NINETEEN FORTY-THREE ALSO MARKED AN EMOTIONAL plateau for the people of London. The war was going better in the Mediterranean, and the reassuring buildup of forces in England could be seen on every side. But after three years of putting out, a lassitude set in. Food and liquor were in short supply. In neither Britain nor Germany was there a black market of any consequence; the inborn rectitude of both peoples made for compliance with rationing regulations—that is, until the war ended, when, in Germany for a time, the black market was for survival. But in France, Belgium, Luxembourg, Holland, even in Warsaw, the black market flourished under the direction of the cynical and self-serving, catering to those to whom luxury in general and good food in particular became the touchstone to bearing the whole thing. This spirit was reflected by Paul Reynaud, premier of the French government that presided at the fall of France to the Nazis. He had fled in 1940 to Bordeaux with his cabinet, which was in fact dominated by his mistress, Helen de Portes. Winston Churchill asked Reynaud to proceed to Algiers to set up a new resistance government; he refused to do it. During this period, Reynaud’s physician asked the premier for help in getting passage to England. Reynaud brushed him off with: “Why bother? In two weeks England will have given up. Stay and have lunch—Helen’s marvelous—despite everything
she's managed to persuade the chef to make a chocolate soufflé for you.”

In England there were inequities. Some of the rich, but not in general the old families, the aristocracy, had skipped out of London and were living in fine style at Torquay, on the southeast coast, where elegant hotels overlooked the very beautiful yacht basin. Along the upper Thames, it was not uncommon to see women in satin and chiffon and men in black tie stepping from limousines into hotels for a weekend of luxurious living, with money no object.

From Brussels and Paris, those who could still afford it went for summer vacations to the mountains or seashore. If you knew the angles and had the wherewithal, food always was available in wartime Europe. At the infamous market Sennaya in Leningrad, fresh chopped human flesh was sold in the terrible winter months of the siege during 1941–42. The Germans, due to the efficiency of their own rationing system, had sufficient and well-distributed supplies until the end of the war, at which point everything broke down, understandably. This factor, more than the importation of food from occupied countries, accounted for the higher nutritional level of the Germans. In Paris the Germans let five de luxe restaurants continue serving meat throughout the occupation.

John Lukacs, in The Last European War, writes a melancholy description of the Warsaw ghetto and the luxuries obtainable there, if one had the price. “Restaurants, cafés, nightclubs (and, what is less surprising, brothels) existed, taking in fantastic sums.”

How can this be explained, interpreted, rationalized? Such behavior took place wherever wealthy refugees, of any nationality or race, congregated—in Cannes or Lisbon, for example. It was this writer’s observation that such folk lived simply for the moment, and that in Warsaw especially life held little future.

The curfew kept the general population in their dwellings at night. Birthrates went up. Under the strictures of limited gasoline, thus much walking and limited food, the average European lost fifteen to twenty pounds. Parisians became accustomed to bicycles and pedicabs; a pleasant benefit was that air pollution was so reduced that the trees along the Champs-Élysées greened once again. The typical Londoner had a face pale and drawn, not only from the limited nutrition of rationed food but even more from the long, unending fact of coping, coping, coping. At the Savoy Hotel food went on being served with the usual elegance and flair, but the impeccably polished silver salvers bore roast pigeon rather than grouse from Scotland as in the past. Still, each night the Carroll Gibbons orchestra played, and the bar was crowded with Fleet Street journalists and American war correspondents; among the habitués, along with myself, were such notables as Scotty Reston, Drew Middleton, Ernie Pyle, and Ray Daniels. Walter Cronkite was reporting for United Press at that time. All of us moved between Fleet Street offices where we wrote our stories, the Ministry of Information where we received copy clearance, and the American bar of the Savoy where we exchanged gossip. I had joined CBS News in London, having served as European bureau chief for an American news service in the British capital, but was then hired by Edward R. Murrow to help cover the war in Europe. Picadilly Circus and Leicester Square were close by, and they were the route of many service men and women on leave, making their way through the dimly lit, usually foggy, streets to their destination of the evening.

Survival this long was a hard run for the British. There had been Coventry, Edinburgh (where fires destroying a distillery one night gave the firemen a memorable binge on Scotch whiskey), Glasgow, the Midlands, Liverpool, Bristol, Plymouth, and the largest and most vulnerable target of them all, London. By their resolute determination not to cave in, Londoners were an example of glowing courage to cities elsewhere in Britain, whose inhabitants, by extension, felt akin in worth to Londoners, so they too held out under extreme battering from the air. By 1943 the atmosphere of urgency had backed away. Some reminders were seen in small towns and villages where RAF fighter pilots of the Battle of Britain, and later ex-bomber crews of the air counterattack over Germany, underwent plastic surgery. One could readily spot these young men; they were shaken and withdrawn as they hobbled through old streets or sat in the sun on village greens, their characteristic skin grafts as much a badge of merit and bravery as their uniforms and Distinguished Flying Crosses.

Writing of these scenes of long ago reminds me of one CBS
Radio broadcast that Ed Murrow, Alexander Woollcott, and I did one evening from around Britain. I, in Scotland, described the fright of the bombing of Glasgow and the contrasting tranquility of nearby Loch Lomond, where I talked with a gentleman who had lost his home entirely to the bombing that very day, and had thereupon gone fishing in the beautiful Loch. Philosophical about the ruinous blitz, he declared to me: “Ma family and ma fishing tackle were all safe in the wee Anderson shelter.” In Plymouth, Alexander Woollcott spoke to wives of the seamen who traditionally make up the crews of destroyers and escorts and battalions of the British navy. He began his broadcast with this: “The loss of a destroyer in the Atlantic is only a stick of type in your newspaper tonight. But here in Plymouth it means a street of widows.” In London, Ed Murrow described the condition of the city and the strain of three years of war on a courageous people, and postulated what the immediate future held for them: “Unfortunately, more of the same, for war is a process of waiting until it is time to cross the Channel into battle.” For the British, that eventuality had not arrived, except for the waters of the North Atlantic and the skies over Germany.

