TO HISTORIANS OF THE NAZI SS, 1943’s SIGNIFICANT events were the surrender of Stalingrad, the ending of hostilities in North Africa, the appointment of Heinrich Himmler by Hitler as minister of the interior, the capitulation of Italy, and the rescue of Mussolini by SS Brigadefuehrer Otto Skorzeny from an Italian mountaintop fortress. Historians with a broader focus on the European war would include: the round-the-clock bombing by RAF and U.S. Air Force planes of German cities and other key targets, the Battle for the Atlantic in climax and conclusion, the massacre of Polish Jews in the Warsaw ghetto by SS troops (to be repeated with even greater ferocity in 1944 as Russian divisions stood idly outside the Polish capital, on orders from Stalin), the formation in Algiers of the French Committee of National Liberation, at first under generals Giraud and de Gaulle, later under de Gaulle alone, the Allied landing in Sicily, the casting down from power of Mussolini by vote of the Fascist Grand Council, the Allied crossing of the Mediterranean to mainland Italy, the new Italian government under Marshal Badoglio that shifted its support from Germany to the Allies, and the meeting of Churchill, Stalin, and Roosevelt at Teheran to coordinate plans for a final attack on Germany.

But to Bormann the most telling event of 1943 was the appointment of Himmler, Reichsfuehrer of the SS and chief of
police, to the additional position of minister of the interior of the Third Reich. This was seen by Bormann as a threat to his control of the 42 Gaue, or districts, whose leaders reported directly to him. Albert Speer also perceived it as a potential dissolution of Bormann's domestic power base, so he looked anew to Himmler as the one who could accomplish what he had failed to do—win out over Bormann in the political infighting for control of the domestic economy. Himmler attempted to pull the Gauleiters into line by sending them orders through district SS commanders. The Gauleiters complained to Bormann, who had Hitler prohibit any more such steps. Himmler immediately pulled out, and the Himmler-Speer alliance came to an end.

Martin Bormann was now sole leader on the domestic front, and he went further to strengthen his hold over the economy. The aging, old-line Gauleiters were replaced with his new breed of administrators, typically with legal training, to handle the complex matters of an economy that, since the fall of Stalingrad on February 1, was moving rapidly into full war production. Each district leader had committees constantly surveying the entire spectrum of his regional economy. There were committees on insurance, electric power, steel, coal, and industry in general. Their reports went directly to Bormann, who dictated the directives that kept the economy in tune with his thinking. Whenever Albert Speer would try to expand his area of armament production, he would receive a curt memorandum from Martin Bormann to desist. Speer attempted to bring into his ministry's jurisdiction the Peenemünde rocketry production, and sent Hitler a request to this effect. The reply was negative and bristling, and came not from Hitler but from Reichsleiter Bormann.

In 1943 Bormann moved to control banking by expanding regional economic committees into the financial field under his department III-B, a unit covering finance and special fiscal projects of a highly confidential nature to which his district economic advisors belonged.

Reichsleiter Bormann's move to place the banking structure of the Third Reich in his domain was understandable, for without the banks he couldn't exercise full control of industry and the economy. In the last years of the war, big banks had nearly all German industry under their control. This was done in several ways: through ownership of stock and the right to vote stock owned by others; through bank officers and stockholders sitting on the boards of the big corporations, and, in turn, including representatives of the largest corporations on their boards. Then, when limitations to the size of the boards were mandated, they continued to extend their sway over German industry by setting up regional committees, Landesausschüsse to which leading industrialists in the various regions would be invited to belong. It was considered a great honor to do so, with the opportunity to attend two or three meetings a year at large dinners, to which officers of big banks would journey from Berlin.

Thus, the big Berlin banks maintained their influence over all parts of German industrial life. When a law was passed limiting the number of directorships any one man could hold, it put the small bankers at a disadvantage because the big banks could divide their directorships among the many members of their management. Also, by putting officials of leading industries on the regional committees, which were not limited in number, and which in the case of the Deutsche Bank listed several hundred members, they were able to spread their influence even further.

By inviting the local industrialists to serve on these committees, they, of course, obtained the business of such companies and would extend credit to the companies, when needed. They obtained further control over industry through their ability to call in the money due under the credits they extended to the local industrialists. By these means, the big banks continued to an increasing extent to capture the customers of the small private banks.

For these reasons, the district economic advisors of the party urged Bormann to assume control of the big banks. The smaller regional banks and their customers were unhappy over the domination exercised by the large Berlin banks, and resented having all their banking decisions now referred by regional private banks to head offices in Berlin. Bormann was agreeable to such a move: it would give him greater influence with all major banks, and he foresaw needing at a later date their good will and assistance in moving capital around the world.

The major corporations did not mind Bormann applying addi-
tional checks on the banks, which they thought had become too domineering and cavalier toward their own needs. They were aware that German banks administered 70 percent of the capital of all German stock companies.

At the same time, many large corporations held large blocks of stock in the very banks that served them. Siemens & Halske A.G. of Berlin, a giant electronics firm with many subsidiaries and extended worldwide (the General Electric of Germany), had bought into Deutsche Bank in 1930 during the economic crisis. It held 1 million marks of Deutsche Bank stock until selling it in 1942. It was a quiet deal, Siemens & Halske not wanting its competitors to know about its insider position. At annual meetings the firm always had "neutral parties," a notary public, a lawyer, or some friend of the bank vote its stock.

A like situation prevailed with H.F. & Ph.F. Reemtsma, an international tobacco firm located in Hamburg. It had acquired 5 million Reichsmarks of Deutsche Bank stock during the same banking crisis of 1930, but held on to it through the years. In later days, the bank asked Reemtsma to buy several million more shares of its stock that was floating in the market, inasmuch as Deutsche Bank was not permitted to buy its own shares. In appreciation, the bank extended guarantee facilities 1945 but because of the difficulties of that year it could not be used."

