Company and Ford do enormous businesses/sic] here through their subsidiaries and take no profits out. I mention these facts because they complicate things and add to war dangers.<sup>8</sup>*

Second, a quote from the diary of the same U.S. Ambassador in Germany. The reader should bear in mind that a representative of the cited Vacuum Oil Company — as well as representatives of other Nazi, supporting American firms — was appointed to the post-war Control Commission to de-Nazify the Nazis:

*January 25. Thursday. Our Commercial Attache brought Dr. Engelbrecht, chairman of the Vacuum Oil Company in Hamburg, to see me. Engelbrecht repeated what he had said a year ago: "The Standard Oil Company of New York, the parent company of the Vacuum, has spent 10,000,000 marks in Germany trying to find oil resources and building a great refinery near the Hamburg harbor." Engelbrecht is still boring wells and finding a good deal of crude oil in the Hanover region, but he had no hope of great deposits. He hopes Dr. Schacht will subsidize his company as he does some German companies that have found no crude oil. The Vacuum spends all its earnings here, employs 1,000 men and never sends any of its money home. I could give him no encouragement.<sup>9</sup>*

And further:

*These men were hardly out of the building before the lawyer came in again to report his difficulties. I could not do anything. I asked him, however: Why did the Standard Oil Company of New York send \$1,000,000 over here in December, 1933, to aid the Germans in making gasoline from soft coal for war emergencies? Why do the International Harvester people continue to manufacture in Germany when their company gets nothing out of the country and when it has failed to collect its war losses? He saw my point and agreed that it looked foolish and that it only means greater losses if another war breaks loose.<sup>10</sup>*

The alliance between Nazi political power and American "Big Business" may well have looked foolish to Ambassador Dodd and the American attorney he questioned. In practice, of course, "Big Business" is anything but foolish when it comes to promoting its own

self-interest. Investment in Nazi Germany (along with similar investments in the Soviet Union) was a reflection of higher policies, with much more than immediate profit at stake, even though profits could not be repatriated. To trace these "higher policies" one has to penetrate the financial control of multinational corporations, because those who control the flow of finance ultimately control the day-to-day policies.

Carroll Quigley<sup>11</sup> has shown that the apex of this international financial control system before World War II was the Bank for International Settlements, with representatives from the international banking firms of Europe and the United States, in an arrangement that continued throughout World War II. During the Nazi period, Germany's representative at the Bank for International Settlements was Hitler's financial genius and president of the Reichsbank, Hjalmar Horace Greeley Schacht.

### **Hjalmar Horace Greeley Schacht**

Wall Street involvement with Hitler's Germany highlights two Germans with Wall Street connections — Hjalmar Schacht and "Putzi" Hanfstaengl. The latter was a friend of Hitler and Roosevelt who played a suspiciously prominent role in the incident that brought Hitler to the peak of dictatorial power — the Reichstag fire of 1933.<sup>12</sup>

The early history of Hjalmar Schacht, and in particular his role in the Soviet Union after the Bolshevik Revolution of 1917, was described in my earlier book, *Wall Street and the Bolshevik Revolution*. The elder Schacht had worked at the Berlin office of the Equitable Trust Company of New York in the early twentieth century. Hjalmar was born in Germany rather than New York only by the accident of his mother's illness, which required the family to return to Germany. Brother William Schacht was an American-born citizen. To record his American origins, Hjalmar's middle names were designated "Horace Greeley" after the well-know Democrat politician. Consequently, Hjalmar spoke fluent English and the post-war interrogation of Schacht in Project Dustbin was conducted in both German and English. The point to be made is that the Schacht family had its origins in New York, worked for the prominent Wall Street financial house of Equitable Trust (which was controlled by the Morgan firm), and throughout his life Hjalmar retained these Wall Street connections.<sup>13</sup> Newspapers and contemporary sources record repeated visits with Owen Young of General Electric; Farish, chairman of Standard Oil of New Jersey; and their banking counterparts. In brief, Schacht was a member of the international financial elite that wields its power behind the scenes through the political apparatus of a nation. He is a key link between the Wall Street elite and Hitler's inner circle.

This book is divided into two major parts. Part One records the buildup of German cartels through the Dawes and Young Plans in the 1920s. These cartels were the major supporters of Hitler and Naziism and were directly responsible for bringing the Nazis to power in 1933. The roles of American I. G. Farben, General Electric, Standard Oil of New Jersey, Ford, and other U.S. firms is outlined. Part Two presents the known documentary evidence on the financing of Hitler, complete with photographic reproduction of the bank transfer slips used to transfer funds from Farben, General Electric, and other firms to Hitler, through Hjalmar Horace Greeley Schacht.

Footnotes:

<sup>1</sup>(New York: Arlington House Publishers, 1974)

<sup>2</sup>(New York: Arlington House Publishers, 1975)

<sup>3</sup>*The Higher Circles: The Governing Class in America*, (New York: Vintage, 1970)

<sup>4</sup>*None Dare Call It Conspiracy*, (Rossmoor: Concord Press, 1971). For another view based on "inside" documents, see Carroll Quigley, *Tragedy and Hope*, (New York: The Macmillan Company, 1966)

<sup>5</sup>*The Invisible Government*, (Boston: Western Islands, 1962)

<sup>6</sup>Published in English as *The Occult and the Third Reich*, (The mystical origins of Naziism and the search for the Holy Grail), (New York: The Macmillan Company, 1974). See also Reginald H. Phelps, " 'Before Hitler Came:' Thule Society and Germanen Orden" in the *Journal of Modern History*, September 1968, No. 3.

<sup>7</sup>(Boston: Little Brown and Company, 1950)

<sup>8</sup>Edgar B. Nixon, ed., *Franklin D. Roosevelt and Foreign Affairs*, Volume III: September 1935-January 1937, (Cambridge: Belknap Press, 1969), p. 456.

<sup>9</sup>Edited by William E. Dodd Jr. and Martha Dodd, *Ambassador Dodd's Diary, 1933-1938*, (New York: Harcourt Brace and Company, 1941), p. 303.

<sup>10</sup>Ibid, p. 358.

<sup>11</sup>Quigley, *op. cit.*

<sup>12</sup>For more information about "Putzi" Hanfstaengl, see Chapter Nine.

<sup>13</sup>See Sutton, *Wall Street and the Bolshevik Revolution*, *op. cit.*, for Sehacht's relations with Soviets and Wall Street, and his directorship of a Soviet bank.

BACK

## CHAPTER ONE

### Wall Street Paves the Way for Hitler

*The Dawes Plan, adopted in August 1924, fitted perfectly into the plans of the German General Staffs military economists. (Testimony before United States Senate, Committee on Military Affairs, 1946.)*

The post-World War II Kilgore Committee of the United States Senate heard detailed evidence from government officials to the effect that,

*...when the Nazis came to power in 1933, they found that long strides had been made since 1918 in preparing Germany for war from an economic and industrial point of view.<sup>1</sup>*

This build-up for European war both before and after 1933 was in great part due to Wall Street financial assistance in the 1920s to create the German cartel system, and to technical assistance from well-known American firms which will be identified later, to build the German Wehrmacht. Whereas this financial and technical assistance is referred to as "accidental" or due to the "short-sightedness" of American businessmen, the evidence presented below strongly suggests some degree of premeditation on the part of these American financiers. Similar and unacceptable pleas of "accident" were made on behalf of American financiers and industrialists in the parallel example of building the military power of the Soviet Union from 1917 onwards. Yet these American capitalists were willing to finance and subsidize the Soviet Union while the Vietnam war was underway, knowing that the Soviets were supplying the other side.

The contribution made by American capitalism to German war preparations before 1940 can only be described as phenomenal. It was certainly crucial to German military capabilities. For instance, in 1934 Germany produced domestically only 300,000 tons of natural petroleum products and less than 800,000 tons of synthetic gasoline; the balance was imported. Yet, ten years later in World War II, after transfer of the Standard Oil of New Jersey hydrogenation patents and technology to I. G. Farben (used to produce synthetic gasoline from coal), Germany produced about 6 1/2 million tons of oil — of which 85 percent (5 1/2 million tons) was synthetic oil using the Standard Oil hydrogenation process. Moreover, the control of synthetic oil output in Germany was held by the I. G. Farben subsidiary, Braunkohle-Benzin A. G., and this Farben cartel itself was created in 1926 with Wall Street financial assistance.

On the other hand, the general impression left with the reader by modern historians is that this American technical assistance was accidental and that American industrialists were innocent of wrongdoing. For example, the Kilgore Committee stated:

*The United States accidentally played an important role in the technical*

*arming of Germany. Although the German military planners had ordered and persuaded manufacturing corporations to install modern equipment for mass production, neither the military economists nor the corporations seem to have realized to the full extent what that meant. Their eyes were opened when two of the chief American automobile companies built plants in Germany in order to sell in the European market, without the handicap of ocean freight charges and high German tariffs. Germans were brought to Detroit to learn the techniques of specialized production of components, and of straight-line assembly. What they saw caused further reorganization and refitting of other key German war plants. The techniques learned in Detroit were eventually used to construct the dive-bombing Stukas .... At a later period I. G. Farben representatives in this country enabled a stream of German engineers to visit not only plane plants but others of military importance, in which they learned a great deal that was eventually used against the United States.<sup>2</sup>*

Following these observations, which emphasize the "accidental" nature of the assistance, it has been concluded by such academic writers as Gabriel Kolko, who is not usually a supporter of big business, that:

*It is almost superfluous to point out that the motives of the American firms bound to contracts with German concerns were not pro. Nazi, whatever else they may have been.<sup>3</sup>*

Yet, Kolko to the contrary, analyses of the contemporary American business press confirm that business journals and newspapers were fully aware of the Nazi threat and its nature, while warning their business readers of German war preparations. And even Kolko admits that:

*The business press [in the United States] was aware, from 1935 on, that German prosperity was based on war preparations. More important, it was conscious of the fact that German industry was under the control of the Nazis and was being directed to serve Germany's rearmament, and the firm mentioned most frequently in this context was the giant chemical empire, I. G. Farben.<sup>4</sup>*

Further, the evidence presented below suggests that not only was an influential sector of American business aware of the nature of Naziism, but for its own purposes aided Naziism wherever possible (and profitable) —with full knowledge that the probable outcome would be war involving Europe and the United States. As we shall see, the pleas of innocence do not accord with the facts.

## **1924: The Dawes Plan**

The Treaty of Versailles after World War I imposed a heavy reparations burden on defeated Germany. This financial burden — a real cause of the German discontent that led to acceptance of Hitlerism — was utilized by the international bankers for their own benefit. The opportunity to float profitable loans for German cartels in the United States was

presented by the Dawes Plan and later the Young Plan. Both plans were engineered by these central bankers, who manned the committees for their own pecuniary advantages, and although technically the committees were not appointed by the U.S. Government, the plans were in fact approved and sponsored by the Government.

Post-war haggling by financiers and politicians fixed German reparations at an annual fee of 132 billion gold marks. This was about one quarter of Germany's total 1921 exports. When Germany was unable to make these crushing payments, France and Belgium occupied the Ruhr to take by force what could not be obtained voluntarily. In 1924 the Allies appointed a committee of bankers (headed by American banker Charles G. Dawes) to develop a program of reparations payments. The resulting Dawes Plan was, according to Georgetown University Professor of International Relations Carroll Quigley, "largely a J.P. Morgan production."<sup>5</sup> The Dawes Plan arranged a series of foreign loans totaling \$800 million with their proceeds flowing to Germany. These loans are important for our story because the proceeds, raised for the greater part in the United States from dollar investors, were utilized in the mid-1920s to create and consolidate the gigantic chemical and steel combinations of I. G. Farben and Vereinigte Stahlwerke, respectively. These cartels not only helped Hitler to power in 1933; they also produced the bulk of key German war materials used in World War II.

Between 1924 and 1931, under the Dawes Plan and the Young Plan, Germany paid out to the Allies about 86 billion marks in reparations. At the same time Germany borrowed abroad, mainly in the U.S., about 138 billion marks — thus making a net German payment of only three billion marks for reparations. Consequently, the burden of German monetary reparations to the Allies was actually carried by foreign subscribers to German bonds issued by Wall Street financial houses — at significant profits for themselves, of course. And, let it be noted, these firms were owned by the same financiers who periodically took off their banker hats and donned new ones to become "statesmen." As "statesmen" they formulated the Dawes and Young Plans to "solve" the "problem" of reparations. As bankers, they floated the loans. As Carroll Quigley points out,

*It is worthy of note that this system was set up by the inter. national bankers and that the subsequent lending of other people's money to Germany was very profitable to these bankers.*<sup>6</sup>

Who were the New York international bankers who formed these reparations commissions?

The 1924 Dawes Plan experts from the United States were banker Charles Dawes and Morgan representative Owen Young, who was president of the General Electric Company. Dawes was chairman of the Allied Committee of Experts in 1924. In 1929 Owen Young became chairman of the Committee of Experts, supported by J.P. Morgan himself, with alternates T. W. Lamont, a Morgan partner, and T. N. Perkins, a banker with Morgan associations. In other words, the U.S. delegations were purely and simply, as Quigley has pointed out, J. P. Morgan delegations using the authority and seal of the United States to promote financial plans for their own pecuniary advantage. As a result, as Quigley puts it, the "international bankers sat in heaven, under a rain of fees and commissions."<sup>7</sup>

The German members of the Committee of Experts were equally interesting. In 1924 Hjalmar Schacht was president of the Reichsbank and had taken a prominent role in organization work for the Dawes Plan; so did German banker Carl Melchior. One of the 1928 German delegates was A. Voegler of the German steel cartel Stahlwerke Vereinigte. In brief, the two significant countries involved — the United States and Germany — were represented by the Morgan bankers on one side and Schacht and Voegler on the other, both of whom were key characters in the rise of Hitler's Germany and subsequent German rearmament.

Finally, the members and advisors of the Dawes and Young Commissions were not only associated with New York financial houses but, as we shall later see, were directors of firms within the German cartels which aided Hitler to power.

### **1928: The Young Plan**

According to Hitler's financial genie, Hjalmar Horace Greeley Schacht, and Nazi industrialist Fritz Thyssen, it was the 1928 Young Plan (the successor to the Dawes Plan), formulated by Morgan agent Owen D. Young, that brought Hitler to power in 1933.

Fritz Thyssen claims that,

*I turned to the National Socialist Party only after I became convinced that the fight against the Young Plan was unavoidable if complete collapse of Germany was to be prevented.<sup>8</sup>*

The difference between the Young Plan and the Dawes Plan was that, while the Young Plan required payments in goods produced in Germany financed by foreign loans, the Young Plan required monetary payments and "In my judgment [wrote Thyssen] the financial debt thus created was bound to disrupt the entire economy of the Reich."

The Young Plan was assertedly a device to occupy Germany with American capital and pledge German real assets for a gigantic mortgage held in the United States. It is noteworthy that German firms with U.S. affiliations evaded the Plan by the device of temporary foreign ownership. For instance, A.E.G. (German General Electric), affiliated with General Electric in the U.S., was sold to a Franco-Belgian holding company and evaded the conditions of the Young Plan. It should be noted in passing that Owen Young was the major financial backer for Franklin D. Roosevelt in the United European venture when FDR, as a budding Wall Street financier, endeavoured to take advantage of Germany's 1925 hyperinflation. The United European venture was a vehicle to speculate and to profit upon the imposition of the Dawes Plan, and is clear evidence of private financiers (including Franklin D. Roosevelt) using the power of the state to advance their own interests by manipulating foreign policy.