Among the German people, there was lassitude. However, Hamburg had been nearly destroyed in the initial massive British raid of the war, in this year of 1943. Four hundred aircraft had dumped high explosives on the city, but the most awful devastation took place when oil and gasoline storage tanks went up in flames. Fanned by strong winds, it became truly a holocaust. Thousands of human beings attempted to flee to the river, but there, too, fire was engulfing the very water from the spillover from the oil barges, which, of course, were aflame too. Those who managed to hurl themselves into the water perished anyway. It has been estimated that the heat reached 1,000 degrees Fahrenheit that night. In other areas of Germany, even in cities not especially hard hit, war strain was on all faces, just as in London. Stalingrad fell on February 1, and with it 350,000 German soldiers either died, were grievously wounded, or were taken prisoners of war by Stalin’s soldiers, many never to be seen or heard from again. Through necessity, Germany was now moving into full mobilization. Adolf Hitler himself was affected by the continuous tension. On his doctor’s advice, he left his field headquarters at Rastenburg on the Eastern Front, on March 20, 1943, and returned to his Bavarian chalet at Obersalzberg for three months’ vacation, leaving his military to hold the Russians at bay until spring. It was from there, Obersalzberg, that Reichsleiter Martin Bormann dispatched the workings of government. In May, the Führer returned to Rastenburg to direct the battles of spring and summer.

Back at Number 10 Downing Street, Winston Churchill also had to have his respite. It was spent at Chequers, the traditional country house of the British prime minister, given to the Crown back in 1912 by a very rich merchant, and along with it a trust fund for its maintenance. Not so with Downing Street itself, the upkeep of which was paid for from Churchill’s £10,000 annual salary as prime minister, which placed him in a high tax bracket that left him very little to live on. In fact, it was not until there was later published Churchill’s monumental six-volume series on World War II (“to get my story on the record first,” he said), that he acquired the means to live out his life in serenity. Lord Beaverbrook, the late newspaper tycoon, handled worldwide sales of the books, which amounted to millions, but, alas, that too fell in the high brackets. But Beaverbrook had the wisdom to establish the Churchill Foundation, which helped out with taxes. Churchill told me once that in the 1930s, when he was politically in the wilderness, it had been touch and go financially. He depended on his income as a professional writer; he did a weekly series on general European affairs, with this byline: “By the Rt. Hon. Winston S. Churchill.” “It was a hand-to-mouth existence, and not pleasurable,” he remarked. But in his own modest country house in Westerham, Kent, where he himself laid the bricks around the boundaries of his land, the Sunday dinner table was always graced with a roast of beef. His dear wife Clementine said of those days, “It was his pride and wish to have a nice table at least once a week for the family.”

Pride of the same sort motivated Charles de Gaulle, in the years after his retirement from leadership of France, to go on setting a bountiful table, despite the cost. He had refused a grant of money from the French government, and lived on his soldier’s pension in his unassuming country home. The day came when Mme. de Gaulle had to sell a valuable table centerpiece to pay for the dinner that her husband insisted on the following
Sunday. Considering the reality of his financial situation, he applied for a loan from the Rothschild bank in Paris. The bank manager then was Georges Pompidou, and he gladly granted the loan to de Gaulle. Only in Germany was the national leader spared personal financial worries; there Adolf Hitler had in Martin Bormann a man who could anticipate and take charge of all fiscal affairs for both the party and the Fuhrer.

Churchill's schedule seldom varied in this wartime year of 1943. The vulnerability of Number 10 Downing Street to enemy bomb hits prevented him from sleeping there. He went there in the early morning, and in a ground-floor bedroom got into a pair of pajamas and climbed into a large, old-fashioned mahogany bed facing a window from which he viewed a grassy area back of the house. Then he read. First were the official overnight papers, then general mail, reports from the Mediterranean, the Balkans, the Atlantic. At 8:30 he would ring for his breakfast. Then one of his six secretaries would enter to take dictation on a noiseless portable typewriter. In this manner all his books were written, both before and after the war. Around 10:00 A.M., the secretary elsewhere processing the work, Churchill would bathe, dress, and proceed to the large, log-heated conference room in the adjoining wing, for a cabinet meeting. He would listen as each minister in turn reported and answered the many questions Churchill posed. A round-table discussion would follow, and the conference would be over. Lunch would likely be in the company of key men of the Admiralty and the War Office, who had merely to cross the street to enter Number 10. An hour nap after lunch, the prime minister would then walk to 2 Great George Street near Storey's Gate, passing a sandbagged guardpost at the entrance, and descending to beneath the pavements of Westminster to his command post. While there was a certain quietude on the London streets in 1943, there was nothing of the sort in the command post. The Battle of the Atlantic was in its most critical phase, and at this location the British naval officers would discuss with Churchill the moves that would counter those being made by Grand Admiral Doenitz at his U-boat Command Headquarters in Berlin.