Schmitz said that Deutsche had become their primary bank because it "was the bank with the old relations with the Badische Anilin and Soda-Fabrik and Farbwerke vorm. Friedr. Bayer & Co., and when I.G. Farben was created in 1925 it was natural that the Deutsche Bank continue relations. It is also the reason that I.G. Farben always asked one member of the Deutsche Bank to come on the board of I.G. Farben. First it was Schlieper, then Schlitter, Mosler, and later on Abs."

All banks, in all countries, work together. Bankers relate to each other, even if they often fail to understand what motivates their customers and the public in general. In Germany, the big banks were the money machines that insured the silent financing of the war Hitler was planning. In order of fiscal strength and importance, Deutsche Bank led the Big Three, followed by Dresdner and Commerzbank (the standing of the three still today in the Federal Republic of Germany; Fortune magazine places these among the 50 largest commercial banks in the world outside the United States).

Here is an explanation of the type of industrial funding by the big banks to produce the behind-the-scenes financing of the
general manager of the Brandenburger Provincial Bank and on the board of Deutsche Bank. Another member was Heinrich Huncke, who was president of the Chamber of Commerce in Berlin, on the management committee of Deutsche Party on every economic and financial question that arose. Baron Kurt von Schroeder, a well-known banker of Cologne during these years and an economic advisor to Bormann's economic committee, commented that Dr. Hermann Josef Abs,
In Belgium, control was assumed by establishing banking subsidiaries of the big German ones, which also bought majority control of existing Belgian banks. The Deutsche Bank already had its own branch in Brussels and was doing business as usual on May 19, 1940, when German troops marched into the city and proceeded to give a band concert in the Grande Place—it being a sunny afternoon. Dresdner Bank bought majority interest in Banque Continentale of Brussels and Antwerp; the Bank der Deutschen Arbeit bought into Banque de l'Ouest in Brussels; Commerzbank moved in on Banque Hapséatique of Brussels.

In Holland, German banking exploitation was achieved simply by having the Deutsche Bank, which had long been interested in Handelmaatsschappij, increase its holdings in H. Albert de Bary & Co., Inc. The Berliner Handelsgesellschaft increased its holdings in the Hollandsche Koopmansbank. The Bank der Deutschen Luftfahrt acquired all shares in N.V. Hollandsche Buitenland Bank, while several other German financial institutions secured majority shares in Rodius Koenigs Handel Maatschappin. Three subsidiaries were established by Dresdner Bank.

Deutsche Bank bought majority control of Bohmische Union Bank of Prague and the Banca Commerciale Romana of Bucharest and 30 percent ownership of the Banque Générale de Luxembourg. It purchased controlling shares from banks in Belgium and Paris, which up to that time had owned these banks of Prague, Bucharest, and Luxembourg. The Société Générale de Belgique of Brussels and the Banque de l'Union Parisien de Paris, which owned these banks, sold their shares to Deutsche Bank. In much the same way, this German bank bought majority stock from Belgian and French majority shareholders of Columbia Oil and Concordia Oil, both Romanian joint-stock companies operating these oil-producing plants of Romania.

These economic penetration specialists of the Third Reich handled France similarly, with but a slight difference. In the years before the war the German businessmen, industrialists, and bankers had established close ties with their counterparts in France. After the blitzkrieg and invasion, the same Frenchmen in many cases went working with their German peers. They didn't have much choice, to be sure, and the occupation being instituted, very few in the high echelons of commerce and finance failed to collaborate. The Third Republic's business elite was virtually unchanged after 1940. Jewish businessmen, of course, were penalized for being just that, along with those who joined de Gaulle. The Vichy government, and the occupation government under German domination, was run by "notables," people who had already made it in public administration, commerce, finance, and the professions. They regarded the war and Hitler as an unfortunate diversion from their chief mission of preventing a communist revolution in France. Antifascism was a common denominator linking these Frenchmen to Germans, and it accounted for a volunteer French division on the Eastern Front, which in actuality was useful only as propaganda for the Germans. Hitler never thought much of the volunteer divisions of occupied Europe, dismissing their existence with, "We will rise by ourselves."

The upper-class men who had been superbly trained in finance and administration at one of the two grand corps schools were referred to as France's permanent "wall of money," and as professionals they came into their own in 1940. They agreed to the establishment of German subsidiary firms in France and permitted a general buy-in to French companies. In 1941, French banks sold a large part of their holdings in the industrial and banking enterprises of central and southeastern Europe; after all, they reasoned, the German armies were already there, which secured French interests; and half a loaf is better than none.

In Paris the usual direct penetration took place by shareowner control of such as Worms et Cie. (now Banque Worms Group), the Banque de Paris et des Pays-Bas, Banque Nationale pour le Commerce et l'Industrie (now Banque Nationale de Paris), and Banque de l'Indo Chine (now Banque de l'Indo Chine et de Suez Group).

On May 23, 1940, all French banks operated under the German banking administration, and fiscal operations came under the supervision of Berlin auditors. When the Japanese bombed Pearl Harbor on December 7, 1941, and President Roosevelt announced that the United States was at war with Japan and Germany, the branches of American banks in France came under German control and were closed, except for two American banks: Morgan et Cie., and Chase of New York. Both received
this special treatment through the intercession of Dr. Hermann Josef Abs of Deutsche Bank, financial advisor to the German government. According to U.S. Treasury agent reports, the favorable treatment was due to an “understanding relationship” between Lord Shawcross and Dr. Abs. Sort of an “old school tie,” an unspoken understanding among international bankers that wars may come and may go but the flux of wealth goes on forever. Lord Shawcross was, and is, a British financial leader in the City of London, a distinguished barrister, and a board member of many international firms; he had also been serving as special advisor to Morgan Guaranty Trust of New York, and to their French and Spanish banks. Morgan et Cie. and Morgan et Cie. Internationale S.A. and Chase of New York had their own ties to Abs. Lord Shawcross was later to become chief prosecutor for the United Kingdom before the International Military Tribunal at Nuremberg. He was to have many friendly conversations with Dr. Abs, who was under house arrest for a time in 1945. Both Lord Shawcross and Dr. Abs were to work together again in the 1950s in jointly sponsoring an international organization named “Society for the Protection of Foreign Investments of World War II,” with headquarters in Cologne, West Germany—all this according to testimony and documents submitted to the U.S. Justice Department and a Senate committee in Washington.