Schacht's parallel charge that Owen Young was responsible for the rise of Hitler, while obviously self-serving, is recorded in a U.S. Government Intelligence report relating the interrogation of Dr. Fritz Thyssen in September, 1945:

*The acceptance of the Young Plan and its financial principles increased unemployment more and more, until about one million were unemployed.*

*People were desperate. Hitler said he would do away with unemployment. The government in power at that time was very bad, and the situation of the people was getting worse. That really was the reason of the enormous success Hitler had in the election. When the last election came, he got about 40%.<sup>9</sup>*

However, it was Schacht, not Owen Young, who conceived the idea which later became the Bank for International Settlements. The actual details were worked out at a conference presided over by Jackson Reynolds, "one of the leading New York bankers," together with Melvin Traylor of the First National Bank of Chicago, Sir Charles Addis, formerly of the Hong Kong and Shanghai Banking Corporation, and various French and German bankers.<sup>10</sup> The B.I.S. was essential under the Young Plan as a means to afford a ready instrument for promoting international financial relations. According to his own statements, Schacht also gave Owen Young the idea that later became the post-World War II International Bank for Reconstruction and Development:

*"A bank of this kind will demand financial co-operation be, tween vanquished and victors that will lead to community of interests which in turn will give rise to mutual confidence and understanding and thus promote and ensure peace."*

*I can still vividly recall the setting in which this conversation took place. Owen Young was seated in his armchair puffing away at his pipe, his legs outstretched, his keen eyes fixed unswervingly on me. As is my habit when propounding such arguments I was doing a quiet steady "quarter-deck" up and down the room. When I had finished there was a brief pause. Then his whole face lighted up and his resolve found utterance in the words:*

*"Dr. Schacht, you gave me a wonderful idea and I am going to sell it to the world."<sup>11</sup>*

## **B.I.S. — The Apex of Control**

This interplay of ideas and cooperation between Hjalmar Schacht in Germany and, through Owen Young, the J.P. Morgan interests in New York, was only one facet of a vast and ambitious system of cooperation and international alliance for world control. As described by Carroll Quigley, this system was "... nothing less than to create a world system of financial control, in private hands, able to dominate the political system of each country and the economy of the world as a whole."<sup>12</sup>

This feudal system worked in the 1920s, as it works today, through the medium of the private central bankers in each country who control the national money supply of individual economies. In the 1920s and 1930s, the New York Federal Reserve System, the Bank of England, the Reichsbank in Germany, and the Banque de France also more or less influenced the political apparatus of their respective countries indirectly through control of the money supply and creation of the monetary environment. More direct influence was realized by supplying political funds to, or withdrawing support from, politicians and political parties. In the United States, for example, President Herbert Hoover blamed his 1932 defeat on withdrawal of support by Wall Street and the switch of Wall Street finance



and influence to Franklin D. Roosevelt.

Politicians amenable to the objectives of financial capitalism, and academies prolific with ideas for world control useful to the international bankers, are kept in line with a system of rewards and penalties. In the early 1930s the guiding vehicle for this international system of financial and political control, called by Quigley the "apex of the system," was the Bank for International Settlements in Basle, Switzerland. The B.I.S. apex continued its work during World War II as the medium through which the bankers — who apparently were not at war with each other — continued a mutually beneficial exchange of ideas, information, and planning for the post-war world. As one writer has observed, war made no difference to the international bankers:

*The fact that the Bank possessed a truly international staff did, of course, present a highly anomalous situation in time of war. An American President was transacting the daily business of the Bank through a French General Manager, who had a German Assistant General Manager, while the Secretary-General was an Italian subject. Other nationals occupied other posts. These men were, of course, in daily personal contact with each other. Except for Mr. McKittrick [see infra] theft were of course situated permanently in Switzerland during this period and were not supposed to be subject to orders of their government at any time. However, the directors of the Bank remained, of course, in their respective countries and had no direct contact with the personnel of the Bank. It is alleged, however, that H. Schacht, president of the Reichsbank, kept a personal representative in Basle during most of this time.<sup>13</sup>*

It was such secret meetings, "... meetings more secret than any **ever** held by Royal Ark Masons or by any Rosicrucian Order..."<sup>14</sup> between the central bankers at the "apex" of control that so intrigued contemporary journalists, although they only rarely and briefly penetrated behind the mask of secrecy.

### **Building the German Cartels**

A practical example of international finance operating behind the scenes to build and manipulate politico-economic systems is found in the German cartel system. The three largest loans handled by the Wall Street international bankers for German borrowers in the 1920s under the Dawes Plan were for the benefit of three German cartels which a few years later aided Hitler and the Nazis to power. American financiers were directly represented on the boards of two of these three German cartels. This American assistance to German cartels has been described by James Martin as follows: "These loans for reconstruction became a vehicle for arrangements that did more to promote World War II than to establish peace after World War I."<sup>15</sup>

The three dominant cartels, the amounts borrowed and the Wall Street floating syndicate were as follows:

<b>German Cartel</b>	<b>Wall Street Syndicate</b>	<b>Amount Issued</b>
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Allgemeine Elektrizitäts- Gesellschaft (A.E.G.) (German General Electric)	National City Co.	\$35,000,000
Vereinigte Stahlwerke (United Steelworks)	Dillon, Read & Co.	\$70,225,000
American I.G. Chemical (I.G. Farben)	National City Co.	\$30,000,000

Looking at all the loans issued, it appears that only a handful of New York financial houses handled the German reparations financing. Three houses — Dillon, Read Co.; Harris, Forbes & Co.; and National City Company — issued almost three-quarters of the total face amount of the loans and reaped most of the profits:

Wall Street Syndicate Manager	Participation in German industrial		Percent of total
	issues in U.S. capital market	Profits on German loans*	
Dillon, Read & Co.	\$241,325,000	\$2.7 million	29.2
Harris, Forbes & Co.	186,500,000	1.4 million	22.6
National City Co.	173,000,000	5.0 million	20.9
Speyer & Co.	59,500,000	0.6 million	7.2
Lee, Higginson & Co.	53,000,000	n.a	6.4
Guaranty Co. of N.Y.	41,575,000	0.2 million	5.0
Kuhn, Loeb & Co.	37,500,000	0.2 million	4.5
Equitable Trust Co.	34,000,000	0.3 million	4.1
<b>TOTAL</b>	<b>\$826,400,000</b>	<b>\$10.4 million</b>	<b>99.9</b>

**Source:** See Appendix A

\*Robert R. Kuczynski, *Bankers Profits from German Loans*

(Washington, D.C.: Brookings Institution, 1932), p. 127.

After the mid-1920s the two major German combines of I.G. Farben and Vereinigte Stahlwerke dominated the chemical and steel cartel system created by these loans. Although these firms had a voting majority in the cartels for only two or three basic

products, they were able — through control of these basics — to enforce their will throughout the cartel. I.G. Farben was the main producer of basic chemicals used by other combines making chemicals, so its economic power position cannot be measured only by its capacity to produce a few basic chemicals. Similarly, Vereinigte Stahlwerke, with a pig-iron capacity greater than that of all other German iron and steel producers combined, was able to exercise far more influence in the semi-finished iron and steel products cartel than its capacity for pig-iron production suggests. Even so the percentage output of these cartels for all products was significant:

Vereinigte Stahlwerke products	Percent of German total production in 1938
Pig iron	50.8
Pipes and tubes	45.5
Heavy plate	36.0
Explosives	35.0
Coal tar	33.3
Bar steel	37.1

I.G. Farben	Percent of German total production in 1937
Synthetic methanol	100.0
Magnesium	100.0
Chemical nitrogen	70.0
Explosives	60.0
Synthetic gasoline (high octane)	46.0 (1945)
Brown coal	20.0

Among the products that brought I.G. Farben and Vereinigte Stahlwerke into mutual collaboration were coal tar and chemical nitrogen, both of prime importance for the manufacture of explosives. I. G. Farben had a cartel position that assured dominance in the manufacture and sale of chemical nitrogen, but had only about one percent of the cok-ing capacity of Germany. Hence an agreement was made under which Farben explosives subsidiaries obtained their benzol, toluol, and other primary coal-tar products on terms dictated by Vereinigte Stahlwerke, while Vereinigte Stahlwerke's explosives subsidiary was dependent for its nitrates on terms set by Farben. Under this system of mutual collaboration and inter-dependence, the two cartels, I.G. Farben and Vereinigte Stahlwerke, produced 95 percent of German .explosives in 1957-8 on the eve of World War II. *This production was from capacity built by American loans and to*

*some extent by American technology.*

**The I. G. Farben-Standard Oil cooperation for production of synthetic oil from coal gave the I. G. Farben cartel a monopoly of German gasoline production during World War II. Just under one half of German high octane gasoline in 1945 was produced directly by I. G. Farben and most of the balance by its affiliated companies.**

**In brief, in synthetic gasoline and explosives (two of the very basic elements of modern warfare), the control of German World War II output was in the hands of two German combines created by Wall Street loans under the Dawes Plan.**

**Moreover, American assistance to Nazi war efforts extended into other areas.<sup>17</sup> The two largest tank producers in Hitler's Germany were Opel, a wholly owned subsidiary of General Motors (controlled by the J.P. Morgan firm), and the Ford A. G. subsidiary of the Ford Motor Company of Detroit. The Nazis granted tax-exempt status to Opel in 1936, to enable General Motors to expand its production facilities. General Motors obligingly reinvested the resulting profits into German industry. Henry Ford was decorated by the Nazis for *his* services to Naziism. (See p. 93.) Alcoa and Dow Chemical worked closely with Nazi industry with numerous transfers of their domestic U.S. technology. Bendix Aviation, in which the J.P. Morgan-controlled General Motors firm had a major stock interest, supplied Siemens & Halske A. G. in Germany with data on automatic pilots and aircraft instruments. As late as 1940, in the "unofficial war," Bendix Aviation supplied complete technical data to Robert Bosch for aircraft and diesel engine starters and received royalty payments in return.**

**In brief, American companies associated with the Morgan-Rockefeller international investment bankers — not, it should be noted, the vast bulk of independent American industrialists — were intimately related to the growth of Nazi industry. It is important to note as we develop our story that General Motors, Ford, General Electric, DuPont and the handful of U.S. companies intimately involved with the development of Nazi Germany were — except for the Ford Motor Company — controlled by the Wall Street elite — the J.P. Morgan firm, the Rockefeller Chase Bank and to a lesser extent the Warburg Manhattan bank.<sup>18</sup> This book is not an indictment of *all* American industry and finance. It is an indictment of the "apex" — those firms controlled through the handful of financial houses, the Federal Reserve Bank system, the Bank for International Settlements, and their continuing international cooperative arrangements and cartels which attempt to control the course of world politics and economics.**

#### Footnotes:

<sup>1</sup>United States Congress. Senate. Hearings before a Subcommittee of the Committee on Military Affairs. *Elimination of German Resources for War*. Report pursuant to S. Res. 107 and 146, July 2, 1945, Part 7, (78th Congress and 79th Congress), (Washington: Government Printing Office, 1945), hereafter cited as *Elimination of German Resources*.

<sup>2</sup>*Elimination of German Resources*, p. 174.

<sup>3</sup>Gabriel Kolko, "American Business and Germany, 1930-1941," *The Western Political Quarterly*, Volume XV, 1962.

<sup>4</sup>*Ibid*, p. 715.

<sup>5</sup>Carroll Quigley, *op. cit.*

<sup>6</sup>*Ibid*, p. 308.

<sup>7</sup>Carroll Quigley, *op. cit.*, p. 309.

<sup>8</sup>Fritz Thyssen, *I Paid Hitler*, (New York: Farrar & Rinehart, Inc., n.d.), p. 88.

<sup>9</sup>U.S. Group Control Council (Germany), Office of the Director of Intelligence, Intelligence Report No. EF/ME/1, 4 September 1945. Also see Hjalmar Schacht, *Confessions of "the old Wizard"*, (Boston: Houghton Mifflin, 1956)

<sup>10</sup>Hjalmar Schacht, *op. cit.*, p. 18. Fritz Thyssen adds, "Even at the time Mr. Dillon, a New York Banker of Jewish origin whom I much admire told me 'In your place I would not sign the plan.'"

<sup>11</sup>*Ibid*, p. 282.

<sup>12</sup>Carroll Quigley, *op. cit.*, p. 324.

<sup>13</sup>Henry H. Schloss, *The Bank for International Settlements* (Amsterdam,: North Holland Publishing Company, 1958)

<sup>14</sup>John Hargrave, *Montagu Norman*, (New York: The Greystone Press, n.d.). p. 108.

<sup>15</sup>James Stewart Martin, *op. cit.*, p. 70.

<sup>16</sup>See Chapter Seven for more details of Wall Street loans to German industry.

<sup>17</sup>See Gabriel Kolko, *op. cit.*, for numerous examples.

<sup>18</sup>In 1956 the Chase and Manhattan banks merged to become Chase Manhattan.

**BACK**

## CHAPTER TWO

### The Empire of I.G. Farben

*Farben was Hitler and Hitler was Farben.* (Senator Homer T. Bone to Senate Committee on Military Affairs, June 4, 1943.)

On the eve of World War II the German chemical complex of I.G. Farben was the largest chemical manufacturing enterprise in the world, with extraordinary political and economic power and influence within the Hitlerian Nazi state. I. G. has been aptly described as "a state within a state."

The Farben cartel dated from 1925, when organizing genius Hermann Schmitz (with Wall Street financial assistance) created the super-giant chemical enterprise out of six already giant German chemical companies — Badische Anilin, Bayer, Agfa, Hoechst, Weiler-ter-Meer, and Griesheim-Elektron. These companies were merged to become Inter-nationale Gesellschaft Farbenindustrie A.G. — or I.G. Farben for short. Twenty years later the same Hermann Schmitz was put on trial at Nuremburg for war crimes committed by the I. G. cartel. Other I. G. Farben directors were placed on trial but the American affiliates of I. G. Farben and the American directors of I. G. itself were quietly forgotten; the truth was buried in the archives.

It is these U.S. connections in Wall Street that concern us. Without the capital supplied by Wall Street, there would have been no I. G. Farben in the first place and almost certainly no Adolf Hitler and World War II.

German bankers on the Farben *Aufsichtsrat* (the supervisory Board of Directors)<sup>1</sup> in the late 1920s included the Hamburg banker Max Warburg, whose brother Paul Warburg was a founder of the Federal Reserve System in the United States. Not coincidentally, Paul Warburg was also on the board of American I. G., Farben's wholly owned U.S. subsidiary. In addition to Max Warburg and Hermann Schmitz, the guiding hand in the creation of the Farben empire, the early Farben *Vorstand* included Carl Bosch, Fritz ter Meer, Kurt Oppenheim and George von Schnitzler.<sup>2</sup> All except Max Warburg were charged as "war criminals" after World War II.

In 1928 the American holdings of I. G. Farben (*i.e.*, the Bayer Company, General Aniline Works, Agfa Ansco, and Winthrop Chemical Company) were organized into a Swiss holding company, i. G. Chemic (Inter-nationale Gesellschaft für Chemische Unternehmungen A. G.), controlled by I. G. Farben in Germany. In the following year these American firms merged to become American I. G. Chemical Corporation, later renamed General Aniline & Film. Hermann Schmitz, the organizer of I. G. Farben in 1925, became a prominent early Nazi and supporter of Hitler, as well as chairman of the Swiss I. G. Chemic and president of American I. G. The Farben complex both in Germany and the United States

then developed into an integral part of the formation and operation of the Nazi state machine, the Wehrmacht and the S.S.