Admiral Doenitz began 1943 with the greatest number of submarines he had ever had at his disposal, 400; it was a formidable increase over the 57 he had started with in 1939. January was a month of severe storms in the Atlantic. This weather factor worked against the submarines, but still they managed to account for 37 ships totaling 203,000 tons. In February they increased British sinking to 63 ships, 360,000 tons. In March the number of sinkings rose even higher, and the prime minister was gravely worried. How, he queried, could U-boats with a below-surface speed slower than that of any convoy manage to intercept so many convoys? For a submerged U-boat to attack a merchant ship it needed a good sighting position, preferably on the bow, and a fast convoy zigzagging didn't provide that much of a target. "Yet the Germans are getting through and doing severe damage to our supply ships from America . . . the answer is either luck or good intelligence," Churchill remarked. It turned out to be good intelligence. Doenitz had his submarines attacking as wolf packs, no longer singly, and Allied merchant convoys were harried from all sides. The German admiral went on record: "The German B-service, our cryptographic section, time and again succeeded in breaking enemy ciphers. As a result, U-boat Command received not only the British signals and routing instructions sent to convoys, but also in January and February, 1943, the British U-boat Situation Report, which was transmitted to Commanders of convoys at sea and which gave the known and presumed distribution of U-boats in different areas."

With this information the submarines could change their positions quickly and then regroup to meet a convoy head on. The British and American naval commands, unbeknownst to Doenitz, could also intercept these German cipher signals with their highly secret "Ultra" code breaker system.

The edge held by the German side was demonstrated in March 1943, when two great convoys left Halifax for England. Their identities were HX229 and SC122. The B-Dienst cryptographer unit in Berlin intercepted the sailing message, giving time of departure of HX229, a convoy of 40 ships, on March 8. It was to anchor in the Mersey, near Liverpool. Doenitz ordered a wolf pack to intercept it. Then he learned that another convoy, SC122, of 60 ships, would be departing, and another wolf pack was dispatched from its patrol area to an interception point off the English coast. British naval intelligence in Whitehall
picked up these instructions on their Ultra devices, and ordered both convoys to change course. But as both neared the western approaches to England the vessels had to close ranks. When they came into view of the U-boats at night, they presented a broad front totaling 106 ships and strung out for miles. Destroyers and escort vessels tried frantically to cover the vast area from attack. The U-boats approached silently underwater, then surfaced amid the convoys. The Germans had 40 U-boats in their force, and started their attack on March 16. It was a running battle for days, and when it was over one in five of the convoy ships, carrying every imaginable item of war from tanks to Spam, was sunk.

"It was as close as we came to total defeat in the Battle of the Atlantic," one British naval intelligence officer was to observe. However, April was to be even worse, with more submarines streaming into the North Atlantic and claiming 56 ships of 330,000 tons before the month was over.

Prodded by Churchill and by U.S. naval authorities, British naval intelligence, which knew now that the enemy was reading their naval codes, changed to a fresh and more complicated cipher, and started to use newly invented decoding machines provided by the U.S. Navy. These changes defied all efforts of the B-Dienst, and for the first time Admiral Doenitz had to operate without the information he needed to direct his wolf packs. British and American naval escorts grew larger in number. Surveillance aircraft, now flying in increased numbers over the western approaches to England, were also equipped with improved radar for detecting submarines. Combined, these benefits contributed to the sinking of 41 U-boats in May, and Allied shipping losses were fewer by 200,000 tons. On May 24, 1943, Admiral Doenitz instructed his U-boats to withdraw for a time from the struggle. "I ordered them to proceed, using the utmost caution, to the area southwest of the Azores," he later recalled. His monthly rate of losses had become untenable; in June, July, and August, 72 of his submarines were sunk. He attempted an investigation into his cipher system but reached the wrong conclusion; headstrong, he was determined it was all the fault of traitors. Instead, it was rather the Allied capacity to tap his codes, along with the influx of new naval and air equipment, that had turned the Battle of the Atlantic against Germany. Doenitz knew the only solution for the Nazis now was faster submarines, snorkel-equipped, electrically propelled, using torpedoes, which could travel without detection by existing sonar devices. It was this new generation of U-boat that Hitler ordered into full production in 1944.

The biggest out-in-the-open news story of 1943 in Europe was the night-and-day bombing of Germany by the Royal Air Force and the United States Eighth Air Force. The Battle of the Atlantic could not be told in full, nor could the war of deceptions that had failed for Churchill and Hitler. But commencing at almost base zero in the summer of 1942 (when the best the U.S. Air Force could do was to launch a symbolic raid on France on the Fourth of July with six fighter bombers, three of which failed to return), the buildup of American air strength was steady. Graceful B-17 Flying Fortresses, suited to the war in Europe, along with lumbering Liberators, strategically preferable for the Mediterranean and the Pacific, were arriving continuously and in great numbers. Existing runways were being lengthened everywhere to accommodate these aircraft, and centuries-old farmland and meadows were being bulldozed into new American airfields. England was being transformed into one vast aircraft carrier.

The Casablanca Conference of January 1943 had closed with the startling "Unconditional Surrender" utterance by President Roosevelt, which ultimately prolonged the war with Germany. It also brought to an end the bitter disputations between British and American air strategists over the coming use of American bombers in England. The British wanted the Americans to bomb along with them at night. They had tried daylight bombing and their losses had been extreme. But General Hap Arnold and General Ira Eaker, commander of the U.S. Eighth Air Force, held out for daylight bombing. Eaker's memorandum, which turned the trick, stated that "around the clock" bombing of Germany would destroy German capability to wage war. It was a foolish and naive statement, but Arnold and Eaker and their commanding general Spaatz got their way.

American air generals had nurtured a belief that they had in use the best bombsight in the world, Norden, which the Germans didn't have, and aircraft that, when flying in tight forma-
tion at high altitude, could hold off German fighters while hitting a pickle barrel from 15,000 feet. It didn't work out like that. The Norden sight was good, perhaps the best in the European Theatre of Operations at that time. Bombardiers were instructed to destroy the Norden bombsights if forced to land in enemy territory. But the Germans knew all about the Norden sight, and had adapted some of its principles to their own use. A Sperry engineer who was also a German agent had sent copies of the Norden blueprints in 1940 to his control in Germany. He was rewarded with a vacation trip that year to Germany, and the first thing that greeted his eyes when he entered his splendid hotel suite was an exact replica of the Norden sight, built by German engineers from his blueprints.