Meanwhile, in 1940, Jewish banks in France (such as Banque Transatlantique, Lazard Frères, and Rothschild Frères) and many a more modest Jewish firm engaged in the securities business and in international operations were seized, but were all returned to rightful ownership after 1945.

In both Belgium and France control of banks gave the Germans control of industry because banks could vote the shares they held in commercial firms, determining management’s collaboration in manufacturing products for use in Germany. Control of both banking and industry in occupied countries was therefore essential to continued effective domination of a nation. People depended on factories and commercial establishments for their livelihood; they needed banks to cash paychecks and for their savings, as well as to lend them money for business expansion and home mortgages. Those eliminated from this economic circle suffered severely. With no jobs and no savings, they constituted a minority society of social and economic outcasts. Some turned to the Resistance—not too many until Allied troops were at the gates. On the other hand, as part of the “carrot,” compliant workers in factories and employees of banks received part of an increased salary scale in food bonuses, so that they and their families survived the occupation in better style.

Hitler could afford to strip these countries of 153 divisions and send them to the Eastern Front in 1941. Thirty-eight divisions were enough for the Lowlands, Belgium, and France: bank control and the police, both German state secret police and the local police who worked for them, did the rest.

In Holland, because the big local banks did not have stock ownership of the firms they financed, Deutsche Bank specialists approached the industrial problem in a different way. They bought into the key firms much as they would go about negotiating a takeover in peacetime, except that their hole card was the German army.

As one example, AKU (Algemene Kunstsjde Unie N.V., of Arnhem, Holland) was a chemical firm, which had been formed in 1929. It owned outright an important subsidiary, Vereinigte Glanzstoff, among other properties. In Germany the Dutch-owned subsidiary was Vereinigte Glanzstoff-Fabriken A.G., of Wuppertal-Elberfeld. The Germans already held a minority interest in AKU and V.G. But Deutsche Bank and Reichsbank wanted majority control, not only for the benefits it would provide to German war production in Holland, but for the increased profits that would flow to German shareowners. This is how the transition was accomplished: AKU had common shares and preferred shares; the latter, which had the bigger voting rights, were all in the hands of members of the board of AKU. The first move was to change the composition of the board. The German Ministry of Economics, in the person of Hans Kehrl, asked a Cologne banker, Kurt Freiherr von Schroeder, to join the board of AKU and of Vereinigte Glanzstoff. Upon becoming a board member of AKU, Schroeder received 6,000 florins of shares (6 shares of 1,000 florins each). He received these as a trustee and as a member of the board. At the beginning of the war there were eight members on the board of AKU: three Germans and five Hollanders. The chairman of the board was Mr. Fentner van Vlissingen; the vice chairman
was Dr. Abs of Deutsche Bank. Deutsche Bank controlled many of the AKU shares and had a leading position in the Vereinigte Glanzstoff. Liaison between the two companies was carried on by Vaubel. The eight men holding the priority shares were all now in a consortium. The Germans dominated this consortium, although technically the Dutch had a 50 percent interest. Before each meeting, when the shares had to be voted, it was decided how they could vote. The shares of the trustees had to be voted the same way. The German holders were trustees for the Vereinigte Glanzstoff. The Germans, such as von Schroeder, who had received their shares at no cost, were obligated to turn back their stock when they left the board. They were merely trustees, and voted on order for V.G., as did the priority shareholders. Before board meetings, owners of the priority shares received letters from the Deutsche Bank or V.G. management telling them how they should vote. The eight priority shareholders each held six priority shares valued at 48,000 florins. Before each meeting Dr. Abs and Mr. van Vlissingen held a short conference, at which time the course the voting should take was outlined. The leading figure was Abs; van Vlissingen would deliver the instructions as initiated by Abs.

Kurt von Schroeder said the Dutch members did as the German government desired. "They never made difficulties. Abs was the leading man because of the majority of the shares he controlled in the consortium."

There were three American companies, North American Rayon Corporation, American Bemberg Corporation, and American Enka, all subsidiaries of Vereinigte Glanzstoff subsidiaries. American Bemberg was a subsidiary of J.P. Bemberg A.G., itself a subsidiary of Vereinigte Glanzstoff. After the war began, it was difficult to manage the three American companies from Germany. An effort was made to have the American subsidiaries appear to be under Dutch rather than German control. The consortium of V.G. and AKU, however, continued receiving annual reports and the profits from the American firms placed on deposit to accounts in Switzerland, through Swiss subsidiaries. (In the 1950s, both AKU and Vereinigte Glanzstoff were reshuffled and became part of a Dutch holding company, AKZO NV. AKU today is AKU-Goodrich, and Vereinigte Glanzstoff has been absorbed into the American Enka Company of North Carolina. All continue profitable for AKZO NV and the Dutch and German shareholders.) The original move for control in 1941 was prompted by the German need to increase the production of artificial wool and cellulose. To fulfill this AKU needed more capital, for the construction of a new plant for the artificial wool, and it had to found a new company, SOVE, to produce increased cellulose. Deutsche Bank agreed to increase the AKU capital by 10 million florins with nonvoting certificates in Germany, retaining the original shares with its voting rights. Any who bought the certificates received the same dividends and had the right for one time only to change the certificates for original shares. Deutsche Bank, with its 10 million florin shares of capital with voting rights, was in command, but it was not until it bought additional shares of AKU in Holland that it held a majority of the total shares. The AKU shares against which certificates were issued by the Deutsche Bank were deposited with the Deutsche Bank Filiale Hamburg; in the amount of 27,762,900 florins with German stamp and 3,444,400 florins without German stamp were the amounts exchanged for certificates by the Deutsche Bank at that time, when AKU was reorganized in 1942.