I. G. Farben is of peculiar interest in the formation of the Nazi state because Farben directors materially helped Hitler and the Nazis to power in 1933. We have photographic evidence (see page 60) that I.G. Farben contributed 400,000 RM to Hitler's political "slush fund." It was this secret fund which financed the Nazi seizure of control in March 1933. Many years earlier Farben had obtained Wall Street funds for the 1925 cartelization and expansion in Germany and \$30 million for American I. G. in 1929, and had Wall Street directors on the Farben board. It has to be noted that these funds were raised and directors appointed years before Hitler was promoted as the German dictator.

### **The Economic Power of I. G. Farben**

Qualified observers have argued that Germany could not have gone to war in 1939 without I. G. Farben. Between 1927 and the beginning of World War II, I.G. Farben doubled in size, an expansion made possible in great part by American technical assistance and by American bond issues, such as the one for \$30 million offered by National City Bank. By 1939 I. G. acquired a participation and managerial influence in some 380 other German firms and over 500 foreign firms. The Farben empire owned its own coal mines, its own electric power plants, iron and steel units, banks, research units, and numerous commercial enterprises. There were over 2,000 cartel agreements between I. G. and foreign firms — including Standard Oil of New Jersey, DuPont, Alcoa, Dow Chemical, and others in the United States. The full story of I.G. Farben and its world-wide activities before World War II can never be known, as key German records were destroyed in 1945 in anticipation of Allied victory. However, one post-war investigation by the U.S. War Department concluded that:

*Without I. G.'s immense productive facilities, its intense research, and vast international affiliations, Germany's prosecution of the war would have been unthinkable and impossible; Farben not only directed its energies toward arming Germany, but concentrated on weakening her intended victims, and this double-barreled attempt to expand the German industrial potential for war and to restrict that of the rest of the world was not conceived and executed "in the normal course of business." The proof is overwhelming that I. G. Farben officials had full prior knowledge of Germany's plan for world conquest and of each specific aggressive act later undertaken ....<sup>3</sup>*

Directors of Farben firms (*i.e.*, the "I. G. Farben officials" referred to in the investigation) included not only Germans but also prominent American financiers. This 1945 U.S. War Department report concluded that I.G.'s assignment from Hitler in the prewar period was to make Germany self-sufficient in rubber, gasoline, lubricating oils, magnesium, fibers, tanning agents, fats, and explosives. To fulfill this critical assignment, vast sums were spent by I.G. on processes to extract these war materials from indigenous German raw materials - in particular the plentiful German coal resources. Where these processes could not be developed in Germany, they were acquired from abroad under cartel arrangements. For example, the process for iso-octane, essential for aviation fuels, was obtained from the

United States,

*... in fact entirely [from] the Americans and has become known to us in detail in its separate stages through our agreements with them [Standard Oil of New Jersey] and is being used very extensively by us.<sup>4</sup>*

The process for manufacturing tetra-ethyl lead? essential for aviation gasoline, was obtained by I. G. Farben from the United States, and in 1939 I.G. was sold \$20 million of high-grade aviation gasoline by Standard Oil of New Jersey. Even before Germany manufactured tetra-ethyl lead by the American process it was able to "borrow" 500 tons from the Ethyl Corporation. This loan of vital tetra-ethyl lead was not repaid and I.G. forfeited the \$1 million security. Further, I.G. purchased large stocks of magnesium from Dow Chemical for incendiary bombs and stockpiled explosives, stabilizers, phosphorus, and cyanides from the outside world.

In 1939, out of 43 major products manufactured by I.G., 28 were of "primary concern" to the German armed forces. Farben's ultimate control of the German war economy, acquired during the 1920s and 1930s with Wall Street assistance, can best be assessed by examining the percentage of German war material output produced by Farben plants in 1945. Farben at that time produced 100 percent of German synthetic rubber, 95 percent of German poison gas (including all the Zyklon B gas used in the concentration camps), 90 percent of German plastics, 88 percent of German magnesium, 84 percent of German explosives, 70 percent of German gunpowder, 46 percent of German high octane (aviation) gasoline, and 33 percent of German synthetic gasoline.<sup>5</sup> (See Chart 2-1 and Table 2-1.)

**Table 2-1: German Army (Wehrmacht) Dependence on I.G. Farben Production (1943):**

<b>Product</b>	<b>Total German Production</b>	<b>Percent Produced by I.G. Farben</b>
Synthetic Rubber	118,600 tons	100
Methanol	251,000 tons	100
Lubricating Oil	60,000 tons	100
Dyestuffs	31,670 tons	98
Poison Gas	—	95
Nickel	2,000 tons	95
Plastics	57,000 tons	90
Magnesium	27,400 tons	88
Explosives	221,000 tons	84
Gunpowder	210,000 tons	70
High Octane (Aviation) Gasoline	650,000 tons	46
Sulfuric Acid	707,000 tons	35



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## **Chart 2-1: German Army (Wehrmacht) Dependence on I.G. Farben Production (1943)**

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Dr. von Schnitzler, of the I.G. Farben *Aufsichtsrat*, made the following pertinent statement in 1943:

*It is no exaggeration to say that without the services of German chemistry performed under the Four Year Plan the prosecution of modern war would have been unthinkable.<sup>6</sup>*

Unfortunately, when we probe the technical origins of the more important of these military materials — quite apart from financial Support for Hitler — we find links to American industry and to American businessmen. There were numerous Farben arrangements with American firms, including cartel marketing arrangements, patent agreements, and technical exchanges as exemplified in the Standard Oil-Ethyl technology transfers mentioned above. These arrangements were used by I.G. to advance Nazi policy abroad, to collect strategic information, and to consolidate a world-wide chemical cartel.

One of the more horrifying aspects of I.G. Farben's cartel was the invention, production, and distribution of the Zyklon B gas, used in Nazi concentration camps. Zyklon B was pure Prussic acid, a lethal poison produced by I.G. Farben Leverkusen and sold from the Bayer sales office through Degesch, an independent license holder. Sales of Zyklon B amounted to almost three-quarters of Degesch business; enough gas to kill 200 million humans was produced and sold by I.G. Farben. The Kilgore Committee report of 1942 makes it clear that the I.G. Farben directors had precise knowledge of the Nazi concentration camps and the use of I.G. chemicals. This prior knowledge becomes significant when we later consider the role of the American directors in I.G.'s American subsidiary. The 1945 interrogation of I.G. Farben director von Schnitzler reads:

Q. What did you do when they told you that I.G. chemicals was [*sic*] being used to kill, to murder people held in concentration camps?

A. I was horrified.

Q. Did you do anything about it?

A. I kept it for me [to myself] because it was too terrible .... I asked Muller-Cunradi is it known to you and Ambros and other directors in Auschwitz that the gases and chemicals are being used to murder people.

Q. What did he say?

A. Yes: it is known to all I.G. directors in Auschwitz.<sup>7</sup>

There was no attempt by I.G. Farben to halt production of the gases — a rather ineffective way for von Schnitzler to express any concern for human life, "because it was too terrible."

The Berlin N.W. 7 office of I.G. Farben was the key Nazi overseas espionage center. The unit operated under Farben director Max Ilgner, nephew of I.G. Farben president Hermann Schmitz. Max Ilgner and Hermann Schmitz were on the board of American I.G., with fellow directors Henry Ford of Ford Motor Company, Paul Warburg of Bank of Manhattan, and Charles E. Mitchell of the Federal Reserve Bank of New York.

At the outbreak of war in 1939 VOWI employees were ordered into the Wehrmacht but in fact continued to perform the same work as when nominally under I.G. Farben. One of the more prominent of these Farben intelligence workers in N.W. 7 was Prince Bernhard of the Netherlands, who joined Farben in the early 1930s after completion of an 18-month period of service in the black-uniformed S.S.<sup>8</sup>

The U.S. arm of the VOWI intelligence network was Chemnyco, Inc. According to the War Department,

*Utilizing normal business contacts Chemnyco was able to transmit to Germany tremendous amounts of material ranging from photographs and blueprints to detailed descriptions of whole industrial plants.<sup>9</sup>*

Chemnyco's vice president in New York was Rudolph Ilgner, an American citizen and brother of American I. G. Farben director Max Ilgner. In brief, Farben operated VOWI, the Nazi foreign intelligence operation, before World War II and the VOWI operation was associated with prominent members of the Wall Street Establishment through American I.G. and Chemnyco.

The U.S. War Department also accused I.G. Farben and its American associates of spearheading Nazi psychological and economic warfare programs through dissemination of propaganda via Farben agents abroad, and of providing foreign exchange for this Nazi propaganda. Farben's cartel arrangements promoted Nazi economic warfare — the outstanding example being the voluntary Standard Oil of New Jersey restriction on development of synthetic rubber in the United States at the behest of I. G. Farben. As the War Department report puts it:

*The story in short is that because of Standard Oil's determination to maintain an absolute monopoly of synthetic rubber developments in the United States, it fully accomplished I.G.'s purpose of preventing United States production by dissuading American rubber companies from undertaking independent research in developing synthetic rubber processes.<sup>10</sup>*

In 1945 Dr. Oskar Loehr, deputy head of the I.G. "Tea Buro," confirmed that I. G. Farben and Standard Oil of New Jersey operated a "preconceived plan" to suppress development of the synthetic rubber industry in the United States, to the advantage of the German Wehrmacht and to the disadvantage of the United States in World War II.

Dr. Loehr's testimony reads (in part) as follows:

Q. Is it true that while the delay in divulging the buna [synthetic rubber] processes to American rubber companies was taking place, Chemnyco and Jasco were in the meantime keeping I.G. well informed in regard to synthetic

rubber development in the U.S.?

A. Yes.

Q. So that at all times I.G. was fully aware of the state of the development of the American synthetic rubber industry?

A. Yes.

Q. Were you present at the Hague meeting when Mr. Howard [of Standard Oil] went there in 1939?

A. No.

Q. Who was present?

A. Mr. Ringer, who was accompanied by Dr. Brown of Ludwigshafen. Did they tell you about the negotiations?

A. Yes, as far as they were on the buna part of it.

Q. Is it true that Mr. Howard told I.G. at this meeting that the developments in the U.S. had reached such a stage that it would no longer be possible for him to keep the information in regard to the buna processes from the American companies?

A. Mr. Ringer reported it.

Q. Was it at that meeting that for the first time Mr. Howard told I.G. the American rubber companies might have to be informed of the processes and he assured I.G. that Standard Oil would control the synthetic rubber industry in the U.S.? Is that right?

A. That is right. That is the knowledge I got through Mr. Ringer.

Q. So that in all these arrangements since the beginning of the development of the synthetic rubber industry the suppression of the synthetic rubber industry in the U.S. was part of a preconceived plan between I.G. on the one hand and Mr. Howard of Standard Oil on the other?

A. That is a conclusion that must be drawn from the previous facts.<sup>11</sup>

I.G. Farben was pre-war Germany's largest earner of foreign exchange, and this foreign exchange enabled Germany to purchase strategic raw materials, military equipment, and technical processes, and to finance its overseas programs of espionage, propaganda, and varied military and political activities preceding World War II. Acting on behalf of the Nazi state, Farben broadened its own horizon to a world scale which maintained close relations with the Nazi regime and the Wehrmacht. A liaison office, the *Vermittlungsstelle W*, was established to maintain communications between I.G. Farben and the German Ministry of War:

*The aim of this work is the building up o.[ a tight organ izatton for armament in the I.G. which could be inserted without difficulty in the existing organization of the I.G. and the individual plants. In the case of war, I.G. will be treated by the authorities concerned with armament questions as one big plant which, in its task for the armament, as far as it is possible to do so from the technical point of view, will regulate itself without any organizational influence from outside (the work in this direction was in principle agreed upon with the Ministry of War Wehrwirtschaftsamt) and from this office with the Ministry of Economy. To the field of the work of the Vermittlungsstelle W belongs, besides the organizational set-up and long-range planning, the continuous collaboration with regard to the armament and technical questions with the authorities of the Reich and with the plants of the I.G.]<sup>12</sup>*

Unfortunately the files of the *Vermittlungsstelle* offices were destroyed prior to the end of the war, although it is known from other sources that from 1934 onwards a complex network of transactions evolved between I.G. and the Wehrmacht. In 1934 I. G. Farben began to mobilize for war, and each I.G. plant prepared its war production plans and submitted the plans to the Ministries of War and Economics. By 1935-6 war games were being held at I.G. Farben plants and wartime technical procedures rehearsed.<sup>13</sup> These war games were described by Dr. Struss, head of the Secretariat of I.G.'s Technical Committee:

*It is true that since 1934 or 1935, soon after the establishment of the Vermittlungsstelle W in the different works, theoretical war plant games had been arranged to examine how the effect of bombing on certain factories would materialize. It was particularly taken into consideration what would happen if 100- or 500-kilogram bombs would fall on a certain factory and what would be the result of it. It is also right that the word Kriegsspiele was used for it.*

*The Kriegsspiele were prepared by Mr. Ritter and Dr. Eckell, later on partly by Dr. von Brunning by personal order on Dr. Krauch's own initiative or by order of the Air Force, it is not known to me. The tasks were partly given by the Vermittlung-sstelle W and partly by officers of the Air Force. A number of officers of all groups of the Wehrmacht (Navy, Air Force, and Army) participated in these Kriegsspiele.*

*The places which were hit by bombs were marked in a map of the plant so that it could be ascertained which parts of the plant were damaged, for example a gas meter or an important pipe line. As soon as the raid finished, the management of the plant ascertained the damages and reported which part of the plant had to stop working; they further reported what time would be required in order to repair the damages. In a following meeting the consequences of the Kriegsspiele were described and it was ascertained that in the case of Leuna [plant] the damages involved were considerably high; especially it was found out that alterations of the pipe lines were to be made at considerable cost.<sup>14</sup>*

Consequently, throughout the 1930s I. G. Farben did more than just comply with orders

from the Nazi regime. Farben was an initiator and operator for the Nazi plans for world conquest. Farben acted as a research and intelligence organization for the German Army and voluntarily initiated Wehrmacht projects. In fact the Army only rarely had to approach Farben; it is estimated that about 40 to 50 percent of Farben projects for the Army were initiated by Farben itself. In brief, in the words of Dr. von Schnitzler:

*Thus, in acting as it had done, I.G. contracted a great responsibility and constituted a substantial aid in the chemical domain and decisive help to Hitler's foreign policy, which led to war and to the ruin of Germany. Thus, I must conclude that I.G. is largely responsible for Hitler's policy,*

### **Polishing I. G. Farben's Public Image**

This miserable picture of pre-war military preparation was known abroad and had to be sold — or disguised — to the American public in order to facilitate Wall Street fund-raising and technical assistance on behalf of I. G. Farben in the United States. A prominent New York public relations firm was chosen for the job of selling the I.G. Farben combine to America. The most notable public relations firm in the late 1920s and 1930s was Ivy Lee & T.J. Ross of New York. Ivy Lee had previously undertaken a public relations campaign for the Rockefellers, to spruce up the Rockefeller name among the American public. The firm had also produced a syncophantic book entitled *USSR*, undertaking the same clean-up task for the Soviet Union — even while Soviet labor camps were in full blast in the late 20s and early 30s.