As for holding off the Luftwaffe over Germany, this didn't fare at all well until American bomber strength was so great that they were sending aircraft in division strength with long-range fighter squadrons for protection. Even then, with close-formation flying and Browning machine guns from several hundred feet, it could be a difficult job. But de Guingand had been off the tactics. "On at least one occasion," de Guingand recalled, "the deception people were authorized to reveal the target of a major air attack on a German city to the Germans beforehand in order to reinforce the credibility of an [XX-Committee] agent who was to be used to mislead the German high command during 'Neptune,' which was the code word for the impending invasion of France." Brown's supposition is that Nuremberg was such a raid. It was a straight in-and-out raid made without deception on a clear night, and every German fighter in the defensive zone was in the air waiting. In this one night, the RAF lost 108 aircraft over Germany, 745 crewmen killed or wounded, and 159 prisoners of war taken; while on the return to airbases in England 53 bombers crashed. It was a one-night disaster, and the airmen who clambered exhausted from their aircraft were understandably bitter and suspicious over the planning of the mission.

It didn't take long for the U.S. Eighth Air Force to get bloodied, as some hard-nosed amateurs observed in 1943. There was not an American airbase in England that did not have its losses following an air raid. The concrete U-boat pens at Saint-
attacks. A large proportion of their armament production had been shifted to antiaircraft guns of all caliber; their fighters were excellent, new radar was in use, and the entire northwest region had been formed into box defense zones in which their fighter planes moved by zone according to the attack; if the Allied raid was a deep penetration inland, the invading air fleet would be passed from zone to zone by fighters that would always have sufficient gasoline to remain in the air until the bombers passed through their zone to the next German fighter squadrons. The bombers ran a gauntlet of fire from the ground and attack from the air, continuous and unrelenting, both to and from a target. So severe was the strain on the crews that an airman who survived 25 missions in 1943 was free to return to the United States.

Early in 1943 a small group of American war correspondents volunteered to be trained for flying with the B-17s in their missions over Germany. This was intended by the U.S. Eighth Air Force to communicate to Americans back in the States the eyewitness story of these air battles and the bravery of their sons. I was one of these trainees, representing CBS News. There were also Walter Cronkite, then of United Press, Gladwin Hill of Associated Press and later of the New York Times, Robert Post of the New York Times, Homer Bigart of the New York Herald Tribune, William Wade of International News Service, Sergeant Scott Denton of Yank, and Sergeant Andy Rooney of Stars and Stripes. As a jocular takeoff of World War I's "Fighting 69th," we were referred to as the "Writing 69th" by Colonel Jock Whitney, a peacetime publisher and financier, and Colonel Mac Kriender of 21 Club fame, who were among those of the Eighth Air Force who had sold the concept to General Ira Eaker. We were sent to Gunnery school in England, where we learned to identify all German fighter planes and to strip down and reassemble within 40 seconds the Browning machine guns used in the B-17s and Liberators. This was essential knowledge, for seconds saved in fixing the stoppage in a malfunctioning machine gun could be the difference between life and death. We were not flying as excess baggage but as gunners first, war reporters second. Over Wilhelmshaven, on our first mission, I shot down a Messerschmitt fighter that had come right at us from the front where I was acting nose-gunner. On the same mission, Bob Post's Liberator came apart in midair from the combined flak from the ground and cannon fire from attacking German fighters. In his plane, none survived.

There was a year of such missions. I didn't fly them all, just those that had special news interest. I would remain in London between missions, interviewing people and gathering news for my CBS broadcasts on "The World Today" each morning. But I still recall vividly today the bombing run that I made in the company of a crew on their 25th mission; come hell or high water, they were determined to make it home, back to the States.

We lifted up, off the airfields of East Anglia, in the early morning, 200 B-17s climbing and gathering into close formation over the North Sea. At 12,000 feet the crew clipped on oxygen masks, fired test bursts from their Brownings, and then headed for Germany and the target, which on that day was the harbor of Gdynia, Poland. Here the Gneisenau and the Stuttgart, two German battleships, 17 U-boats, destroyers, and several smaller vessels were at anchor. It was to be a 2,000-mile round-trip flight, right across Germany, and as we crossed the coastline at daybreak the German fighters began to seek us out. It was a running battle all the way to Gdynia, then "Bombs away," and the swing around for a return. Some of the B-17s limped on to Switzerland with engine malfunctions; others crossed the Baltic for safe haven in Sweden. At 20,000 feet over Poland the sea seemed a toy pond, and Sweden beckoned invitingly. Leningrad was but 400 miles to the east, but the pilot had home on his mind. The formation closed for the self-protection of crossfire and we headed for England. Here is a quote from the story I wrote on my return, which I broadcast over CBS:

Across western Germany you could feel the big ship wobbling badly. It had taken too much flak, too much cannon fire. The holes in the fuselage ripped larger. We couldn't keep up with the other planes and our pilot dropped lower with each mile until we were hedgehopping 30 feet off the ground, which kept the fighters from coming up from underneath. We passed so low over a German gun emplacement in Holland I could see the sweat on the backs of the German gunners on this sunny day, trying to bring us down. Bill laid one burst right down the middle of a pathway leading to a pillbox. His shells tore a ganger apart.
We prayed that the gas would hold out. Suddenly it became necessary to lighten the load as we began crossing the North Sea. The fighters had turned away and then we were skimming low over the water. Everything moveable went overboard: machine guns, radio, empty shell cases, oxygen tanks. We made it. The captain pulled the shattered craft up over English cliffland and skidded the length of an RAF runway to a halt. All of us were still, for months of the people by destruction of their cities. But the German people, once fully mobilized following shock from the loss of their army at Stalingrad and the later destruction to Hamburg, Cologne, and Berlin, were able to maintain production capacity against air onslaughts for a remarkable length of time. The nation excelled in improvising, which should set at rest the
movement of German capital out of the Third Reich. Schmitz was just the right man with whom to hold such discussions. Earlier in the war, he had reported to Bormann: “Our measures for camouflage have proved to be very good during the war, and have even surpassed our expectations in numerous cases.” He was talking about the concealment of the true ownership of Farben assets as a war and postwar device.