If all this seems devious in a war of shot and shell, it is. But such a form of control was necessary to the long haul of occupation, in which the Third Reich envisioned a peaceful, prospering community of nations within their Fortress Europe. Commerce and industry had to go on, and profits had to flow with benefit to all involved parties and shareholders, if a common market under German direction were to succeed and communism were to be held back.

Once Martin Bormann had the German banks assume majority control of the fiscal apparatus of each overrun country and of the corporations of special worth to them, the German "Four-Year Plan" was the next step in total administration, determining precisely which individuals were to direct these enterprises in the occupied areas; also, into which German sphere of requirement such should fall.

In Holland, the overall administrator of the financial and economic plan was Dr. Hans Fischbock. The Luftwaffe took charge of the electronics firm of Phillips, which had become a prime supplier. Phillips of Eindhoven was likewise used for
special wireless projects, thanks to its astounding capabilities in the manufacture of electronic communications and radar equipment. One such was to engineer equipment that would monitor the telephone conversations between Prime Minister Churchill and President Roosevelt.

In 1940 AT&T and their Bell Laboratories had developed a device for secret telephone transmissions between the president of the United States and the prime minister of Great Britain. This so-called X-System was the first speech encoding technique that could be deciphered only at the point of intended reception. Churchill, from his command post beneath Westminster, would speak into a specially contrived handset; his words were encoded with electronic pulses called “key signals,” and transmitted by short-wave radio; received at AT&T headquarters in New York City, they would then be transmitted to the White House, where the key signals would be deleted; thus the listener, the president, would hear only the perfectly clear, original message. It was a giant leap forward in telephone confidentiality, developed by Robert C. Mathes, Ralph K. Potter, and P.W. Byr儿, Bell engineers.

But this unique invention of telephonic radio scrambling was about to lose its confidentiality. In 1941 a Gestapo agent within the British intelligence structure sent a coded report to General Mueller in Berlin that top secret information affecting the course and outcome of the war was being regularly exchanged over the ether between Churchill and Roosevelt. Although it is true that British intelligence had penetrated the German General Staff, it is equally true that General Mueller had his mole inside Britain’s Secret Intelligence Service, a fact unknown to either the British or Admiral Canaris of the Abwehr, who was leaking information secretly to General Sir Stewart Graham Menzies, head of MI-6.

General Mueller’s agent was Charles Howard Ellis, a top-level British career intelligence officer who also served as a Nazi double agent throughout World War II. At the time of his tipoff to General Mueller, Ellis was in New York as second in command to Sir William Stephenson (“A Man Called Intrepid”), who was doing his best to move the U.S. into war against Germany with a combined propaganda and British spy operation and who later assisted in the formation and training of the American OSS. Charles Ellis learned of the Roosevelt-Churchill telephone conversations from Stephenson, who was a frequent visitor to the White House. Ellis sent his message to Mueller through Gestapo channels via Mexico City to Buenos Aires, where it was beamed to Hamburg by one of the clandestine German transmitters in that capital. The Ellis report was quickly taken by General Mueller to Reichsleiter Bormann, who promptly told Hitler about it. The Fuhrer ordered Bormann to do whatever was necessary to unscramble these conversations and provide him with transcripts within hours of their occurrence.

Under the direction of Group III of the Berlin cipher section, Bormann instituted a hurry-up program, and after many months of intensive work and many millions of Reichsmarks spent by the research institute of the Deutsche Reichspost, Dr. Ohnsorge, minister of postal services, informed Bormann that a sophisticated installation would enable them to unscramble undetected the telephone conversations between the two Allied leaders and place them in clear, listenable context. The task was described by German cryptologist Wilhelm F. Flick: “Just imagine you are standing on the edge of a seething volcano, with a dozen yelping dogs just behind you and with a few wolves and lions howling and roaring at the other side of the crater. Add a gentle whistle to this sound mixture and you have an idea of what scrambled speech is like and what German engineers had to penetrate before they could extract words.”

The chief German electronics engineer who developed this counterachievement of the Deutsch Reichspost was Herr Vetterlein. In September 1942, under his direction, the Dutch engineers of the newly captive firm of Phillips at Eindhoven constructed the necessary installation in a monitoring station, on a spit of land close by The Hague.

Hitler was delighted each time Reichsleiter Martin Bormann placed on his desk a transcript only hours after the American president and the British prime minister had held one of their transatlantic conversations. Bucked up by the ingenuity and patriotism of his German inventors, he expressed thanks to the Phillips engineers. “Their work alone in this matter made the taking of Holland worthwhile,” he is said to have remarked to Bormann. Indeed it did, for it gave Hitler a window into the
workings in London and provided him with the certain knowledge that there would be no Second Front in 1943, leaving him free to shift further divisions from the Westwall to the Eastern Front. The many hundreds of British and Allied agents sacrificed by the British in France and in the Lowlands to convince the Germans there would be a Second Front in 1943 makes a dismaying footnote in the history of World War II. Not until February 1944, months before D-Day, did British intelligence discover that its worst security leak was at the top of the pyramid, and order the Royal Air Force to destroy the Nazi monitoring station in Holland.

Bormann's Four-Year Plan proceeded like clockwork in Western Europe, and the Germans made a special effort to apply the same to the countries of southeastern Europe. Before World War I they had large holdings in public loans, railways, banks, mining, oil, and other industrial interests in this part of the world. As a condition of the peace treaties following World War I, Germany forfeited it all, and furthermore had to pay retributive reparations to those countries that had taken the side of the Allies. Part of the Austrian and Hungarian holdings, especially in the heavy and armaments industries and in banking, were taken over lock, stock, and barrel by France and Great Britain, as well as by Belgium, Switzerland, and other nations. Thus, up until 1934, what was left to Germany was minuscule; they held only 1 percent of the total foreign investment in Yugoslav industry and less than 1 percent of the total foreign investment in Yugoslav banking.