From 1929 onwards Ivy Lee became public relations counsel for I. G. Farben in the United States. In 1934 Ivy Lee presented testimony to the House Un-American Activities Committee on this work for Farben.<sup>15</sup> Lee testified that I.G. Farben was affiliated with the American Farben firm and "The American I.G. is a holding company with directors such people as Edsel Ford, Walter Teagle, one of the officers of the City Bank .... " Lee explained that he was paid \$25,000 per year under a contract made with Max Ilgner of I.G. Farben. His job was to counter criticism levelled at I.G. Farben within the United States. The advice given by Ivy Lee to Farben on this problem was acceptable enough:

*In the first place, I have told them that they could never in the world get the American people reconciled to their treatment of the Jews: that that was just foreign to the American mentality and could never be justified in the American public opinion, and there was no use trying.*

*In the second place, anything that savored of Nazi propaganda in this country was a mistake and ought not to be under. taken. Our people regard it as meddling with American affairs, and it was bad business.<sup>16</sup>*

The initial payment of \$4,500 to Ivy Lee under this contract was made by Hermann Schmitz, chairman of I.G. Farben in Germany. It was deposited in the New York Trust Company under the name of I. G. Chemic (or the "Swiss I.G.," as Ivy Lee termed it). However, the second and major payment of \$14,450 was made by William von Rath of the American I.G. and also deposited by Ivy Lee in New York Trust Company, for the credit of

his personal account. (The firm account was at the Chase Bank.) This point about the origin of the funds is 'important when we consider the identity of directors of American I.G., because payment by American I.G. meant that the bulk of the Nazi propaganda funds were not of German origin. *They were American funds earned in the U.S. and under control of American directors, although used for Nazi propaganda in the United States.*

In other words, most of the Nazi propaganda funds handled by Ivy Lee were *not* imported from Germany.

The use to which these American funds were put was brought out under questioning by the House Un-American Activities Committee:

Mr. DICKSTEIN. As I understand you, you testified that you received no propaganda at all, and that you had nothing to do with the distribution of propaganda in this country?

Mr. LEE. I did not testify I received none Mr. Dickstein.

Mr. DICKSTEIN. I will eliminate that part of the question, then.

Mr. LEE. I testified that I disseminated none whatever.

Mr. DICKSTEIN. Have you received or has your firm received any propaganda literature from Germany at any time?

Mr. LEE. Yes, sir.

Mr. DICKSTEIN. And when was that?

Mr. LEE. Oh, we have received — it is a question of what you call propaganda. We have received an immense amount of literature.

Mr. DICKSTEIN. You do not know what that literature was and what it contained?

Mr. LEE. We have received books and pamphlets and newspaper clippings and documents, world without end.

Mr. DICKSTEIN. I assume someone in your office would go over them and see what they were?

Mr. LEE. Yes, sir.

Mr. DICKSTEIN. And then after you found out what they were, I assume you kept copies of them?

Mr. LEE. In some cases, yes: and in some, no. A great many of them, of course, were in German, and I had what my son sent me. He said they were interesting and significant, and those I had translated or excerpts of them made.<sup>17</sup>

Finally, Ivy Lee employed Burnham Carter to study American new paper reports on

Germany and prepare suitable pro-Nazi replies. It should be noted that this German literature was not Farben literature, it was official Hitler literature:

Mr. DICKSTEIN. In other words, you receive this material that deals with German conditions today: You examine it and you advise them. It has nothing to do with the German Government, although the material, the literature, is official literature of the Hitler regime. That is correct, is it not?

Mr. LEE. Well, a good deal of the literature was not official.

Mr. DICKSTEIN. It was not I.G. literature, was it?

Mr. LEE. No; I.G. sent it to me.

Mr. DICKSTEIN. Can you show us one scrap of paper that came in here that had anything to do with the I.G.?

Mr. LEE. Oh, yes. They issue a good deal of literature. But I do not want to beg the question. There is no question whatever that under their authority I have received an immense amount of material that came from official and unofficial sources.

Mr. DICKSTEIN. Exactly. In other words, the material that was sent here by the I.G. was material spread — we would call it propaganda — by authority of the German Government. But the distinction that you make in your statement is, as I take it, that the German Government did not send it to you directly; that it was sent to you by the I.G.

Mr. LEE. Right.

Mr. DICKSTEIN. And it had nothing to do with their business relations just now.

Mr. LEE. That is correct.

## **The American I.G. Farben**

Who were the prominent Wall Street establishment financiers who directed the activities of American I.G., the I.G. Farben affiliate in the United States promoting Nazi propaganda?

American I.G. Farben directors included some of the more prominent members of Wall Street. German interests re-entered the United States after World War I, and successfully overcame barriers designed to keep I.G. out of the American market. Neither seizure of German patents, establishment of the Chemical Foundation, nor high tariff walls were a major problem.

By 1925, General Dyestuff Corporation was established as the exclusive selling agent for products manufactured by Gasselli Dyestuff (renamed General Aniline Works, Inc., in 1929) and imported from Germany. The stock of General Aniline Works was transferred in 1929 to American I.G. Chemical Corporation and later in 1939 to General Aniline & Film

Corporation, into which American I.G. and General Aniline Works were merged. American I.G. and its successor, General Aniline & Film, is the unit through which control of I.G.'s enterprises in the U.S. was maintained. The stock authorization of American I.G. was 3,000,000 common A

shares and 3,000,000 common B shares. In return for stock interests in General Aniline Works and Agfa-Ansco Corporation, I.G. Farben in Germany received all the B shares and 400,000 A shares. Thirty million dollars of convertible bonds were sold to the American public and guaranteed as to principal and interest by the German I.G. Farben, which received an option to purchase an additional 1,000,000 A shares.

**Table 2-2: The Directors of American I.G. at 1930:**

**American I.G.**

<b>Director</b>	<b>Citizenship</b>	<b>Other Major Associations</b>
Carl BOSCH	German	FORD MOTOR CO. A-G
Edsel B. FORD	U.S.	FORD MOTOR CO. DETROIT
Max ILGNER	German	Directed I.G. FARBEN N.W.7 (INTELLIGENCE) office. Guilty at Nuremberg War Crimes Trials.
F. Ter MEER	German	Guilty at Nuremberg War Crimes Trials
H.A. METZ	U.S.	Director of I.G. Farben Germany and BANK OF MANHATTAN (U.S.)
C.E. MITCHELL	U.S.	Director of FEDERAL RESERVE BANK OF N.Y. and NATIONAL CITY BANK
Herman SCHMITZ	German	On boards of I.G. Farben (President) (Germany) Deutsche Bank (Germany) and BANK FOR INTERNATIONAL SETTLEMENTS. Guilty at Nuremberg War Crimes Trials.
Walter TEAGLE	U.S.	Director FEDERAL RESERVE BANK OF NEW YORK and STANDARD OIL OF NEW JERSEY
W.H. von RATH	Naturalized	Director of GERMAN GENERAL U.S. ELECTRIC (A.E.G.)



Paul M. WARBURG	U.S.	First member of the FEDERAL RESERVE BANK OF NEW YORK and BANK OF MANHATTAN
W.E. WEISS	U.S.	Sterling Products

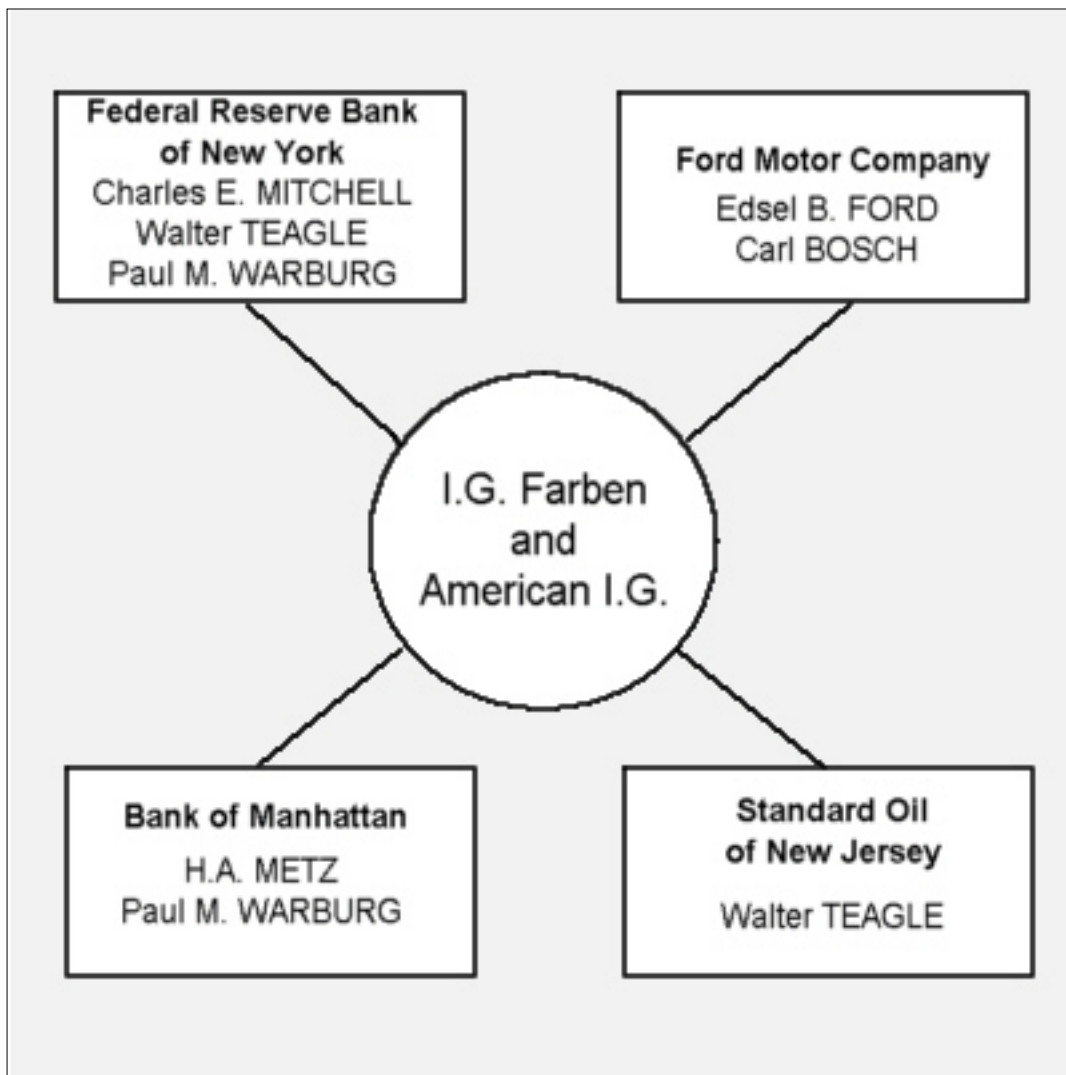
*Source:* Moody's Manual of Investments; 1930, p. 2149.

*Note:* Walter DUISBERG (U.S.), W. GRIEF (U.S.), and Adolf KUTTROFF (U.S.) were also Directors of American I.G. Farben at this period.

The management of American I.G. (later General Aniline) was dominated by I.G. or former I.G. officials. (See Table 9.9..) Hermann Schmitz served as president from 1929 to 1936 and was then succeeded by his brother, Dietrich A. Schmitz, a naturalized American citizen, until 1941. Hermann Schmitz, who was also a director of the bank for International Settlements, the "apex" of the international financial control system. He remained as chairman of the board of directors from 1936 to 1939.

The original board of directors included nine members who were, or had been, members of the board of I.G. Farben in Germany (Hermann Schmitz, Carl Bosch, Max Ilgner, Fritz ter Meer, and Wilfred Grief), or had been previously employed by I.G. Farben in Germany (Walter Duisberg, Adolph Kuttroff, W.H. von Rath, Herman A. Metz). Herman A. Metz was an American citizen, a staunch Democrat in politics and a former comptroller of the City of New York. A tenth, W.E. Weiss, had been under contract to I.G.

Directors of American I.G. were not only prominent in Wall Street and American industry but more significantly were drawn from a few highly influential institutions:



The remaining four members of the American I.G. board were prominent American citizens and members of the Wall Street financial elite: C.E. Mitchell, chairman of National City Bank and the Federal Reserve Bank of New York; Edsel B. Ford, president of Ford Motor Company; W.C. Teagle, another director of Standard Oil of New Jersey; and, Paul Warburg, first member of the Federal Reserve Bank of New York and chairman of the Bank of Manhattan Company.

Directors of American I.G. were not only prominent in Wall Street and American industry but more significantly were drawn from a few highly influential institutions. (See chart above.)

Between 1929 and 1939 there were changes in the make-up of the board of American I.G. The number of directors varied from time to time, although a majority always had I.G. backgrounds or connections, and the board never had less than four American directors. In 1939 — presumably looking ahead to World War II — an effort was made to give the board a more American complexion, but despite the resignation of Hermann Schmitz, Carl Bosch, and Walter Duisberg, and the appointment of seven new directors, seven members still belonged to the I.G. group. This I.G. predominance increased during 1940 and 1941 as American directors, including Edsel Ford, realized the political unhealthiness of I.G. and resigned.

Several basic observations can be made from this evidence. First, the board of American I.G. had three directors from the Federal Reserve Bank of New York, the most influential of the various Federal Reserve Banks. American I.G. also had interlocks with Standard Oil of New Jersey, Ford Motor Company, Bank of Manhattan (later to become the Chase Manhattan), and A.E.G. (German General Electric). Second, three members of the board of this American I.G. were found guilty at Nuremburg War Crimes Trials. These were the German, not the American, members. Among these Germans was Max Ilgner, director of the I.G. Farben N.W. 7 office in Berlin, *i.e.*, the Nazi pre-war intelligence office. If the directors of a corporation are collectively responsible for the activities of the corporation, then the American directors should also have been placed on trial at Nuremburg, along with the German directors — that is, if the purpose of the trials was to determine war guilt. Of course, if the purpose of the trials had been to divert attention away from the U.S. involvement in Hitler's rise to power, they succeeded very well in such an objective.

Footnotes:

<sup>1</sup>German firms have a two-tier board of directors. The *Aufsichtsrat* concerns itself with overall supervision, including financial policy, while the *Vorstand* is concerned with day-to-day management.

<sup>2</sup>Taken from *Der Farben-Konzern 1928*, (Hoppenstedt, Berlin: 1928), pp. 4-5.

<sup>3</sup>*Elimination of German Resources*, p. 943.

<sup>4</sup>*Ibid*, p. 945.

<sup>5</sup>*New York Times*, October 21, 1945, Section 1, pp. 1, 12.

<sup>6</sup>*Ibid*, p. 947.

<sup>7</sup>*Elimination of German Resources*.

<sup>8</sup>Bernhard is today better known for his role as chairman of the secretive, so-called Bilderberger meetings. See U.S. Congress, House of Representatives, Special Committee on Un-American Activities, *Investigation of Nazi Propaganda Activities and Investigation of Certain other Propaganda Activities*. 73rd Congress, 2nd Session, Hearings No. 73-DC-4. (Washington: Government Printing Office, 1934), Volume VIII, p. 7525.

<sup>9</sup>*Ibid* p. 949.

<sup>10</sup>*Ibid* p. 952.

<sup>11</sup>*Ibid* p. 1293.

<sup>12</sup>*Ibid* p. 954.

<sup>13</sup>*Ibid* p. 954.

<sup>14</sup>Ibid, pp. 954-5.