Bormann was well versed in the usual fiscal stunts practiced by banks and big corporations. But his association with Hermann Schmitz, the “master of financial camouflage,” was tantamount to matriculating in a confidential postgraduate course in highest level corporate and money manipulation. For this reason, Schmitz was also given the title of “secret councilor” (Geheimrat) to the NSDAP and Martin Bormann. He sharpened Bormann’s already sharp skills, which were soon to be utilized for the German postwar commercial campaign that the Reichsleiter visualized.

Bormann was comfortable in his relationship with Schmitz and I.G. Farben. All Farben company leaders overseas (I.G. Verbindungsleute) were NSDAP members. This made Reichsleiter Bormann, as head of the party chancellery, their political chief. In addition, because German economic specialists had successfully penetrated eleven nations and had the economies of each under control, Bormann had a further base of business relationships outside Germany totaling several hundred thousand: businessmen who felt snug working with German economic leadership because it was always profitable. Under party rules, the chain of command ran from Bormann to the minister of economics to those who administered the Four-Year Plan of German economic supremacy to those businessmen of occupied territories and neutral nations who took their directives and profits from Berlin. This economic web stretched across France, Belgium, Holland, Norway, Yugoslavia, Austria, Poland, Spain, Sweden, Switzerland, Turkey, Portugal, Finland, Bulgaria, and Romania, and reached out to such South American countries as Argentina, among others, that preferred an association with Germany to one with Britain and the United States.

I.G. Farben by itself was represented in 93 countries. This industrial multinational, added to other German corporations and the businesses and businessmen of all these countries, gave Martin Bormann an economic empire of unparalleled magnitude in which he could operate when it came time to shift German assets elsewhere. The predictable defeat of Germany would give pause to this international economic relationship, but it would be quickly renewed during the early cold war years and their intense friction with Russia. This latter caused General Patton to say, “America had been fighting the wrong enemy—Germany instead of Russia.” For this intemperance, General Eisenhower relieved him of command of the U.S. Third Army. It was not long after that Eisenhower was telling Konrad Aderauer that he didn’t object to reappointment of deposed Nazis if they were the best men for positions in the new Government. Likewise, another American general (Lieutenant General Lucian K. Truscott, Jr.) commented that he would like to see soldiers in a new German army like those who had fought him at Anzio.

But Swiss banks and the use of Swiss fiscal agents were specifically on the agenda of the June 1944 meeting. Schmitz laid it all out for Bormann when he explained how he had disbursed I.G. Farben.

There was an age discrepancy between the two men. In 1914, when Bormann was entering Science High School in Halberstadt, Schmitz was an executive of Metallgesellschaft A.G. in Frankfurt, at the beginning of an amazing career. A fellow executive was a Swiss, Eduard Greutert of Basel. Six years later Greutert returned to Basel to open a private bank, Greutert & Cie. The funding capital was provided entirely by Metallgesellschaft A.G., and it was Schmitz’s idea. It was the start of a great flow of German assets to Switzerland in 1920–21 by industrial leaders who distrusted their government, which could contain neither inflation nor communists. Hermann Schmitz also had the idea that a corporate base in Switzerland would be desirable to offset the bad German image after World War I. Germany went on suffering in a prolonged way from deprecating half-truths and outright falsehoods spread throughout the world by Lord Beaverbrook, British minister of propaganda. It was not until World War II’s end that America awakened to the fact, for example, that photographs of Belgian nuns “being butchered by Huns” were in fact still photos prepared by British propaganda experts. The sinking of the Lusitania by the German
submarine U-20, a major factor in bringing America into World War I. had been but another British plot. Winston Churchill and his bank to set up a dozen corporations and 65 accounts, all interconnected.
Chemie, for short. Its capital was so structured that voting power always remained with Farben board members and elected officers of Greutert & Cie., the name of which was changed upon the death of Greutert to that of his successor, Hans Sturzenegger & Cie. Business went on, with Schmitz calling the shots. In Switzerland, he used this private bank, in Germany the Deutsche Bank. But he considered it useful to have a special Berlin bank relationship for I.G. Chemie, and had the firm buy 60 percent control of Deutsche Laenderbank.

Bormann was fascinated by the complexities of the I.G. Farben strategies. At the June 1944 conference he got a briefing of the Swiss banking system. Bormann did not confide fully to Schmitz at this time about his precise intention to shift German liquid assets to neutral nations, but the canny I.G. president sensed something was in the wind. After all, the Reichsleiter was custodian of vast sums, the Reich chancellery fund of the party and other moveable assets; also, he needed the services of I.G. Farben as well as the skills of its president. Schmitz would be informed in full when the time came.