With the advent of National Socialism, perceived as a saving grace, and the concomitant era of renewed German production, trade, and Reichsmark diplomacy, the Fatherland once again became a force to be reckoned with in southeastern Europe, drawing it into the Nazi orbit. In 1941, when German armies slashed through the Balkans to the Aegean in five weeks, the administrators of the Four-Year Plan moved to exploit this region in a businesslike manner. They carried out the financing and development of important raw materials in Yugoslavia, Romania, and Bulgaria. For this they utilized the skills of German industrial firms to extract maximum benefits from the mining, steel, and petroleum industries. Deutsche Bank, Dresdner Bank, and Commerzbank had already gained majority control of the principal banks and industrial corporations of these countries by buying sufficient shares from their principal shareowners, French and Belgian banks.

A similar pattern was developed for Luxembourg, a country smaller than Rhode Island, whose principal industry is iron and steel. The Germans annexed Luxembourg, as they did Alsace-Lorraine, and it became an administered territory, like Poland, Belgium, and Holland, where local nationals did not serve as government. Gustav Koenigs, chairman of Hamburg-Amerika shipping line and a director of many companies, was appointed Reich trustee of ARBED, an important Luxembourg steel cartel, by the German Ministry of Economics. There were in ARBED 250,000 shares outstanding, the majority held by Luxembourgers, Belgians, and French, in that order. German shareholders, largely through their banks, accounted for 54,747 shares. Some were held by British and Americans through their secret accounts in Swiss banks. A shift in control was made when Gustav Koenigs, as Reich trustee, also became trustee of the Belgian- and French-held shares. On April 19, 1943, a shareholders' meeting was held in Luxembourg city, and the capital of the company was converted from francs into Reichsmarks. ARBED was recapitalized at 300 million Reichmarks ($120 million), and under German direction the cartel became the third largest iron and steel company in Europe, ranking behind only Germany's Vereinigte Stahlwerke and the Goering Steel Works. A sales company was then formed under the name of Luxembourg Iron & Steel Company to market all ARBED products throughout Europe. It was capitalized at RM 1.5 million. To further tighten German control over the iron and steel output of this small, mountainous country, all of the iron mines in Luxembourg were combined and amalgamated into one unified association under German direction. This association was named "Luettzellung," and its advisory board was appointed by the chief of the German civil administration. Gustav Koenigs, as Reich trustee of ARBED, served as president of Luettzellung.

The two principal German banks, Deutsche Bank and Dresdner Bank, had assumed 73 percent ownership of the Banque Générale de Luxembourg and the Banque International de Luxembourg in May 1940. They bought majority shares of the
two Luxembourg banks from the Belgian and French banks, where they had increased their shareholdings to a controlling interest. Both Commerzbank and the Deutschen Arbeit banks established branches in Luxembourg.

In dealing with all other aspects of the economy of occupied countries, the Germans were just as thorough. In 1939, the British insurance companies held nearly half of the French portfolios, amounting to 90 billion francs, or about $1,800 million. When France fell, all British insurance offices in both occupied and unoccupied France were closed and by agreement with the French Insurance Department in Vichy, and the German Central Organization of Insurance Carriers, a full concession was issued by France to German insurance companies. The Munich Reinsurance Company had already penetrated France before 1939 through the Société Anonyme de Réassurance de Paris. In 1940 Nordstern of Germany acquired most of the British business. The heavy industries of France were put to work for Germany, as was the iron and steel industry in Alsace-Lorraine. By 1941 there was great bitterness in France toward the British, anyway. It appeared to the French now that most Allied military successes seemed to involve French losses. First, there was the British invasion of Syria in June 1941. Then the British blockade of the Continent began, causing grievous food and fuel shortages in France, although had the German occupation authorities not drained so much food from the French economy and diverted it to Germany the shortage would have been manageable. On March 3, 1942, the British bombed the Renault works in the Paris suburb of Boulogne-Billancourt, which caused great damage and civilian casualties. Also, the Vichy French were still smarting from the seizure of two battleships, four light cruisers, two submarines, and about two hundred small craft at anchor in Portsmouth and Plymouth. But the shelling and bombing of the battleships Bretagne, Dunkerque, and Provence at Oran, and the Richelieu at Dakar, along with lesser vessels, turned Britain into an enemy of Vichy France, although Churchill was wise to order the attacks to keep this naval force from falling into German hands. If they had—and German plans were being made to seize the ships and man them with German and Italian crews—the battle for the Mediterranean and the Atlantic would have swung in Germany’s favor.

Against this background, and with the schism between France and Britain, France looked to Germany rather than to Britain.

The economic penetration of the neutral nations was handled differently by German corporations and banks. They continued to move in tandem, I.G. Farben and Friedrich Krupp, A.G., to name only two major ones with worldwide interests, and manufactured and sold their products while participating banks handled the funding and the collection of money, according to terms of contracts between manufacturer and principal.

Hermann Brombacher, manager of the War Material Export Branch of Friedrich Krupp A.G. in these war years, stated that all contracts for export had to be passed on by two government agencies, A.G.K. (Ausfuhr Gemeinschaft Kriegsgerat) and O.I.W. (High Command of the armed forces). Brombacher said that foreign business was handled in the following manner:

“All companies competing for a foreign contract would notify A.G.K. of the facts of their bid. A.G.K. had the power to determine if a particular company’s prices were right. One company could not offer a price lower than that of another German firm, on the same product. The contract would usually go to the company having the best name or the one preferred by the foreign government. The companies who were then unsuccessful in the bidding would often be licensed by the company securing the contract to fill part of the order. The company receiving the order would be called the leader of the syndicate or ‘consortium,’ and would often license the other companies to aid them.”

Brombacher gave as one example a 1937 Krupp contract with Brazil for the delivery of certain types of war materials. “To secure this contract and to introduce its products there, Krupp had several representatives in Brazil (namely, Bromberg & Co.). Rheinmetall-Borsig. Krupp’s main competitor for the business, also had representatives in Brazil. When Krupp secured the contract, Rheinmetall was then ordered by A.G.K. not to compete with Krupp in Brazil. The expenses of Rheinmetall’s representatives were ordered paid by A.G.K. out of the expense clause of the new contract.”