<sup>15</sup>U.S. Congress. House of Representatives, Special Committee on Un-American Activities, *Investigation of Nazi Propaganda Activities and Investigation of Certain Other Propaganda Activities, op. cit.*

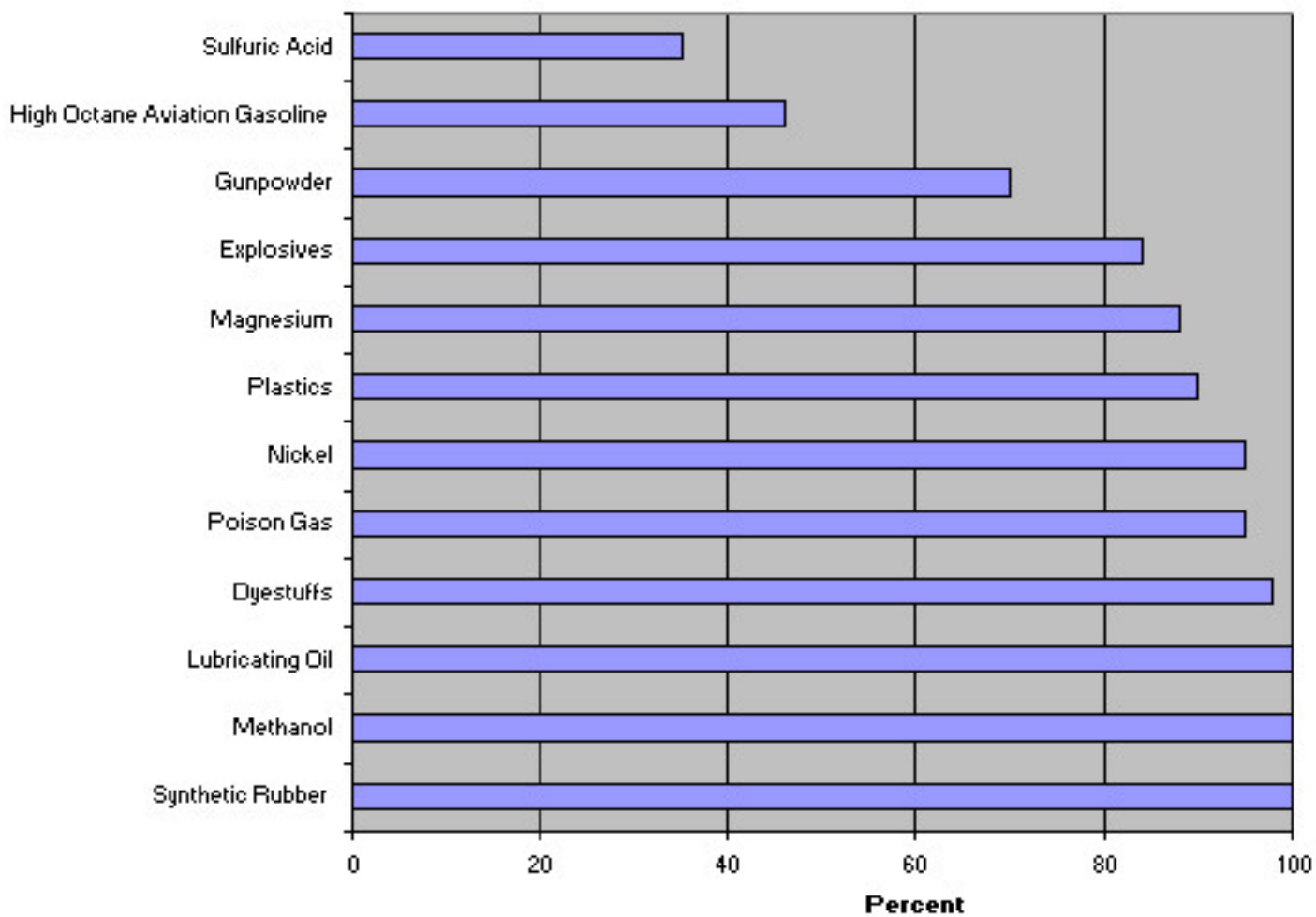
<sup>16</sup>Ibid, p. 178.

<sup>17</sup>Ibid, p. 183.

<sup>18</sup>Ibid, p. 188.

BACK

**Chart 2-1: German Army (Wehrmacht) Dependence on I.G. Farben Production (1943):**



BACK

## CHAPTER THREE

### General Electric Funds Hitler

*Among the early Roosevelt fascist measures was the National Industry Recovery Act (NRA) of June 16, 1933. The origins of this scheme are worth repeating. These ideas were first suggested by Gerard Swope of the General Electric Company ... following this they were adopted by the United States Chamber of Commerce .... (Herbert Hoover, *The Memoirs of Herbert Hoover: The Great Depression, 1929-1941*, New York: The Macmillan Company, 1952, p. 420)*

The multi-national giant General Electric has an unparalleled role in twentieth-century history. The General Electric Company electrified the Soviet Union in the 1920s and 1930s, and fulfilled for the Soviets Lenin's dictum that "Socialism = electrification."<sup>1</sup> The Swope Plan, created by General Electric's one-time president Gerard Swope, became Franklin D. Roosevelt's New Deal, by a process deplored by one-time President Herbert Hoover and described in *Wall Street and FDR*.<sup>2</sup> There was a long-lasting, intimate relationship between Swope and Young of General Electric Company and the Roosevelt family, as there was between General Electric and the Soviet Union. In 1936 Senator James A. Reed of Missouri, an early Roosevelt supporter, became aware of Roosevelt's betrayal of liberal ideas and attacked the Roosevelt New Deal program as a "tyrannical" measure "leading to despotism, [and] sought by its sponsors under the communistic cry of 'Social Justice.'" Senator Reed further charged on the floor of the Senate that Franklin D. Roosevelt was a "hired man for the economic royalists" in Wall Street and that the Roosevelt family "is one of the largest stockholders in the General Electric Company."<sup>3</sup>

As we probe into behind-the-scenes German interwar history and the story of Hitler and Naziism, we find both Owen D. Young and Gerard Swope of General Electric tied to the rise of Hitlerism and the suppression of German democracy. That General Electric directors are to be found in each of these three distinct historical categories — i.e., the development of the Soviet Union, the creation of Roosevelt's New Deal, and the rise of Hitlerism — suggests how elements of Big Business are keenly interested in the socialization of the world, for their own purposes and objectives, rather than the maintenance of the impartial market place in a free society.<sup>4</sup> General Electric profited handsomely from Bolshevism, from Roosevelt's New Deal socialism, and, as we shall see below, from national socialism in Hitler's Germany.

#### **General Electric in Weimar Germany**

Walter Rathenau was, until his assassination in 1922, managing director of Allgemeine Elektrizitäts Gesellschaft (A.E.G.), or German General Electric, and like Owen Young and

Gerard Swope, his counterparts in the U.S., he was a prominent advocate of corporate socialism. Walter Rathenau spoke out publicly against competition and free enterprise, Why? Because both Rathenau and Swope wanted the protection and cooperation of the state for their own corporate objectives and profit. (But not of course for anybody else's objectives and profits.) Rathenau expressed their plea in *The New Political Economy*:

*The new economy will, as we have seen, be no state or governmental economy but a private economy committed to a civic power of resolution which certainly will require state cooperation for organic consolidation to overcome inner friction and increase production and endurance.*<sup>5</sup>

When we disentangle the turgid Rathenau prose, this means that the power of the State was to be made available to private firms for their own corporate purposes, *i.e.*, what is popularly known as national socialism. Rathenau spoke out publicly against competition and free enterprise. inheritance."<sup>6</sup> Not their *own* wealth, so far as can be determined, but the wealth of others who lacked political pull in the State apparatus.

Owen D. Young of General Electric was one of the three U.S. delegates to the 1923 Dawes Plan meeting which established the German reparations program. And in the Dawes and Young Plans we can see how some private firms were able to benefit from the power of the State. The largest single loans from Wall Street to Germany during the 1920s were reparations loans; it was ultimately the U.S. investor who paid for German reparations. The cartelization of the German electrical industry under A.E.G. (as well as the steel and chemical industries discussed in Chapters One and Two) was made possible with these Wall Street loans:

<b>Date of Offering</b>	<b>Borrower</b>	<b>Managing Bank in the U.S.</b>	<b>Face Amount of Issue</b>
Jan. 26, 1925	Allgemeine Elektrizitats-Gesellschaft (A. E. G.)	National City Co.	\$10,000,000
Dec. 9, 1925	Allgemeine National City Co. Elektrizitats-Gesellschaft (A. E.G. )		10,000,000
May 22, 1928	Allgemeine Elektrizitats-Gesellschaft (A.E.G.)	National City Co.	10,000,000
June 7, 1928	Allgemeine Elektrizitats-Gesellschaft (A. E.G.)	National City Co.	5,000,000

In 1928, at the Young Plan reparations meetings, we find General Electric president Owen D. Young in the chair as the chief U.S. delegate, appointed by the U.S. government to use

U.S. government power and prestige to decide international financial matters enhancing Wall Street and General Electric profits. In 1930 Owen D. Young, after whom the Young Plan for German reparations was named, became chairman of the Board of General Electric Company in New York City. Young was also chairman of the Executive Committee of Radio Corporation of America and a director of both German General Electric (A.E.G.) and Osram in Germany. Young also served on the boards of other major U.S. corporations, including General Motors, NBC, and RKO; he was a councilor of the National Industrial Conference Board, a director of the International Chamber of Commerce, and deputy chairman of the board of the Federal Reserve Bank of New York.

Gerard Swope was president and director of General Electric Company as well as French and German associated companies, including A.E.G. and Osram in Germany. Swope was also a director of RCA, NBC, and the National City Bank of New York. Other directors of International General Electric at this time reflect Morgan control of the company, and both Young and Swope were generally known as the Morgan representatives on the G.E. board, which included Thomas Cochran, another partner in the J.P. Morgan firm. General Electric director Clark Haynes Minor was president of International General Electric in the 1920s. Another director was Victor M. Cutter of the First National Bank of Boston and a figure in the "*Banana Revolutions*" in Central America.

In the late 1920s Young, Swope, and Minor of International General Electric moved into the German electrical industry and gained, if not control as some have reported, then at least a substantial say in the internal affairs of both A.E.G. and Osram. In July 1929 an agreement was reached between General Electric and three German firms — A.E.G., Siemens & Halske, and Koppel and Company — which between them owned all the shares in Osram, the electric bulb manufacturer. General Electric purchased 16% percent of Osram stock and reached a joint agreement for international control of electric bulbs production and marketing. Clark Minor and Gerard Swope became directors of Osram.<sup>7</sup>

In July 1929 great interest was shown in rumors circulating in German financial circles that General Electric was also buying into A.E.G. and that talks to this end were in progress between A.E.G. and G.E.<sup>8</sup> In August it was confirmed that 14 million marks of common A.E.G. stock were to be issued to General Electric. These shares, added to shares bought on the open market, gave General Electric a 25-percent interest in A.E.G. A closer working agreement was signed between the two companies, providing the German company U.S. technology and patents. It was emphasized in the news reports that A.E.G. would not have participation in G.E., but that on the other hand G.E. would finance expansion of A.E.G. in Germany.<sup>9</sup> The German financial press also noted that there was no A.E.G. representation on the board of G.E. in the United States but that five Americans were now on the board of A.E.G. The *Vossische Zeitung* recorded,

*The American electrical industry has conquered the worM, and only a few of the remaining opposing bastions have been able to withstand the onslaught...<sup>10</sup>*

By 1930, unknown to the German financial press, General Electric had similarly gained an effective technical monopoly of the Soviet electrical industry and was soon to penetrate even the remaining bastions in Germany, particularly the Siemens group. In January 1930



three G.E. men were elected to the board of A.E.G. — Clark H. Minor, Gerard Swope, and E. H. Baldwin — and International General Electric (I.G.E.) continued its moves to merge the world electrical industry into a giant cartel under Wall Street control.

In February General Electric focused on the remaining German electrical giant, Siemens & Halske, and while able to obtain a large block of debentures issued on behalf of the German firm by Dillon, Read of New York, G.E. was not able to gain participation or directors on the Siemens board. While the German press recognized even this limited control as "an historical economic event of the first order and an important step toward a future world electric trust,"<sup>11</sup> Siemens retained its independence from General Electric — and this independence is important for our story. The *New York Times* reported,

*The entire press emphasizes the fact that Siemens, contrary to A.E.G., maintains its independence for the future and points out that no General Electric representative will sit on Stemen's board of directors.*<sup>12</sup>

There is no evidence that Siemens, either through Siemens & Halske or Siemens-Schukert, participated directly in the financing of Hitler. Siemens contributed to Hitler only slightly and indirectly through a share participation in Osram. On the other hand, both A.E.G. and Osram directly financed Hitler through the Nationale Treuhand in substantial ways. Siemens retained its independence in the early 1930s while both A.E.G. and Osram were under American dominance and with American directors. *There is no evidence that Siemens, without American directors, financed Hitler. On the other hand, we have irrefutable documentary evidence (see page 56) that both German General Electric and Osram, both with American directors, financed Hitler.*

In the months following the attempted Wall Street take over of Siemens, the pattern of a developing world trust in the electrical industry clarified; there was an end to international patent fights and the G.E. interest in A.E.G. increased to nearly 30 percent.<sup>13</sup>

Consequently, in the early 1930s, as Hitler prepared to grab dictatorial power in Germany — backed by some, but by no means all, German and American industrialists — the German General Electric (A.E.G.) was owned by International General Electric (about 30 percent), the Gesellschaft für Electriche Unternemungen (25 percent), and Ludwig Lowe (25 percent). International General Electric also had an interest of about 16 2/3rds percent in Osram, and an additional indirect influence in

#### **Companies Linked to**

<b>German General Electric through Common Electric Directors:</b>	<b>Directors of German General Electric (A.E.G.)</b>	<b>Relationship of Linked Firm with Financing of Hitler:</b>
Accumulatoran-Fabrik	Quandt Pfeffer	<i>Direct Finance, see p, 55</i>
Osram	Mamroth Peierls	<i>Direct Finance, see p. 57</i>

Deutschen Babcock-Wilcox	Landau	Not known
Vereinigte Stahlwerke	Wolff Nathan Kirdorf Goldschmidt	<i>Direct Finance,</i> <i>see p. 57</i>
Krupp	Nathan Klotzbach	<i>Direct Finance,</i> <i>see p. 59</i>
I.G. Farben	Bucher Flechtheim von Rath	<i>Direct Finance,</i> <i>see p. 57</i>
Allianz u. Stuttgarten Verein Phoenix	von Rath Wolff Fahrenheit	Reported, but not substantiated <i>see p. 57</i>
Thyssen	Fahrenheit	<i>Direct Finance,</i> <i>see p. 104</i>
Demag	Fahrenheit Flick	<i>see p. 57</i>
Dynamit Gelsenkirchener Bergwerks	Flechtheim Kirdorf Flechtheim	Through I.G. Farben <i>Direct Finance,</i> <i>see p. 57</i>
International General Electric	Young Swope Minor Baldwin	Through A.E.G., <i>see p. 52</i>
American I.G. Farben	von Rath	Through I.G. Farben <i>see p. 47</i>
International Bank (Amsterdam)	H. Furstenberg Goldschmidt	Not known

Osram through A.E.G. directors. On the board of A.E.G., apart from the four American directors (Young, Swope, Minor, and Baldwin), we find Pferdmeniges of Oppenheim & Co. (another Hitler financier), and Quandt, who owned 75 percent of Accumlatoren-Fabrik, a major direct financier of Hitler. In other words, among the German board members of A.E.G. we find representatives from several of the German firms that financed Hitler in the 1920s and 1930s.

### **General Electric and the Financing of Hitler**

The tap root of modern corporate socialism runs deep into the management of two affiliated multi-national corporations: General Electric Company in the United States and its foreign associates, including German General Electric (A.E.G.), and Osram in Germany. We have

noted that Gerard Swope, second president and chairman of General Electric, and Walter Rathenau of A.E.G. promoted radical ideas for control of the State by private business interests.