Hermann Schmitz explained to Martin Bormann that Swiss banking was quite special. Under a Swiss law passed in 1934 to keep Gestapo agents from locating the savings of German Jews, it is illegal for a Swiss bank to divulge information about any numbered account. “This also worked to our advantage,” Schmitz told Bormann. “It insured our secrecy and kept the door closed to Allied fiscal investigators about our corporate holdings, manipulations, and movement of funds.” He added that while there are 500 banks in Switzerland there are only eight basic categories of banks. The Big Three consists of the Crédit Suisse Bank, the Union Bank of Switzerland, and the Swiss Bank Corporation; while the small big two are the People’s Bank of Switzerland (Swiss Volksbank) and the Bank Leu & Co., Ltd. But for the international requirements of such a one as Hermann Schmitz, the private bank, in the seventh category, is the bank of greatest usefulness. It issues no balance sheets and plays but a minor role in Swiss finance, but it is important to world finance and has stature and power way beyond its size. H. Sturzenegger & Cie., the renamed Greutert & Cie., was such an institution.

Like its peers, it had an unrestrained freedom to invest as it saw fit. Once its fiscal volume reached a good level because of its association with I.G. Farben and I.G. Chemie, the entire bank turned into a money-making machine. This gave it an unlimited power to reach out into other multinationals and even into governments. It performed the functions that Schmitz required of it: operated cash arbitrage, safeguarded secret slush-fund accounts, handled payoffs to generals and admirals and politicians of occupied countries and neutral nations, paid some of the salaries of overseas spies of the Third Reich, supervised I.G.’s corporate marketing cartels, underwrote speculative securities, administered issues, sequestered gold reserves, managed patents and franchises placed in their safekeeping by Schmitz, provided Swiss-franc accounts for multicitycle payrolls, hoarded the personal holdings of key executives, transferred and hid certain deposits, expedited currency exchange at the most favorable rate of the hour or day, and executed forward contracts in cash and commodities—all for a profit. With Schmitz and his corporations in its corner, H. Sturzenegger & Cie. was also able to enter the realm of biggest profit potential: it placed five bank officers on the board of I.G. Chemie. To know the plans of such a corporate apparatus is to gain superprofits, the dream of bankers everywhere, whether in Basel, Zürich, London, or New York.

Swiss banking is like banking anywhere, although carried out with greater confidentiality. Money has neither nationality nor morality. As one Swiss banker remarked, “I am not a priest or my brother’s keeper; I accept deposits and I lend and handle money for a fee. World politics plays no part in who shall be granted deposit privileges in Swiss banks,” he continued. “Politics change like governments but our banking strength lies in secrecy which must be absolute.” The importance of money to the Swiss is reflected in aristocracy and leadership. Family aristocracy is based only on wealth. Lose your wealth, and you are no longer aristocracy.

Switzerland developed as a great banking and money power over the last hundred years. By 1939 and the outbreak of war elsewhere in Europe the country had become one vast supercartel, the registered home of 2,278 international corporations. There was a total of 214 banks with strictly international business, 38 insurance firms controlled from outside the country, and 2,026 holding companies, trusts, and personal corporations
whose majority stockholders were not Swiss. The locals were the professional day-by-day managers, whose guiding principle was to return a profit to shareholders in Britain, France, Germany, Holland, Belgium, Luxembourg, and the United States, among other countries. Insurance companies registered in Switzerland were generally British capitalized, but the shareholders were a spectrum of belligerent nationalities involved in World War II.

By 1981 almost every major American corporation was to have a Swiss operation; 4,000 U.S. business organizations would follow the lead of Hermann Schmitz of the twenties, thirties, and forties, and become solid customers of Swiss banks in the sixties, seventies, and eighties. Such accounts, however, should not be lumped in with the Meyer Lansky type of operation, in which a crime syndicate would deposit gangster-gained money into the bank he had organized, along with John Pullman, his former bag man in the United States, as president of the International Credit Bank of Switzerland. This enterprise fell into the Swiss banking category “Other,” meaning that it was actually owned by foreigners, and that unscrupulously earned money, Las Vegas and syndicate, would be laundered and returned via Nassau, for example, to the United States. The major U.S. corporations were drawn to Switzerland because they were increasingly involved in commercial ventures in every corner of the world, and Switzerland was a money center of the utmost convenience and dependable. They could also make even more money by engaging in currency speculation, besides having freedom of investment. It was nineteenth-century capitalism in the twentieth century. The comparatively heavily regulated New York money-center banks were able to obtain their footholds in Swiss banking in one way or another, and by 1980 they were earning over 70 percent of their profits from overseas deals.

So in June 1944, Martin Bormann was taken to the mountain-top by Hermann Schmitz, the master. Bormann, a quick study and with a steel-trap mind, was preoccupied in the ensuing days. Hermann Schmitz, who had eleven I.G. Farben companies in Japan, as well as the intelligence organization of Max Ilgner’s N.W.7, the I.G. Verbindungsmänner who were the liaison officers between Farben in Japan and the home office in Germany, let him in on some of the fiscal secrets of Emperor Hirohito, who used Swiss banks to place his enormous liquid fortune beyond the reach of the Allies. So did the industrial and financial leaders of Japan, who also knew how to move their wealth around the world.

The Japanese imperial household was no small bureaucracy. It represented 3,000 civil servants who ministered to the needs of the imperial family and handled the complexities of the many companies of the imperial family—zaibatsu holding corporations that it controlled. With his immense land holdings and the profits from his many investments, Emperor Hirohito was by far the wealthiest individual in Japan. Within the structure was the lord keeper of the privy seal, the emperor’s most important advisor, the only one who could offer unsolicited comments. From 1940 to the end of the war the lord keeper of the privy seal was Marquis Koichi Kido, who performed just as ably for Hirohito as Martin Bormann did for Hitler.

Kido learned, in 1944, through the Japanese ambassador in Berlin, General Hiroshi Baron Oshima, that Reichsleiter Martin Bormann had given orders to German industry to begin transferring moveable wealth from the Third Reich to neutral nations of the world. Bormann, so Oshima said, was also moving party funds to Switzerland and Buenos Aires. It was a signal loud and clear that Germany had lost the war and was making preparations for a future point in time when liquid assets and economic power bastions outside the Third Reich would come to the assistance of a new Germany. And when Emperor Hirohito received his two requested reports on the future of the war in the Pacific from his army and navy chiefs of staff, he, too, concurred that their war could not be won. He asked Kido to prepare a peace plan for the Japanese nation; and Kido began work on it in January 1944. The lord privy seal envisioned the first step in any peace plan as one that would preserve the imperial throne and its imperial wealth.