As an insight into how Krupp operated its vast armaments business during World War II (in contrast to World War I, when it had to import precision instruments from Switzerland),
Brombacher stated, "In the Second World War we had our own German sources for the photoelectric and radar fire controls used for our guns. We were supplied by the German firms of Siemens & Halske A.G. and Siemens-Schuchert-Werke A.G. All optical devices were built by Carl Zeiss."

He added that Krupp had also shifted from being mass sup-

Roosevelt Cairo Conference, which took place on the eve of their meeting in Teheran with Josef Stalin. Foreign Secretary Eden had persuaded a Turkish delegation to come to Cairo. At the meeting he pointed out the urgent Allied need for Turkish airbases, and the advantages that would accrue to both sides if Turkey entered the war on the side of the Allies. The Turkish
ment leaders were discussing this contract by a consortium of German firms. By terms of this sale, bonds of the Turkish Treasury to the amount of RM 100 million were deposited with the Deutsche Bank, to be redeemed in half-yearly installments from 1944 to 1949 in return for Deutsche Bank credits.

Deutsche Bank was handling all the financial aspects of the Turkish order. This bank computed the sums each German firm was to receive in cash, and then formed a syndicate of several banks for the funding, with the German firms receiving their money immediately. To the German O.K.W., an important element of this transaction was the resumption of chromium ore shipments from Turkey to Germany. The Turks received their war matériel from Germany with promptness, but were able to pay only two installments on their war bonds, those due May 15 and November 15, 1945. In August 1944 Turkey had reluctantly cut its diplomatic and economic relations with Germany. On February 23, 1945, four months before the German surrender at Rheims, France (on May 7), Turkey declared war on the Axis.

In another neutral nation, Spain, Reichsmark diplomacy worked equally well. Although Franco sympathized with Hitler and his war against communist Russia, even to the extent of sending a volunteer division to the Eastern Front, he became more neutral as the war went on. In 1943 he had been told during a personal meeting with his old friend, Admiral Canaris, that Spain should stay out of the war; that Hitler could not win. From this moment on he became more even-handed in his treatment of German and British diplomatic representatives who were quietly fighting for his attention and for the other perks that go with a most-favored-nation relationship.

On the industrial front, however, Germany was winning hands down. Almost all sections of the Spanish chemical and pharmaceutical industry came under the control of I.G. Farbenindustrie. It controlled many Spanish firms directly or through Unicolor S.A. I.G. Farben owned 51 percent of the stock in Sociedad Electro-Quimica de Flix, whose manufacturing processes were under license from I.G. Quimica Comercial y Farmaceutica S.A. was a subsidiary of I.G. Farben and distributed the Bayer line of medical products in Spain. Farben

Unicolor S.A. represented 16 German firms having interlocking directorates with several large Spanish chemical companies.

There were Liperheide and Guzman S.A. (later to be renamed Industrias Reunida Minera Metalurgicas S.A.), whose holdings included smelters and transportation facilities. There were also in Spain two prominent German-owned banks.

The Spanish Civil War had given Germany a strong foothold in Spain. Hitler had sent technical aid, a Condor division, and dive bombers to Franco. The war also enabled his new generation of army strategists to test new field and air tactics and weapons. In return, General Franco later sent his Blue Division to Russia, but by German accounts this did not square the Spanish debt.

In November 1943, an agreement was reached in which Spain acknowledged a $1 billion debt to Germany. Several payments were made, in free credits. One payment was of $60 million to be used by the Germans to buy Spanish property, finance goods, and sustain the German diplomatic staff in Spain. In July 1944 the balance due had been brought down to $40 million by Spain. By April 1945 Spain's debt was only $22 million, and it was being negotiated by German interests.

German economic penetration of Portugal was limited. In 1944 prewar investments in mining gave way to the purchase of properties in the cities of Portugal. I.G. Farben did not manufacture in Portugal, merely marketing pharmaceutical specialties through their Bayer Ltda., in Lisbon and Oporto. The most important German manufacturer in Portugal was the electrical firm of Siemens Companhia de Electricidad S.A.R.L., a division of the Siemens group of Germany. No German banks were established in Portugal.

In their efforts to harness the economies of Europe, administrators of the Four-Year Plan encountered resistance to the proposed takeover of certain companies, such as the German branch of the Ford Motor Company. The management of "Ford-Werke A.G." wanted to hold this company together as a profit-making entity ("The war won't last forever and we have a good thing in Ford"). They believed that once government bureaucracy laid its hand on their corporation it would never be the same. Therefore, Dr. H.T. Albert, chairman of the board,
sent a memorandum to the Four-Year Plan administrators from R.H. Schmidt, president of the board of Ford-Werke A.G. They mustered the arguments on whether a complete Germanization of Ford would be necessary or advisable. In part, Schmidt wrote:

All vehicles and parts are being produced in Germany by German workers using German materials; export into the European and overseas sales territory of the United States and Great Britain has amounted to many millions in the last year of peace.

Foreign raw materials were obtained through the American company (rubber, nonferrous metals) to cover production needs of the German plant and in part for the whole industry.

As soon as the American stock majority in Ford-Werke A.G. is eliminated each Ford company in every country will fight for its individual existence. Amsterdam, Antwerp, Paris, Budapest, Bucharest, Copenhagen, etc. are concerned (about a collapse of the general Ford organization in Europe).

A majority, even if it is only a small one, of the Americans is essential for the actually free-transmittal of the newest American models as well as for the insight into the American production and sales methods. Since Americans are without a doubt particularly progressive in this field, the maintenance of this connection is in the German interest. Through license fees or contractual stipulations this advantage, as well as the importance of the company for the obtaining of raw materials and exports, would be lost. The plant would practically only be worth its own machine capacity.