From 1915 onwards International General Electric (I.G.E.), located at 120 Broadway in New York City, acted as the foreign investment, manufacturing, and selling organization for the General Electric Company. I.G.E. held interests in overseas manufacturing companies including a 25 to 30-percent holding in German General Electric (A.E.G.), plus holdings in Osram G.m.b.H. Kommanditgesellschaft, also in Berlin. These holdings gave International General Electric four directors on the board of A.E.G., and another director at Osram, and significant influence in the internal domestic policies of these German companies. The significance of this General Electric ownership is that A.E.G. and Osram were prominent suppliers of funds for Hitler in his rise to power in Germany in 1933. A bank transfer slip dated March 2, 1933 from A.E.G. to Delbruck Schickler & Co. in Berlin requests that 60,000 Reichsmark be deposited in the "Nationale Treuhand" (National Trusteeship) account for Hitler's use. This slip is reproduced on page 56.

I.G. Farben was the most important of the domestic financial backers of Hitler, and (as noted elsewhere) I.G. Farben controlled American I.G. Moreover, several directors of A.E.G. were also on the board of I.G. Farben — i.e., Hermann Bucher, chairman of A.E.G. was on the I.G. Farben board; so were A.E.G. directors Julius Flechtheim and Walter von Rath. I.G. Farben contributed 30 percent of the 1933 Hitler National Trusteeship (or takeover) fund.

Walter Fahrenhorst of A.E.G. was also on the board of Phoenix A-G, Thyssen A-G and Demag A-G — and all were contributors to Hitler's fund. Demag A-G contributed 50,000 RM to Hitler's fund and had a director with A.E.G.— the notorious Friedrich Flick, and early Hitler supporter, who was later convicted at the Nuremberg Trials. Accumulatoren Fabrik A-G was a Hitler contributor (25,000 RM, see page 60) with two directors on the A.E.G. board, August Pfeffer and Gunther Quandt. Quandt personally owned 75 percent of Accumulatoren Fabrik.

Osram Gesellschaft, in which International General Electric had a 16 2/3rds direct interest, also had two directors on the A.E.G. board: Paul Mamroth and Heinrich Pferls. Osram contributed 40,000 RM directly to the Hitler fund. The Otto Wolff concern, Vereinigte Stahlwerke A-G, recipient of substantial New York loans in the 1920s, had three directors on the A.E.G. board: Otto Wolff, Henry Nathan and Jakob Goldschmidt. Alfred Krupp von Bohlen, sole owner of the Krupp organization and an early supporter of Hitler, was a member of the Aufsichtsrat of A.E.G. Robert Pferdmenes, a member of Himmler's Circle of Friends, was also a director of A, E.G.

In other words, almost all of the German directors of German General Electric were financial supporters of Hitler and associated not only with A.E.G. but with other companies financing Hitler.

Walter Rathenau<sup>14</sup> became a director of A,E.G. in 1899 and by the early twentieth century was a director of more than 100 corporations. Rathenau was also author of the "Rathenau Plan," which bears a remarkable resemblance to the "Swope Plan" — i.e., FDR's New Deal

but written by Swope of G.E. *In other words, we have the extraordinary coincidence that the authors of New Deal-tike plans in the U.S. and Germany were also prime backers of their implementers: Hitler in Germany and Roosevelt in the U.S.*

Swope was chairman of the board of General Electric Company and International General Electric. In 1932 the American directors of A.E.G, were prominently connected with American banking and political circles as follows:

GERARD SWOPE	Chairman of International General Electric and president of General Electric Company, director of National City Bank (and other companies), director of A.E.G. and Osram in Germany. Author of FDR's New Deal and member of numerous Roosevelt organizations.
Owen D. Young	Chairman of board of General Electric, and deputy chairman, Federal Reserve Bank of New York. Author, with J. P. Morgan, of the Young Plan which superseded the Dawes Plan in 1929. (See Chapter One.)
CLARK H. Minor	President and director of International General Electric, director of British Thomson Houston, Compania Generale di Electtricità (Italy), and Japan Electric Bond & Share Company (Japan).

In brief, we have hard evidence of unquestioned authenticity (see p, 56) to show that German General Electric contributed substantial sums to Hitler's political fund. There were four American directors of A.E.G. (Baldwin, Swope, Minor, and Clark), which was 80 percent owned by International General Electric. Further, I.G.E. and the four American directors were the largest single interest and consequently had the greatest single influence in A.E.G. actions and policies. Even further, almost all other directors of A.E.G. were connected with firms (I. G. Farben, Accumulatoren Fabrik, *etc.*) which contributed directly — as firms — to Hitler's political fund. However, only the German directors of A.E.G were placed on trial in Nuremburg in 1945.

### **Technical Cooperation with Krupp**

Quite apart from financial assistance to Hitler, General Electric extended its assistance to cartel schemes with other Hitler backers for their mutual benefit and the benefit of the Nazi state. Cemented tungsten carbide is one example of this G.E.-Nazi cooperation. Prior to November 1928, American industries had several sources for both tungsten carbide and tools and dies containing this hard-metal composition. Among these sources were the Krupp Company of Essen, Germany, and two American firms to which Krupp was then shipping

and selling, the Union Wire Die Corporation and Thomas Prosser & Son. In 1928 Krupp obligated itself to grant licenses under United States patents which it owned to the Firth-Sterling Steel Company and to the Ludlum Steel Company. Before 1928, this tungsten carbide for use in tools and dies sold in the United States for about \$50 a pound.

The United States patents which Krupp claimed to own were assigned from Osram Kommanditgesellschaft, and had been previously assigned by the Osram Company of Germany to General Electric. However, General Electric had also developed its own patents, principally the Hoyt and Gilson patents, covering competing processes for cemented tungsten carbide. General Electric believed that it could utilize these patents independently without infringing on or competing with Krupp patents. But instead of using the G.E. patents independently in competition with Krupp, or testing out its rights under the patent laws, General Electric worked out a cartel agreement with Krupp to pool the patents of both parties and to give General Electric a monopoly control of tungsten carbide in the United States.

The first step in this cartel arrangement was taken by Carboloy Company, Inc., a General Electric subsidiary, incorporated for the purpose of exploiting tungsten carbide. The 1920s price of around \$50 a pound was raised by Carboloy to \$458 a pound. Obviously, no firm could sell any great amounts of tungsten carbide in this price range, but the price would maximize profits for G.E. In 1934 General Electric and Carboloy were also able to obtain, by purchase, the license granted by Krupp to the Ludlum Steel Company, thereby eliminating one competitor. In 1936, Krupp was induced to refrain from further imports into the United States. Part of the price paid for the elimination from the American market of tungsten carbide manufactured abroad was a reciprocal undertaking that General Electric and Carboloy would not export from the U.S. Thus these American companies tied their own hands by contract, or permitted Krupp to tie their hands, and denied foreign markets to American industry. Carboloy Company then acquired the business of Thomas Prosser & Son, and in 1937, for nearly \$1 million, Carboloy acquired the competing business of the Union Wire Die Corporation. By refusing to sell, Krupp cooperated with General Electric and Carboloy to persuade Union Wire Die Corporation to sell out.

Licenses to manufacture tungsten carbide were then refused. A request for license by the Crucible Steel Company was refused in 1936. A request by the Chrysler Corporation for a license was refused in 1938. A license by the Triplett Electrical Instrument Company was refused on April 25, 1940. A license was also refused to the General Cable Company. The Ford Motor Company for several years expressed strong opposition to the high-price policy followed by the Carboloy Company, and at one point made a request for the right to manufacture for its own use. This was refused. As a result of these tactics, General Electric and its subsidiary Carboloy emerged in 1936 or 1937 with virtually a complete monopoly of tungsten carbide in the United States.

In brief, General Electric — with the cooperation of another Hitler supporter, Krupp — jointly obtained for G.E. a monopoly in the U.S. for tungsten carbide. So when World War II began, General Electric had a monopoly at an established price of \$450 a pound — almost ten times more than the 1928 price — and use in the U.S. had been correspondingly restricted,

## A.E.G. Avoids the Bombs in World War II

By 1939 the German electrical industry had become closely affiliated with two U.S. firms: International General Electric and International Telephone and Telegraph. The largest firms in German electrical production and their affiliations listed in order of importance were:

<b>Firm and Type of Production</b>	<b>Percent of German 1939 production</b>	<b>U.S. Affiliated Firm</b>
<b><i>Heavy Current Industry</i></b>		
General Electric (A.E.G. )	40 percent	International General Electric
Siemens Schukert A.G.	40 percent	None
Brown Boveri et Cie	17 percent	None
<b><i>Telephone and Telegraph</i></b>		
Siemens und Halske	60 percent	None
Lorenz A.G.	85 percent	I.T.T
<b><i>Radio</i></b>		
Telefunken (A.E.G. after 1941)	60 percent	International General Electric
Lorenz	35 percent	I.T.T.
<b><i>Wire and Cable</i></b>		
Felton & Guilleaume A.G.	20 percent	I.T.T.
Siemens	20 percent	None
A.E.G.	20 percent	International General Electric

In other words, in 1939 the German electrical equipment industry was concentrated into a few major corporations linked in an international cartel and by stock ownership to two major U.S. corporations. This industrial complex was never a prime target for bombing in World War II. The A.E.G. and I.T.T. plants were hit only incidentally in area raids and then but rarely. The electrical equipment plants bombed as targets were not those affiliated with U.S. firms. It was Brown Boveri at Mannheim and Siemensstadt in Berlin — which were *not* connected with the U.S. — who were bombed. As a result, German production of electrical war equipment rose steadily throughout World War II, peaking as late as 1944. According to the U.S. Strategic Bombing Survey reports, "In the opinion of Speers' assistants and plant officials, the war effort in Germany was never hindered in any important manner by any shortage of electrical equipment."<sup>15</sup>

One example of the non-bombing policy for German General Electric was the A. E.G. plant

at 185 Muggenhofer Strasse, Nuremburg. Study of this plant's output in World War II is of interest because it illustrates the extent to which purely peacetime production was converted to war work. The pre-war plant manufactured household equipment, such as hot plates, electric ranges, electric irons, toasters, industrial baking ovens, radiators, water heaters, kitchen ovens, and industrial heaters. In 1939, 1940 and 1941, most of the Nuremburg plant's production facilities were used for the manufacture of peacetime products. In 1942 the plant's production was shifted to manufacture of war equipment. Metal parts for communications equipment and munitions such as bombs and mines were made. Other war production consisted of parts for searchlights and amplifiers. The following tabulation very strikingly shows the conversion to war work:

<b>Year</b>	<b>Total sales in 1000 RM</b>	<b>Percent for war</b>	<b>Percent ordinary production</b>
1939	12,469	5	95
1940	11,754	15	85
1941	21,194	40	60
1942	20,689	61	39
1948	31,455	67	33
1944	31,205	69	31

The actual physical damage by bombing to this plant was insignificant. No serious damage occurred until the raids of February 20 and 21, 1945, near the end of the war, and then protection had been fairly well developed. Raids during which bombs struck in the plant area and the trifling damage done are listed as follows:

<b>Date of raid</b>	<b>Bombs striking plant</b>	<b>Damage done</b>
March 8, 1943	30 stick type I.B.	Trifling, but 3 storehouses outside the main plant destroyed.
Sept. 9, 1944	None (blast damage)	Trifling, glass and blackout curtain damage.
Nov. 26, 1944	14000 lb. HE in open space in plant grounds	Wood shop destroyed, water main broken.
Feb. 20, 1945	2 HE	3 buildings damaged.
Feb. 21, 1945	5 HE, many I.B.'s	Administration bldg. destroyed & enameling works damaged by HE.

Another example of a German General Electric plant not bombed is the A.E.G. plant at Koppelsdorf producing radar sets and bomber antennae. Other A.E.G. plants which were not bombed and their war equipment production were:

## LIST OF A.E.G. FACTORIES NOT BOMBED IN WORLD WAR II

Name of Branch	Location	Product
1. Werk Reihmannsdoff mit Unterabteilungen in Wallendorf und Unterweissbach	Kries Saalfeld	Measuring Instruments
2. Werk Marktschorgast	Bayreuth	Starters
3. Werk F18ha	Sachsen	Short Wave Sending Sets
4. Werk Reichenbach	Vogtland	Dry Cell Batteries
5. Werk Burglengefeld	Sachsen/S.E. Chemnitz	Heavy Starters
6. Werk Nuremburg	Belringersdorf/ Nuremburg	Small Components
7. Werk Zirndorf	Nuremburg	Heavy Starters
8. Werk Mattinghofen	Oberdonau	1 KW Senders 250 Meters & long wave for torpedo boats & U-boats
9. Unterwerk Neustadt	Coburg	Radar Equipment

That the A.E.G. plants in Germany were not bombed in World War II was confirmed by the United States Strategic Bombing Survey, officered by such academics as John K. Galbraith and such Wall Streeters as George W. Ball and Paul H. Nitze. Their "German Electrical Equipment Industry Report" dated January 1947 concludes:

*The industry has never been attacked as a basic target system, but a few plants, i.e. Brown Boveri at Mannheim, Bosch at Stuttgart and Siemenstadt in Berlin, have been subjected to precision raids; many others were hit in area raids.*<sup>17</sup>

At the end of World War II an Allied investigation team known as FIAT was sent to examine bomb damage to German electrical industry plants. The team for the electrical industry consisted of Alexander G.P.E. Sanders of International Telephone and Telegraph of New York, Whit-worth Ferguson of Ferguson Electric Company, New York, and Erich J. Borgman of Westinghouse Electric. Although the stated objective of these teams was to examine the effects on Allied bombing of German targets, the objective of this particular team was to get the German electrical equipment industry back into production as soon as possible. Whirworth Ferguson wrote a report dated March 31, 1945 on the A.E.G. Ostland-werke and concluded, "this plant is immediately available for production of fine metal parts and assemblies."<sup>18</sup>



To conclude, we find that both Rathenau of A.E.G. and Swope of General Electric in the U.S. had similar ideas of putting the State to work for their own corporate ends. General Electric was prominent in financing Hitler, it profited handsomely from war production — and yet it managed to evade bombing in World War II. Obviously the story briefly surveyed here deserves a much more thorough — and official — investigation.

Footnotes:

<sup>1</sup>For the technical details see the three-volume study, Antony C. Sutton, *Western Technology and Soviet Economic Development*, (Stanford, California: Hoover Institution Press, 1968, 1971), 1973), hereafter cited as *Western Technology Series*.

<sup>2</sup>(New York: Arlington House Publishers, 1975)

<sup>3</sup>*New York Times*, October 6, 1936. See also Antony C. Sutton, *Wall Street and FDR*, *op. cit.*

<sup>4</sup>Of course, socialist pleading by businessmen is still with us. Witness the injured cries when President Ford proposed deregulation of airlines and trucking. See for example *Wall Street Journal*, November 25, 1975.

<sup>5</sup>Mimeographed Translation in Hoover Institution Library, p. 67. Also see Walter Rathenau, *In Days to Come*, (London: Allen & Unwin, n.d.)

<sup>6</sup>*Ibid*, p. 249.

<sup>7</sup>*New York Times*, July 2, 1929.

<sup>8</sup>*Ibid*, July 28, 1929.

<sup>9</sup>*Ibid*, August 2, 1929 and August 4, 1929.

<sup>10</sup>*Ibid*, August 6, 1929.

<sup>11</sup>*Ibid*, February 2, 1930.