Kido held meetings with key bankers and the transfers of imperial money to Swiss accounts was effected smoothly via bank telegraph credit, inasmuch as major Japanese banks had their own correspondent banking relationships with the important fiscal institutions of Switzerland. Emperor Hirohito and his imperial household zaibatsu had stock ownership and de-
deposits in fourteen of the major Japanese banks, all of which cherished the honor of acting as an imperial depository. The fourteen banks gave all assistance necessary, of course, to the Kido transfer plan.

However, as Hermann Schmitz pointed out to Reichsleiter Bormann during their 1944 meeting on Third Reich fiscal strategy, the most important bank to the imperial family was the Yokohama Specie Bank. The family owned a 25 percent controlling interest, and therefore it was the major instrument used in the movement of large currency credits and other liquid assets to Switzerland, where Yokohama Specie Bank had a branch and correspondent relations with Swiss and German banks. The importance of Yokohama Specie to the German Central Bank and the economic conduct of the war, which also generated further income from the bank’s major shareholder, was contained in a code intercept by “Magic,” the U.S. code breaker structure, in a message from the Japanese ambassador in Berlin to Tokyo on March 19, 1942:

Pending consummation of the German-Japanese economic talks in Tokyo and their satisfactory conclusion by March 31, Germany will place 10,000,000 marks to Japan’s credit in payment for war materials delivered to that date. The technical details concerning use of the fund and repayment will be handled by the German Reichsbank and the Yokohama Specie Bank.

In his transfer plan of 1944, Lord Privy Seal Kido was confronted with the problem of physically moving the emperor’s gold kilo bars from the Imperial Palace to some safe haven where their value would be credited to the imperial account in Switzerland. In 1944, when Japanese fighter planes still controlled the air space of northern Asia, this proved a soluble problem. The major Swiss banks, such as Swiss Bank Corporation, have five key areas throughout the world where gold and silver bars can be deposited in Swiss controlled vaults, with a credit then telegraphed to the relevant bank in Switzerland. These key localities are known in the Swiss banking business as “Loco,” so once Kido had dispatched a Japanese imperial courier plane with fighter escort to Hong Kong and Macao and other sites with imperial kilo bars they quickly became a deposit credit in the Swiss receiver bank. By the end of the war the deposits on hand were astronomical, and during the postwar rehabilitation of Japan, the imperial fortune kept increasing from the interest charges for loans to various zaibatsu companies who were struggling—as were German firms—for a comeback in world markets.

As a result of these transfers, American SCAP* fiscal investigators found the imperial vaults pretty nearly bare when they went poking through the recorded assets in the imperial palace following Japanese surrender aboard the U.S.S. Missouri on September 2, 1945. They found jewelry, gold, silver, coins totaling 3,010,066 yen, and as the yen at that time was worth about 360 to the U.S. dollar, it was a token $2 million.

While the emperor was having his liquid assets banked out of Japan, the other zaibatsu leadership groups placed on deposit these sums in the following countries: Switzerland, $19 million; Sweden, $1.6 million; Portugal, $399,000; Spain, $22,000; Afghanistan, $118,000; Turkey, $107,500. But these sums were currencies and trifling alongside the billions in gold that flowed from Japan in the last year of the war. The Joint Chiefs of Staff in Washington and Ambassador Edwin W. Pauley, who reported to President Truman on reparations, recommended that the bulk of Japan’s gold be deposited in the U.S. Mint in San Francisco. Pauley said the value would not exceed $200 million. But his advisors were basing this estimate on Japanese smelter records and gold production figures from 1940 to 1945 at the Kamioka mine and other smaller mines on the west coast of Honshu, which showed a declining gold production of only 1,173 fine ounces; and inasmuch as many banking records in Tokyo covering gold deposits had been previously removed from the files or burned, most often blamed on the firebombing of Tokyo, no true figure could be arrived at by SCAP.

However, what SCAP and Ambassador Pauley did not take into consideration was the loot of Asia, and by 1944 Japan had taken 25 tons of gold from the vaults and mines of various Asiatic countries it had overrun. Like the Third Reich, the Japanese pattern of conquest and pillage prevailed. As armies

*Supreme Commander, Allied Powers.
marched, fought, and conquered, they were followed by the ubiquitous bankers and business specialists who assumed economic control of the lands and people and assets they coveted. They seized gold and formed companies to mine for minerals, oil, coal, and all other substances necessary to a resource-poor country like Japan. As it established companies in Manchuria, China, Taiwan, Korea, Hong Kong, Singapore, the Philippines, French Indo-China, Burma, and the Dutch East Indies it did so beneath the imperial banner and patriotic slogans: “The Emperor is divine, and the Japanese people are superior to other races and are fated to rule the world.” But behind the slogans was a hard-headed commercialism dedicated to profits for the zaibatsu, which included the imperial household zaibatsu, funneled through stock ownership in the scores of corporations established in banking and industry of each conquered country.

Like so many other moveable assets, the 25 tons of gold bullion disappeared in 1944, and this is a secret known only to a cadre of top leadership among the zaibatsu. Still, when General MacArthur finally implanted a new constitution on Japan and approved a new government in 1947, this leadership informed the Supreme Commander that $2 billion in gold had...