The memorandum was dated November 25, 1941, and the United States went to war two weeks later. While Mr. Schmidt's and Dr. Albert's argument became moot, the German government did not break up the Ford operation of Europe. They admired its efficiency, placing the various motor companies in different countries into their armament production scheme.

At the apex of this vast financial and economic administrative structure was positioned Reichsleiter Martin Bormann. He had retained his grip on the pulse of German finance ever since the day he took charge of the finances of the Fuehrer, and the vast funds of the Reich chancellery. His friendship and association with Dr. Herman Josef Abs predated Abs's move into the management of Deutsche Bank. Dr. Abs had been a partner in the prestigious private bank of Delbruck Schickler & Co. in Berlin. Recalling those days, Abs has written:

The Reich Chancellery in Berlin was its largest account, and it was through this account that Adolf Hitler received his salary as Chancellor of the Reich.

Martin Bormann, whose control of the Reich chancellery was absolute the moment he succeeded Rudolf Hess, maintained a cordial relationship with the Berlin banker. Dr. Abs moved to the Deutsche Bank on December 30, 1937, where he became first a member of the board of management, later the chairman of the most powerful bank in Germany, which was to tug the German financial apparatus ever forward into new areas of financial expansion and power throughout the world.

Reichsleiter Bormann knew that his relationship with Abs would tighten as his own power grew. Remaining on friendly terms with the Third Reich's leading banker was a contentment. He knew in 1943 that with his Nazi banking committee well established, he had the means to ultimately take the reins of finance unto himself. Through this committee and through the power that flowed from Hitler to himself, he could set a new Nazi state policy, when the time was ripe for the general transfer of capital, gold, stocks, and bearer bonds to safety in neutral nations.

Bormann, like Hitler, had no illusions that victory would be theirs on the field of battle. Hitler had settled in his own mind that a sort of victory might accrue to Germany only with a compromise peace with the adversaries. To Martin Bormann, he had commented at Obersalzberg in 1943, "No one will make peace with us now." Yet he went on nurturing the hope of establishing a holding line near Kursk in the Ukraine, then fighting the British and the Americans to a standstill in the West.

In the summer of 1943 Hitler requested Bormann to call a meeting of his SS security chiefs. Present were Hitler, Bormann, Himmler, Heinrich Mueller of the Gestapo, and Schellenberg, head of SS foreign intelligence. Foreign Minister Ribbentrop also sat in on the conference because his ministry was to supply
essential data in the game plan now being devised. It was a new, cagy diplomacy, in which negotiations were to be opened with the West, while simultaneously establishing contact with Moscow.

It was decided at the conference that Himmler should make the approach to the West, while Mueller would begin a "Funkspiel," a radio game using captured communist wireless operators to send messages to the intelligence gathering center in Moscow. This center, so-called, controlled all Soviet agent activities outside Russia. It was the net that pulled in all communications, which were then distributed to the various intelligence chiefs in Moscow, according to priority and need. Anything dealing with shifting strategy in Berlin, London, and Washington went directly to Stalin. Mueller was very good at forcing captured "enemy" wireless operators to work for the Germans, using their transmitters, codes, and personnel to cause London or Moscow to believe it was their own agent on the air still transmitting valid information.

At the time of this 1943 conference with the Fuehrer, the Abwehr had control of Leopold Trepper, a Polish Jew who had been a brilliant network for the communists. It had earned the

Trepper was transported from prison to a large and comfortable house in Neuilly, at the corner of the Boulevard Victor Hugo and the rue de Rouvray. Well guarded, from this location Trepper sent messages to Moscow; the Red Orchestra had become the Brown Orchestra. But Trepper's hope was that some way along the line he could inform Moscow that he had been captured, that his network had been rolled up, and that he was transmitting under duress. Such an opportunity did come after some months when he smuggled out a coded account of his situation, which reached the Soviet Embassy in London and was passed along to Moscow. Until that time, however, the center was receiving streams of misinformation, from six transmitters, in five countries, all run by Mueller's Gestapo, in addition to the Trepper one in Paris. One of the more accomplished Red Orchestra members, who had succumbed to working for Mueller under dire threats to his person, was Johann Wenzel, an expert the center had shifted from Holland to Brussels to coordinate air traffic of the Belgian network. Wenzel stayed on the air for six months, only to be betrayed under duress by Sophie Paznanska, a cipher expert promoted to station chief in Brussels who had been seized by the Germans. Wenzel, who knew the
way. But during a full-scale propaganda offensive by means of the Paris Red Orchestra unit, Leopold Trepper had escaped and remained underground until the liberation of the French capital in August 1944. He was to return to Moscow the following year, but his misfortunes there are another story—he was incarcerated ten years in Lubyanka prison waiting for his loyalty to the Soviet Union to be investigated. Following the death of Stalin, he was cleared and returned with his family to Warsaw. Captain Heinz Pannwitz had made his way to Moscow believing he could get better treatment from the Russians than from the English. He was also imprisoned for ten years, then released. In 1977 he was managing director of a bank in Ludwigsburg, in West Germany.

Back in 1943 at the start of Operation Bear, with a peace approach to both sides agreed upon at the above-mentioned conference, Himmler and Mueller locked horns. Himmler was SS chief and minister of the interior; Mueller was SS Oberstgruppenfuhrer and Generaloberst der Waffen SS—that is, SS chief group leader and highest general of the SS force. They disliked each other intensely. Himmler had been in chicken farming before the war; Mueller had been inspector of detectives and SS chief in the Berlin police. From Berlin Goebbels had brought to Berne some of the remarks could be, and were, misinterpreted by Stalin.