<sup>12</sup>*Ibid*, February 2, 1930.

<sup>13</sup>*Ibid*, May 11, 1930. For the prewar machinations of General Electric, Osram, and the Dutch company N.V. Philips Gloeilampenfabrieken of Eindhoven Holland, see Chapter 11, "Electric Eels," in James Stewart Martin, *op cit.* Martin was Chief of the Economic Warfare Division of the U.S. Department of Justice and comments that "The A.E.G. of Germany was largely controlled by the American company, General Electric." The assumption by this author is that the G.E. influence was somewhat less than controlling although substantial enough. Because of Martin's official position and access to official documents, not known to the author, his statement that A.E.G. was "largely controlled" by U.S. General Electric cannot be lightly dismissed. However, if we accept that

G.E. "largely controlled" A.E.G., then the most serious questions arise which clamor for investigation. A.E.G. was a prime financier of Hitler and "control" would more deeply implicate the U.S. parent company than is suggested by the evidence presented here.

<sup>14</sup>Son of Emil Rathenau, founder of A.E.G., born in 1867 and assassinated in 1922.

<sup>15</sup>The United States Strategic Bombing Survey, *German Electrical Equipment Industry/Report*, (Equipment Division, January 1947), p. 4.

<sup>16</sup>U.S. Strategic Bombing Survey, *Plant Report of A.E.G. (Allgemeine Elektrizitäts Gesellschaft)*, Nuremburg, Germany: June 1945), p. 6.

<sup>17</sup>p. 3. Consequently, "production during the war was adequate until November 1944" and "in the opinion of Speer assistants and plant officials the war effort in Germany was never hindered in any important manner by any shortage of electrical equipment." Difficulties arose only at the very end of the war when the whole economy was threatened with collapse. The report concluded, "All important needs for electrical equipment in 1944 may therefore be said to have been met, since plans were always optimistic."

<sup>18</sup>U.S. Strategic Bombing Survey, *AEG-Ostlandwerke GmbH*, by Whitworth Ferguson, 31 May 1945.

BACK

## CHAPTER FOUR

### Standard Oil Fuels World War II

*In two gears Germany will be manufacturing oil and gas enough out of soft coal for a long war. The Standard Oil of New York is furnishing millions of dollars to help. (Report from the Commercial Attaché, U.S. Embassy in Berlin, Germany, January 1933, to State Department in Washington, D.C.)*

The Standard Oil group of companies, in which the Rockefeller family owned a one-quarter (and controlling) interest,<sup>1</sup> was of critical assistance in helping Nazi Germany prepare for World War II. This assistance in military preparation came about because Germany's relatively insignificant supplies of crude petroleum were quite insufficient for modern mechanized warfare; in 1934 for instance about 85 percent of German finished petroleum products were imported. The solution adopted by Nazi Germany was to manufacture synthetic gasoline from its plentiful domestic coal supplies. It was the hydrogenation process of producing synthetic gasoline and iso-octane properties in gasoline that enabled Germany to go to war in 1940 — and this hydrogenation process was developed and financed by the Standard Oil laboratories in the United States in partnership with I.G. Farben.

Evidence presented to the Truman, Bone, and Kilgore Committees after World War II confirmed that Standard Oil had at the same time "seriously imperiled the war preparations of the United States."<sup>2</sup> Documentary evidence was presented to all three Congressional committees that before World War II Standard Oil had agreed with I.G. Farben, in the so-called Jasco agreement, that synthetic rubber was within Farben's sphere of influence, while Standard Oil was to have an absolute monopoly in the U.S. *only if and when* Farben allowed development of synthetic rubber to take place in the U.S.:

*Accordingly [concluded the Kilgore Committee] Standard fully accomplished I.G.'s purpose of preventing United States production by dissuading American rubber companies from undertaking independent research in developing synthetic rubber processes.<sup>3</sup>*

Regrettably, the Congressional committees did not explore an even more ominous aspect of this Standard Oil — I.G. Farben collusion: that at this time directors of Standard Oil of New Jersey had not only strategic warfare affiliations to I.G. Farben, but had other links with Hitler's Germany — even to the extent of contributing, through German subsidiary companies, to Heinrich Himmler's personal fund and with membership in Himmler's Circle of Friends as late as 1944.

During World War II Standard Oil of New Jersey was accused of treason for this pre-war alliance with Farben, even while its continuing wartime activities within Himmler's Circle

of Friends were unknown. The accusations of treason were vehemently denied by Standard Oil. One of the more prominent of these defenses was published by R.T. Haslam, a director of Standard Oil of New Jersey, in *The Petroleum Times* (December 25, 1943), and entitled "Secrets Turned into Mighty War Weapons Through I.G. Farben Agreement."<sup>4</sup> This was an attempt to turn the tables and present the pre-war collusion as advantageous to the United States.

Whatever may have been Standard Oil's wartime recollections and hasty defense, the 1929 negotiations and contracts between Standard and I.G. Farben were recorded in the contemporary press and describe the agreements between Standard Oil of New Jersey and I.G. Farben and their intent. In April 1929 Walter C. Teagle, president of Standard Oil of New Jersey, became a director of the newly organized American I.G. Farben. Not because Teagle was interested in the chemical industry but because,

*It has for some years past enjoyed a very close relationship with certain branches of the research work of the I.G. Farbenindustrie which bear closely upon the oil industry.*<sup>5</sup>

It was announced by Teagle that joint research work on production of oil from coal had been carried on for some time and that a research laboratory for this work was to be established *in the United States*.<sup>6</sup> In November 1929 this jointly owned Standard — Farben research company was established *under the management of the Standard Oil Company of New Jersey*, and all research and patents relating to production of oil from coal held by both I.G. and Standard were pooled. Previously, during the period 1926-1929, the two companies had cooperated in development of the hydrogenation process, and experimental plants had been placed in operation in both the U.S. and Germany. It was now proposed to erect new plants in the U.S. at Bayway, New Jersey and Baytown, Texas, in addition to expansion of the earlier experimental plant at Baton Rouge. Standard announced:

*... the importance of the new contract as applied to this country lay in the fact that it made certain that the hydrogenation process would be developed commercially in this country under the guidance of American oil interests.*<sup>7</sup>

In December 1929 the new company, Standard I.G. Company, was organized. F.A. Howard was named president, and its German and American directors were announced as follows: E.M. Clark, Walter Duisberg, Peter Hurl, R.A. Reidemann, H.G. Seidel, Otto von Schenck, and Guy Wellman.

The majority of the stock in the research company was owned by Standard Oil. The technical work, the process development work, and the construction of three new oil-from-coal plants in the United States was placed in the hands of the Standard Oil Development Company, the Standard Oil technical subsidiary. It is clear from these contemporary reports that the development work on oil from coal was undertaken by Standard Oil of New Jersey within the United States, in Standard Oil plants and with majority financing and control by Standard. The results of this research were made available to I.G. Farben and became the basis for the development of Hitler's oil from-coal-program which made World War II possible.

The Haslam article, written by a former Professor of Chemical Engineering at M.I.T. (then vice president of Standard Oil of New Jersey) argued — contrary to these recorded facts — that Standard Oil was able, through its Farben agreements, to obtain *German* technology for the United States. Haslam cited the manufacture of toluol and paratone (Op-panol), used to stabilize viscosity of oil, an essential material for desert and Russian winter tank operations, and buna rubber. However, this article, with its erroneous self-serving claims, found its way to wartime Germany and became the subject of a "Secret" I.G. Farben memorandum dated June 6, 1944 from Nuremburg defendant and then-Farben official von Knieriem to fellow Farben management officials. This von Knieriem "Secret" memo set out those facts Haslam avoided in his *Petroleum Times* article. The memo was in fact a summary of what Standard was unwilling to reveal to the American public — i.e., the major contribution made by Standard Oil of New Jersey to the Nazi war machine. The Farben memorandum states that the Standard Oil agreements were *absolutely essential* for I.G. Farben:

*The closing of an agreement with Standard was necessary for technical, commercial, and financial reasons: technically, because the specialized experience which was available only in a big oil company was necessary to the further development of our process, and no such industry existed in Germany; commercially, because in the absence of state economic control in Germany at that time, IG had to avoid a competitive struggle with the great oil powers, who always sold the best gasoline at the lowest price in contested markets; financially, because IG, which had already spent extraordinarily large sums for the development of the process, had to seek financial relief in order to be able to continue development in other new technical fields, such as buna.<sup>8</sup>*

The Farben memorandum then answered the key question: What did I.G. Farben acquire from Standard Oil that was "vital for the conduct of war?" The memo examines those products cited by Haslam — i.e., iso-octane, toluol, Oppanol-Paratone, and buna — and demonstrates that contrary to Standard Oil's public claim, their technology came to a great extent from the U.S., not from Germany.

On iso-octane the Farben memorandum reads, in part,

*By reason of their decades of work on motor fuels, the Americans were ahead of us in their knowledge of the quality requirements that are called for by the different uses of motor fuels. In particular they had developed, at great expense, a large number of methods of testing gasoline for different uses. On the basis of their experiments they had recognized the good anti, knock quality of iso-octane long before they had any knowledge of our hydrogenation process. This is proved by the single fact that in America fuels are graded in octane numbers, and iso-octane was entered as the best fuel with the number 100. All this knowledge naturally became ours as a result of the agreement, which saved us much effort and protected us against many errors.*

I.G. Farben adds that Haslam's claim that the production of iso-octane became known in America only through the Farben hydrogenation process was not correct:

*Especially in the case of iso-octane, it is shown that we owe much to the*

*Americans because in our own work we could draw widely on American information on the behavior of fuels in motors. Moreover, we were also kept currently informed by the Americans on the progress of their production process and its further development.*

*Shortly before the war, a new method for the production of iso-octane was found in America — alkylation with isomerization as a preliminary step. This process, which Mr. Haslain does not mention at all, originates in fact entirely with the Americans and has become known to us in detail in its separate stages through our agreements with them, and is being used very extensively by us.*

On toluol, I.G. Farben points to a factual inaccuracy in the Haslam article: toluol was *not* produced by hydrogenation in the U.S. is claimed by Professor Haslam. In the case of Oppanol, the I.G. memo calls Haslam's information "incomplete" and so far as buna rubber is concerned, "we never gave technical information to the Americans, nor did technical cooperation in the buna field take place." Most importantly, the Farben memo goes on to describe some products not cited by Haslam in his article:

*As a consequence of our contracts with the Americans, we received from them, above and beyond the agreement, many very valuable contributions for the synthesis and improvement of motor fuels and lubricating oils, which Just now during the war are most useful to us; and we also received other advantages from them. Primarily, the following may be mentioned:*

*(1) Above all, improvement of fuels through the addition of tetraethyl-lead and the manufacture of this product. It need not be especially mentioned that without tetraethyl-lead the present methods of warfare would be impossible. The fact that since the beginning of the war we could produce tetraethyl-lead is entirely due to the circumstances that, shortly before, the Americans had presented us with the production plans, complete with their know-how. It was, moreover, the first time that the Americans decided to give a license on this process in a foreign country (besides communication of unprotected secrets) and this only on our urgent requests to Standard Oil to fulfill our wish. Contractually we could not demand it, and we found out later that the War Department in Washington gave its permission only after long deliberation.*

*(2) Conversion of low-molecular unsaturates into usable gasoline (polymerization). Much work in this field has been done here as well as in America. But the Americans were the first to carry the process through on a large scale, which suggested to us also to develop the process on a large technical scale. But above and beyond that, plants built according to American processes are functioning in Germany.*

*(3) In the field of lubricating oils as well, Germany through the contract with America, learned of experience which is extraordinarily important for present day warfare.*

*In this connection, we obtained not only the experience of Standard, but,*

*through Standard, the experiences of General Motors and other large American motor companies as well.*

*(4) As a further remarkable example of advantageous effect for us of the contract between IG and Standard Oil, the following should be mentioned: in the years 1934 / 1935 our government had the greatest interest in gathering from abroad a stock of especially valuable mineral oil products (in particular, aviation gasoline and aviation lubricating oil), and holding it in reserve to an amount approximately equal to 20 million dollars at market value. The German Government asked IG if it were not possible, on the basis of its friendly relations with Standard Oil, to buy this amount in Farben's name; actually, however, as trustee of the German Government. The fact that we actually succeeded by means of the most difficult negotiations in buying the quantity desired by our government from the American Standard Oil Company and the Dutch — English Royal — Dutch — Shell group and in transporting it to Germany, was made possible only through the aid of the Standard Oil Co.*

### **Ethyl Lead for the Wehrmacht**

Another prominent example of Standard Oil assistance to Nazi Germany — in cooperation with General Motors — was in supplying ethyl lead. Ethyl fluid is an anti-knock compound used in both aviation and automobile fuels to eliminate knocking, and so improve engine efficiency; without such anti-knocking compounds modern mobile warfare would be impractical.

In 1924 the Ethyl Gasoline Corporation was formed in New York City, jointly owned by the Standard Oil Company of New Jersey and General Motors Corporation, to control and utilize U.S. patents for the manufacture and distribution of tetraethyl lead and ethyl fluid in the U.S. and abroad. Up to 1935 manufacture of these products was undertaken *only* in the United States. In 1935 Ethyl Gasoline Corporation transferred its know-how to Germany for use in the Nazi rearmament program. This transfer was undertaken over the protests of the U.S. Government.

Ethyl's intention to transfer its anti-knock technology to Nazi Germany came to the attention of the Army Air Corps in Washington, D.C. On December 15, 1934 E. W. Webb, president of Ethyl Gasoline, was advised that Washington had learned of the intention of "forming a German company with the I.G. to manufacture ethyl lead in that country." The War Department indicated that there was considerable criticism of this technological transfer, which might "have the gravest repercussions" for the U.S.; that the commercial demand for ethyl lead in Germany was too small to be of interest; and,

*... it has been claimed that Germany is secretly arming [and] ethyl lead would doubtless be a valuable aid to military aeroplanes.<sup>10</sup>*

The Ethyl Company was then advised by the Army Air Corps that "under no conditions should you or the Board of Directors of the Ethyl Gasoline Corporation disclose any secrets or 'know-how' in connection with the manufacture of tetraethyl lead to Germany.<sup>11</sup>

On January 12, 1935 Webb mailed to the Chief of the Army Air Corps a "Statement of Facts," which was in effect a denial that any such technical knowledge would be transmitted; he offered to insert such a clause in the contract to guard against any such transfer. However, contrary to its pledge to the Army Air Corps, Ethyl subsequently signed a joint production agreement with I.G. Farben in Germany to form Ethyl G.m.b.H. and with Montecatini in fascist Italy for the same purpose.

It is worth noting the directors of Ethyl Gasoline Corporation at the time of this transfer:<sup>12</sup> E.W. Webb, president and director; C.F. Kettering; R.P. Russell; W.C. Teagle, Standard Oil of New Jersey and trustee of FDR's Georgia Warm Springs Foundation; F. A. Howard; E. M. Clark, Standard Oil of New Jersey; A. P. Sloan, Jr.; D. Brown; J. T. Smith; and W.S. Parish of Standard Oil of New Jersey.