Nanking to the bombing of Pearl Harbor, with the emperor an interested participant in all major strategic decisions. From February 1944 to the fall of the Tojo cabinet, all cabinet meetings were held in the Imperial Palace to impress the public with the seriousness of the situation as well as to give imperial sanction to emergency measures. At one cabinet meeting, Kido had remarked, “If the Tojo cabinet continues in power it will surely mean revolution within the country, and domestic disruption will destroy Japan.” To the lord privy seal it also meant that the imperial household and the emperor would be destroyed. Kido moved to cosmeticize the role of the emperor in the war, stressing always that he had only been a benevolent figurehead.

Kido knew the people would have to be prepared for surrender. The fighting men had staked their honor on victory or suicide, and vast numbers had died in the emperor’s name. If peace was premature, many would say that Hirohito lacked the courage to fight the war through to the end. Widows and orphans would blame the emperor for causing their fathers and husbands to die in vain. The emperor and Kido knew that the people had reached the point where they were eager to see an end to war. When the time arrived that they thought it was
Bougainville in 1943. The admiral was on an inspection trip, and his plane was shot down after his flight schedule in code had been intercepted by the code breakers of “Magic.”

The research and analysis branch of the OSS had prepared a secret report in September 1944 for the U.S. Joint Chiefs of Staff. It told in some detail of the involvement of the Japanese emperor with the war:

At the inception of the present war, the Emperor issued the conventional Imperial Rescript declaring war in his name, and continued to follow his usual pattern of keeping out of politics. However, as it became evident that victory would not be easily won, the ruling group found it necessary to use the Emperor’s name as an incentive to greater effort.

With the Allied advance in the Pacific, the Emperor was called on to furnish even stronger incentives to the Japanese people, and he thus became more entangled in the activities of the dominant military group. In November and December, 1943, the Emperor issued two Imperial Rescripts honoring the Navy for completely fictitious “victories” off the Solomon and Gilbert Islands—an unprecedented mortgaging of the Imperial dignity for the purpose of restoring faith in the naval conduct of the war.

While the emperor waited for an excuse for withdrawal from the war, he approved the many defensive measures being undertaken to repel the invaders. Like Hitler, he toyed with the thought of leaving the nation’s capital. So some 75,000 men toiled beneath the peaks and valleys of the Nagano Alps building tunnels in which Hirohito could preside over the final defense of Japan. But, like Adolf Hitler, the emperor had no intention of leaving Tokyo. His propaganda minister, like Dr. Goebbels in Berlin, fostered the notion of battle to the last, but it was smoke of sorts, contrived to make more steadfast the flagging will of the people.

On August 7, 1945, the emperor was presented with his reason to initiate peace. He received the Japanese army report of the atomic destruction of Hiroshima. Two days later, on August 9, a second A-bomb was dropped on Nagasaki.

Although the emperor and Lord Privy Seal Kido had been thinking about surrender for nineteen months before the two atomic bombs fell, it took only days for Emperor Hirohito to agree to surrender terms on the Potsdam Declaration.

At this point in time, as in Berlin, the preparations for postwar commercial survival for two defeated nations had been completed, and now only the final scenario had to be played out. For Bormann, the blueprint was clear and he was to follow it with precision. For the emperor and Kido, General MacArthur was to be a worthy protagonist. In the end, the emperor and the supreme commander came to admire each other, and it was MacArthur who in the end dissuaded the War Crimes Commission in London from trying Emperor Hirohito as a war criminal. He said:

“His indictment will unquestionably cause a tremendous convulsion among the Japanese people, the repercussions of which cannot be overestimated. He is a symbol which unites all Japanese. Destroy him and the nation will disintegrate. They will regard Allied action as a betrayal in their history and the hatreds and resentments engendered by this thought will unquestionably last for all measurable time. A vendetta for revenge will thereby be initiated whose cycle may well not be complete for centuries, if ever.

“I believe all hope of introducing modern democratic methods would disappear. It is quite possible that a minimum of a million troops would be required which would have to be maintained for an indefinite number of years.”

There was more to the MacArthur opinion, but the thought of a million Allied troops with a vast bureaucratic force chilled the War Crimes Commission. As a consequence, it was decided to settle for a war crimes trial at a lesser level. Lord Privy Seal Kido was tried as a war criminal, along with 36 others, and sentenced to life imprisonment.

At the time of this trial, Kido’s counterpart in Germany, Martin Bormann, was to make his plans for personal survival, and they did not include prison and death at Nuremberg.

The zaibatsu was to be outlawed during the occupation of Japan by General MacArthur as a way of breaking the stranglehold held by the few on the economy of this nation. But once the occupation ended and Japan again became master of her own destiny, the family-controlled holding companies were to
make their comeback bigger and stronger than ever before, under the name "Keiretsu," which also means "group." Today the six big Keiretsus control the economy; in fact, they are the economy. The six largest groups control 40 percent of the nation's corporate capital, and 30 percent of its corporate assets. The trading companies of these six Keiretsu hold stock in more than 5,400 companies in Japan, and the Keiretsu banks own even more. The Mitsubishi and Mitsui families were zaibatsu before their holding companies were broken up by MacArthur, but today they are comfortable Keiretsu. It was never General MacArthur's purpose to strip clean the imperial family, but to breathe some fresh, contemporary air into an archaic economy by removing strictures that had generated a war machine based on absolute strength, the basis of Japan's military might before and during World War II.

Hirohito was to turn over to the people of Japan his forestlands, museums, artistic treasures, and heirlooms. However, the wealth that had been transferred on his behalf as well as on behalf of the other zaibatsu families was never touched and represented bastions of economic strength, as did the wealth that was established by Martin Bormann on behalf of the Third Reich.

As was proven in time, the wealth and the corporations controlled by the Bormann organization, on the one hand (in the Federal Republic of Germany, 1 percent of the corporate leader-