Himmler made his peace approaches to the West through emissaries he sent to Stockholm and Berne, confirmed by Soviet agents in these cities. Himmler's men carried documents, falsely drawn to show Stalin's eagerness for a separate peace pact with Hitler. Himmler had a long talk with one German resistance leader about the desirability of peace with the West, and discussed how this could be accomplished. He knew the news would travel swiftly to London because, if nothing else, German resistance leaders were a talkative, helpful lot. But the fellow sent to Berne almost brought about Himmler's undoing. He carried a suitcase filled with undeniably authentic documents provided by Ribbentrop's Foreign Ministry. The man, Herr Langbehn, went first to the British Legation in Berne and asked to see the British military attaché. He explained he was an official of the German Foreign Ministry and had brought with him from Berlin a suitcase of Foreign Ministry documents. On hearing this claim, the attaché presumed it false, and told him he was not interested. The German then tried to see the head of the chancellery in the British Embassy, but was rebuffed by Mr. Chaplin with the American Legion and suspected his
agent was a chief of the desk staff in the Washington office, and his position gave him access to all incoming reports of OSS station chiefs around the world, including those of Colonel David Bruce in London, chief of the OSS in Europe. It also explained why many of Allen Dulles's most secret memoranda were blocked on receipt in Washington, never to reach the commander in chief, the president. After the war, I visited Donovan in his Wall Street law office, he confirmed the story and remarked sadly, “It was all too true.”

Himmler, however, made a couple of mistakes. One was his rendezvous with a German resistance leader, which was observed by two of Mueller's men. Another was sending an emissary to Switzerland, whose information was too good and too secret—and the man had opened up too much with Allen Dulles. Later, a message from a British agent in Switzerland to London carried by a man who had talked to Dulles, was intercepted by Mueller, who showed it to Bormann, who in turn passed it on to Hitler, who hit the ceiling over such detailed revelations. Himmler survived this only by arresting his own emissary to Berne, and cutting off all further overtures to the West. Everything was now in Bormann's hands, and he preferred dealing with Stalin at this point in history. He thought that with German armies pressing hard a better peace accommodation could be made with Russia than with Britain or the United States.

Peace was not to come to Europe through these initiatives in the summer and fall of 1943. Many strategies of deception of both Churchill and Hitler failed, but the suspicions fostered by Martin Bormann lingered. At the Teheran Conference, Stalin was plainly distrustful of the British prime minister. Two years had passed since Rudolf Hess's adventure to Scotland to arrange a cessation of hostilities between Britain and Germany, and this episode rankled the Russian leader, whose suspicion and anger were reinforced now by this other information from the center in Moscow. He questioned and needled Churchill repeatedly about the purpose of Hess's flight. Finally, Churchill replied heatedly that he was not accustomed to having his word challenged. “When I make a statement I expect it to be accepted as fact,” he retorted to Stalin. The Soviet deflected this with a sly response: “But even my intelligence services don’t tell me everything.”

At Teheran, President Roosevelt tried for Stalin's approval of his statement made at the Casablanca Conference with Churchill, in which he called for the unconditional surrender of the German nation. At the time, this took Churchill by surprise, as it did the president's generals. The president told his aide, Harry Hopkins, “Of course, it's just the thing for the Russians. They couldn't want anything better. Unconditional surrender. Uncle Joe might have made it up himself.” These remarks, seemingly offhand, had been decided upon earlier in Washington, following a meeting with one of the president's closest advisors, Supreme Court Justice Felix Frankfurter, of whom it was written by Jay Piercepon Moffet of the State Department, “The power behind the throne was Felix Frankfurter.” He wanted the German nation punished absolutely and totally, and told the president he should insist on “unconditional surrender.” Henry Morgenthau, another advisor, had urged the president to “turn Germany in a howling wilderness.” President Roosevelt accepted Frankfurter's proposal, but rejected that of Morgenthau.

But at Teheran, Stalin disapproved of Roosevelt's unconditional surrender position. He was not impressed with such superfluity; it would only prolong the war, and Russia had suffered in actuality more than the other nations. He commented, “This war is being fought with British brains, American brawn, and Russian blood.”

After the Teheran Conference, early in 1944, Hitler terminated his wireless game with the Moscow center, and Operation Bear was shut down. An official in the Foreign Ministry in Berlin, who had been involved in the operation, said: “Either Hitler did not want to turn the radio game into a diplomatic reality, or he was not capable of doing so. And there was no Talleyrand in Berlin to take the matter in hand,” he added sadly.

However, Hitler considered substantial the gains from Operation Bear. He had, thanks to it, planted divisive distrust among the Big Three. Because of it, too, he hoped they would go ahead with an invasion of Normandy, which Hitler was confident
would be disastrous for the Allies in general and the political ruin of President Roosevelt and Prime Minister Churchill. Then he would make peace with Stalin, whose nation had been bled white; with 20 million dead, and a failed invasion of France by the United States and Britain, the upshot would be a peace conference between Hitler and Stalin.

Later, in Washington, President Roosevelt recalled that the sole agreement at Teheran was that each principal would move forward as quickly as possible. FDR had informed Stalin that he could not at the time make long-range agreements for his country because he faced an election. "Overlord," the code name for the invasion of Normandy, was to be made operational in May or June of 1944, and the Big Three prepared to return to their respective capitals. Sir Alec Cadogan, Britain's Permanent Under Secretary for Foreign Affairs, noted in his diary: "The Great Men don't know what they are talking about..." Still, the all knew June of 1944 would determine the future of propelled Prime Minister Churchill into approving the British raid on Dieppe, in August 1942, a disaster that served to show the American General Staff that it was not quite time for an invasion of France. At the time, Churchill explained, "My general impression is that the results fully justified the heavy cost." (Of the Canadian 2nd division which took part in the Dieppe raid, 18 percent of five thousand men lost their lives and nearly two thousand more men were taken prisoner.) Sir Alan Brooke, chief of the Imperial General Staff, added: "It is a lesson to the people who are clamouring for the invasion of France."

So it was that in June 1944, as an outcome of the Teheran Conference, there was set up one of the awesome military gambles of history. On its outcome rested, among other things, the personal future of the leaders who had guided the war but who now regarded each other's motives with intractable suspicion. Operation Bear had worked.

The people in the occupied nations had meanwhile settled