The I.G. Farben files captured at the end of the war confirm the importance of this particular technical transfer for the German Wehrmacht:

*Since the beginning of the war we have been in a position. to produce lead tetraethyl solely because, a short time before the outbreak of the war, the Americans had established plants for us ready for production and supplied us with all available experience. In this manner we did not need to perform the difficult work of development because we could start production right away on the basis of all the experience that the Americans had had for years.<sup>13</sup>*

In 1938, just before the outbreak of war in Europe, the German Luftwaffe had an urgent requirement for 500 tons of tetraethyl lead. Ethyl was advised by an official of DuPont that such quantities of ethyl would be used by Germany for military purposes.<sup>14</sup> This 500 tons was loaned by the Ethyl Export Corporation of New York to Ethyl G.m.b.H. of Germany, in a transaction arranged by the Reich Air Ministry with I.G. Farben director Mueller-Cunradi. The collateral security was arranged in a letter dated September 21, 1938<sup>15</sup> through Brown Brothers, Harriman & Co. of New York.

### **Standard Oil of New Jersey and Synthetic Rubber**

The transfer of ethyl technology for the Nazi war machine was repeated in the case of synthetic rubber. There is no question that the ability of the German Wehrmacht to fight World War II depended on synthetic rubber — as well as on synthetic petroleum — because Germany has no natural rubber, and war would have been impossible without Farben's synthetic rubber production. Farben had a virtual monopoly of this field and the program to produce the large quantities necessary was financed by the Reich:

*The volume of planned production in this field was far beyond the needs of peacetime economy. The huge costs involved were consistent only with military considerations in which the need for self-sufficiency without regard to cost was decisive.<sup>16</sup>*

As in the ethyl technology transfers, Standard Oil of New Jersey was intimately associated with I.G. Farben's synthetic rubber. A series of joint cartel agreements were made in the late



1920s aimed at a joint world monopoly of synthetic rubber. Hitler's Four Year Plan went into effect in 1937 and in 1938 Standard provided I.G. Farben with its new butyl rubber process. On the other hand Standard kept the German buna process secret within the United States and it was not until June 1940 that Firestone and U.S. Rubber were allowed to participate in testing butyl and granted the buna manufacturing licenses. Even then Standard tried to get the U.S. Government to finance a large-scale buna program — reserving its own funds for the more promising butyl process.<sup>17</sup>

Consequently, Standard assistance in Nazi Germany was not limited to oil from coal, although this was the most important transfer. Not only was the process for tetraethyl transferred to I.G. Farben and a plant built in Germany owned jointly by I.G., General Motors, and Standard subsidiaries; but as late as 1939 Standard's German subsidiary designed a German plant for aviation gas. Tetraethyl was shipped on an emergency basis for the Wehrmacht and major assistance was given in production of butyl rubber, while holding secret in the U.S. the Farben process for buna. In other words, Standard Oil of New Jersey (first under president W.C. Teagle and then under W.S. Farish) consistently aided the Nazi war machine while refusing to aid the United States.

This sequence of events was not an accident. President W.S. Farish argued that not to have granted such technical assistance to the Wehrmacht "... would have been unwarranted."<sup>18</sup> The assistance was knowledgeable, ranged over more than a decade, and was so substantive that without it the Wehrmacht could not have gone to war in 1939.

### **The Deutsche-Amerikanische Petroleum A.G. (DAPAG)**

The Standard Oil subsidiary in Germany, Deutsche-Amerikanische Petroleum A.G. (DAPAG), was 94-percent owned by Standard Oil of New Jersey. DAPAG had branches throughout Germany, a refinery at Bremen, and a head office in Hamburg. Through DAPAG, Standard Oil of New Jersey was represented in the inner circles of Naziism — the Keppler Circle and Himmler's Circle of Friends. A director of DAPAG was Karl Lindemann, also chairman of the International Chamber of Commerce in Germany, as well as director of several banks, including the Dresdner Bank, the Deutsche Reichsbank, and the private Nazi-oriented bank of C. Melchior & Company, and numerous corporations including the HAPAG (Hamburg-Amerika Line). Lindemann was a member of Keppler's Circle of Friends as late as 1944 and so gave Standard Oil of New Jersey a representative at the very core of Naziism. Another member of the board of DAPAG was Emil Helfrich, who was an original member of the Keppler Circle.

In sum, Standard Oil of New Jersey had two members of the Keppler Circle as directors of its German wholly owned subsidiary. Payments to the Circle from the Standard Oil subsidiary company, and from Lindemann and Helfrich as individual directors, continued until 1944, the year before the end of World War II.<sup>19</sup>

Footnotes:

<sup>1</sup>In 1935, John D. Rockefeller, Jr. owned stock valued at \$245 million in Stan

Standard Oil of New Jersey, Standard Oil of California, and Socony-Vacuum Company, *New York Times*, January 10, 1935.

<sup>2</sup>*Elimination of German Resources*, op cit., p. 1085.

<sup>3</sup>Ibid.

<sup>4</sup>*NMT*, I.G. Farben case, p. 1304.

<sup>5</sup>*New York Times*, April 28, 1929.

<sup>6</sup>Ibid.

<sup>7</sup>Ibid, November 24, 1929.

<sup>8</sup>*NMT*, I.G. Farben case, Volumes VII and VIII, pp. 1304-1311,

<sup>9</sup>See letter from U.S. War Department reproduced as Appendix D.

<sup>10</sup>United States Congress. Senate. Hearings before a subcommittee of the Committee on Military Affairs. *Scientific and Technical Mobilization*, (78th Congress, 1st session, S. 702), Part 16, (Washington: Government Printing Office, 1944), p. 939. Hereafter cited as *Scientific and Technical Mobilization*.

<sup>11</sup>Ibid.

<sup>12</sup>*Oil and Petroleum Yearbook, 1938*, p. 89.

<sup>13</sup>*New York Times*, October 19, 1945, p. 9.

<sup>14</sup>George W. Stocking & Myron W. Watkins, *Cartels in Action*, (New York: The Twentieth Century Fund, 1946), p. 9.

<sup>15</sup>For original documents see *NMT*, I.G. Farben case, Volume VIII, pp. 1189-94.

<sup>16</sup>*NMT*, I.G. Farben case, Volume VIII, p. 1264-5.

<sup>17</sup>*Scientific and Technical Mobilization*, p. 543.

<sup>18</sup>Robert Engler, *The Politics of Oil*, (New York: The MacMillan Company, 1961), p. 102.

<sup>19</sup>See Chapter Nine for details.

BACK

## CHAPTER FIVE

### I.T.T. Works Both Sides of the War

*Thus while I.T.T. Focke-Wolfe planes were bombing Allied ships, and I. T. T. lines were passing information to German submarines, I.T.T. direction finders were saving other ships from torpedoes. (Anthony Sampson, *The Sovereign State of I.T.T.*, New York: Stein & Day, 1973, p. 40.)*

The multi-national giant International Telephone and Telegraph (I.T.T.)<sup>1</sup> was founded in 1920 by Virgin Islands-born entrepreneur Sosthenes Behn. During his lifetime Behn was the epitome of the politicized businessman, earning his profits and building the I.T.T. empire through political maneuverings rather than in the competitive market place. In 1923, through political adroitness, Behn acquired the Spanish telephone monopoly, Compania Telefonica de Espana. In 1924 I.T.T., now backed by the J.P. Morgan firm, bought what later became the International Standard Electric group of manufacturing plants around the world.

The parent board of I.T.T. reflected the J.P. Morgan interests, with Morgan partners Arthur M. Anderson and Russell Leffingwell. The Establishment law firm of Davis, Polk, Wardwell, Gardiner & Reed was represented by the two junior partners, Gardiner & Reed.

#### **DIRECTORS OF I.T.T. IN 1933:**

<b>Directors</b>	<b>Affiliation with other Wall Street firms:</b>
Arthur M. ANDERSON	Partner, J.P. MORGAN and New York Trust Company
Hernand BEHN	Bank of America
Sosthenes BEHN	NATIONAL CITY BANK
F. Wilder BELLAMY	Partner in Dominick & Dominicik
John W. CUTLER	GRACE NATIONAL BANK, Lee Higginson
George H. GARDINER	Partner in Davis, Polk, Wardwell, Gardiner & Reed
Allen G. HOYT	NATIONAL CITY BANK
Russell C. LEFFINGWELL	Partner J.P. MORGAN and CARNEGIE CORP.
Bradley W. PALMER	Chairman, Executive Committee, UNITED FRUIT
Lansing P. REED	Partner in Davis, Polk, Wardwell, Gardiner & Reed

The National City Bank (NCB) in the Morgan group was represented by two directors, Sosthenes Behn and Allen G. Hoyt. In brief, I.T.T. was a Morgan-controlled company; and we have previously noted the interest of Morgan-controlled companies in war and revolution abroad and political maneuvering in the United States.<sup>2</sup>

In 1930 Behn acquired the German holding company of Standard Elektrizitäts A.G., controlled by I.T.T. (62.0 percent of the voting stock), A.E.G. (81.1 percent of the voting stock) and Felton & Guillaume (six percent of the voting stock). In this deal Standard acquired two German manufacturing plants and a majority stock interest in Telefonfabrik Berliner A.G.I.T.T. also obtained the Standard subsidiaries in Germany, Ferdinand Schuchardt Berliner Fernsprech-und Telegraphenwerk A.G., as well as Mix & Genest in Berlin, and Suddeutsche Apparate Fabrik G,m.b.H. in Nuremburg.

It is interesting to note in passing that while Sosthenes Behn's I.T.T. controlled telephone companies and manufacturing plants in Germany, the cable traffic between the U.S. and Germany was under the control of Deutsch-Atlantische Telegraphengesellschaft (the German Atlantic Cable Company). This firm, together with the Commercial Cable Company and Western Union Telegraph Company, had a monopoly in transatlantic U.S.-German cable communications. W.A. Harriman & Company took over a block of 625,000 shares in Deutsch-Atlantische in 1925, and the firm's board of directors included an unusual array of characters, many of whom we have met elsewhere. It included, for example, H. F. Albert, the German espionage agent in the United States in World War I; Franklin D. Roosevelt's former business associate von Berenberg-Gossler; and Dr. Cuno, a former German chancellor of the 1923 inflationary era. I.T.T. in the United States was represented on the board by von Guillaume and Max Warburg of the Warburg banking family

### **Baron Kurt von Schroder and the I.T.T.**

There is no record that I.T.T. made direct payments to Hitler before the Nazi grab for power in 1933. On the other hand, numerous payments were made to Heinrich Himmler in the late 1930s and in World War II itself through I.T.T. German subsidiaries. The first meeting between Hitler and I.T.T. officials — so far as we know — was reported in August 1933,<sup>3</sup> when Sosthenes Behn and I.T.T. German representative Henry Manne met with Hitler in Berchtesgaden. Subsequently, Behn made contact with the Keppler circle (see Chapter Nine) and, through Keppler's influence, Nazi Baron Kurt von Schröder became the guardian of I.T.T. interests in Germany. Schröder acted as the conduit for I.T.T. money funneled to Heinrich Himmler's S.S. organization in 1944, *while World War II was in progress, and the United States was at war with Germany.*<sup>4</sup>

Through Kurt Schröder, Behn and his I.T.T. gained access to the profitable German armaments industry and bought substantial interest in German armaments firms, including Focke-Wolfe aircraft. These armaments operations made handsome profits, which could have been repatriated to the United States parent company. But they were reinvested in German rearmament. This reinvestment of profits in German armament firms suggests that

Wall Street claims it was innocent of wrongdoing in German rearmament — and indeed did not even know of Hitler's intentions — are fraudulent. Specifically, I.T.T. purchase of a substantial interest in Focke-Wolfe meant, as Anthony Sampson has pointed out, that I.T.T. was producing German planes used to kill Americans and their allies — and it made excellent profits out of the enterprise.

In Kurt von Schröder, I.T.T. had access to the very heart of the Nazi power elite. Who was Schröder? Baron Kurt von Schröder was born in Hamburg in 1889 into an old, established German banking family. An earlier member of the Schröder family moved to London, changed his name to Schroder (without the dieresis) and organized the banking firm of J. Henry Schroder in London and J. Henry Schroder Banking Corporation in New York. Kurt von Schröder also became a partner in the private Cologne Bankhaus, J. H. Stein & Company, founded in the late eighteenth century. Both Schröder and Stein had been promoters, in company with French financiers, of the 1919 German separatist movement which attempted to split the rich Rhineland away from Germany and its troubles. In this escapade prominent Rhineland industrialists met at J. H. Stein's house on January 7, 1919 and a few months later organized a meeting, with Stein as chairman, to develop public support for the separatist movement. The 1919 action failed. The group tried again in 1923 and spearheaded another movement to break the Rhineland away from Germany to come under the protection of France. This attempt also failed. Kurt von Schröder then linked up with Hitler and the early Nazis, and as in the 1919 and 1923 Rhineland separatist movements, Schröder represented and worked for German industrialists and armaments manufacturers.

In exchange for financial and industrial support arranged by von Schröder, he later gained political prestige. Immediately after the Nazis gained power in 1933 Schröder became the German representative at the Bank for International Settlements, which Quigley calls the apex of the international control system, as well as head of the private bankers group advising the German Reichsbank. Heinrich Himmler appointed Schröder an S.S. Senior Group Leader, and in turn Himmler became a prominent member of Keppler's Circle. (See Chapter Nine.)

In 1938 the Schroder Bank in London became the German financial agent in Great Britain, represented at financial meetings by its Managing Director (and a director of the Bank of England), F.C. Tiarks. By World War II Baron Schröder had in this manner acquired an impressive list of political and banking connections reflecting a widespread influence; it was even reported to the U.S. Kilgore Committee that Schröder was influential enough in 1940 to bring Pierre Laval to power in France. As listed by the Kilgore Committee, Schröder's political acquisitions in the early 1940s were as follows:

SS Senior Group Leader.	Trade Group for Wholesale
Iron Cross of First and	and Foreign Trade –
Second Class.	Manager.
Swedish Consul General.	Akademie für Deutsches
	Recht (Academy of
	Germany Law) – Member

International Chamber of  
Commerce – Member of  
administrative committee.

Council of Reich Post Office  
– Member of advisory board.

German Industrial and  
Commerce Assembly –  
Presiding member.

Reich Board of Economic  
Affairs Member.

Deutsche Reichsbahn –  
President of administrative  
board.

City of Cologne –  
Councilor.

University of Cologne –  
Member of board of trustees.

Kaiser Wilhelm Foundation  
– Senator.

Advisory Council of  
German-Albanians.

Goods Clearing Bureau –  
Member.

Working Committee of  
Reich Group for Industry  
and Commerce – Deputy  
chairman.<sup>5</sup>

Schröder's banking connections were equally impressive and his business connections (not listed here) would take up two pages:

Bank for International  
Settlement – Member of the  
directorate.

J.H. Stein & Co, Cologne –  
Partner (Banque Worms was  
French correspondent).

Deutsche Reichsbank, Berlin.  
Adviser to board of  
directors.

Wirtschaftsgruppe Private  
Bankegewerbe – Leader.

Deutsche  
Verkehrs-Kredit-Bank,  
A.G., Berlin (Controlled by  
Deutsche Reichsbank) –  
Chairman of board of  
directors.

Deutsche Ueberseeische  
Bank (Controlled by  
Deutsche Bank, Berlin) –  
Director.<sup>6</sup>

This was the Schröder who, after 1933, represented Sosthenes Behn of I.T.T. and I.T.T. interests in Nazi Germany. Precisely because Schröder had these excellent political connections with Hitler and the Nazi State, Behn appointed Schröder to the boards of all the I.T.T. German companies: Standard Elektricitätswerke A.G. in Berlin, C. Lorenz A.G. of Berlin, and Mix & Genest A.G. (in which Standard had a 94-percent participation).

In the mid-1930s another link was forged between Wall Street and Schröder, this time through the Rockefellers. In 1936 the underwriting and general securities business handled

































































































































































































































