DURING THE BATTLE FOR THE ARDENNES IN December of 1944, Hitler’s headquarters on the Western Front was hidden underground in a woods one mile northwest of Ziegenberg. It was realized there that the failure of this offensive meant the war was ended. All to follow was charade, merely a resistance that would continue to take Allied and German lives until May 1945. At the height of the Battle of the Bulge, champagne was served in the Western Headquarters bunker on Christmas day, and a euphoric Hitler spoke optimistically of 1945.

One man not at all euphoric was Martin Bormann, deep in his circumspect designs to enable Germany to emerge from certain military defeat to commercial victory in the postwar world. On this Christmas day, the Reichsleiter sipped champagne with the others of the headquarters staff and agreed with Hitler that 1945 would be a very interesting year indeed. He then stepped back into his office, to the papers spread out on his desk, some of which were reports received as to the progress of his flight capital program, which had been launched immediately following the meeting of German industrialists in Strasbourg on August 10.

On one report he noted that the plan to increase the registration of German patents in neutral nations had proceeded satisfactorily. In Sweden, for instance, patent registration in
1938 had been 1,618, but after the Strasbourg meeting in 1944 the patent registration had risen to 3,377. The ownership of patents represents a blockhouse of power in any commercial contest, and the most important German industrial corporations were doing their best to maintain their ownership of vital processes. The firms represented on the memorandum were I.G. Farben, Zeiss-Ikon, Bosch, Daimler-Benz, A.E.G., and Siemens. There was a similar increase in patents by these and other German firms in Switzerland and Portugal.

Bormann had another report, on the continuing creation of assets in the neutral nations. German trade with and payments to these were carried on mainly through clearing agreements. In Spain, Sweden, and Turkey a two-price system was now being used for German goods. The lower price was paid through the clearings (the total of banking claims presented daily in settlement of accounts at a clearing house) while the higher price was retained on the books of the neutral importer. The difference accumulated was paid to the account of the German importer-exporter, becoming flight capital on deposit. To give some idea of the size of such deposits: within months of the inauguration of the two-price system, Swedish firms owed about $18 million in kroner and Turkish firms $12 million in Turkish lira. As goods shipments increased the sums on deposit in neutral banks accelerated, then the excess capital was invested in local real estate and industry.

Balance sheets showed Bormann that eleven mines in central Sweden were now owned by German firms and operated directly or indirectly through Swedish companies by the large German steel firms of Roeschlingsche Eisen and Stahlwerke G.m.b.H., Voelkingen, Saar; Hosche, Dortmund; Friedrich Krupp, Essen; Gutehoffnungshutte, A.G., Oberhausen; and Vereinigte Stahlwerke, Dusseldorf. The coal now mined was shipped to Germany, with German firms paid in Sweden under the two-price system.

Members of the German steel cartel (such as Vereinigte Stahlwerke, of which Hermann Schmitz was a director, Mannesmann, Krupp, Gutehoffnungshutte, and Stahlunion) all owned related enterprises in Sweden, and the importation, handling, and transportation of coal and coke became almost a projection of Germany’s coal industry. In shipbuilding, the Swedish companies owned or controlled by German shipping interests accepted vessels built by the Swedish firms and kept them in Swedish waters until after the war. A further example of masked investment was the money paid into the Swedish shipping firm of Rederi A/B Skeppsbron, which received a German-guaranteed loan of $3 million made from German supplies of free Swedish kroner in which the vessels were mortgaged to the lender. Although the Swedish company remained officially the owner of the vessels, the German Hamburg-Amerika line was the real owner.

Martin Bormann also knew that the vast funds sent outside the Third Reich under his new Nazi state policy were rapidly concealed in safe havens. In Sweden, the technique was to use Swedish cloaks or German-controlled local nationals to increase the recapitalization of Swedish firms. This produced a further stock buy-in by German interests. A big penetration was made into commercial and mercantile enterprises, where nearly two hundred Swedish firms were now operating on capital wholly or in part supplied by Germans or German firms.

In 1944 there was intense pressure on Sweden by American and British government representatives to halt the export of iron ore, special steels, and machine tools to Germany. The Allies also wanted to deny the Germans Swedish ball bearings, a prime element in all machinery of war used by the Wehrmacht and Luftwaffe. They also wanted German military traffic through Sweden to Norway stopped. An interesting sidelight to this struggle between the Allies and Germany for influence on Sweden is the peculiar role played by Marcus and Jacob Wallenburg, members of Sweden’s most important banking family. Marcus headed a government commission which negotiated trade and political agreements with Britain and the United States throughout the war. At the same time, his brother Jacob was chief trade and economic negotiator for the Swedish government with Nazi Germany. Thus were both sides covered for Swedish business, including the family’s own very substantial economic interests. Following World War II, this family empire was to achieve its most spectacular prosperity, as German investments under the Martin Bormann program matured in their Swedish safe-havens. In this way impressive wealth accrued to the Wallenburgs as well as to other Swedish and German
investment groups controlling large holdings in the many Swedish companies under German dominance in 1944. For a time, however, in 1944 under the pressure of threatening to place Sweden on an Allied blacklist, coupled with promises of compensating Allied orders, Sweden agreed to Allied demands in December 1944, the very week Martin Bormann was reviewing German investments in Sweden. He shrugged at the news clattering over the teletype from Berlin. The agreement pleased the Allies but failed to dent the Bormann-sponsored hidden investment program in Sweden. The war would be over anyway in a matter of months, and business would pick up again. The binding ties of marriage, finance, and investment between Sweden and Germany were stronger than ever, and with peace would come a lessening of Allied probing into German financial and business manipulations, particularly when so many Swedes had a personal stake in the growth and prosperity of every firm owned or controlled by German interests. The Allies were advancing everywhere on the battlefronts and in their diplomatic arm-twisting of neutral nations. Yet the outlook of Reichsleiter Bormann differed little from the pragmatic cynicism of Hermann Göring, the Saar steel magnate, who, when told in December 1944 that the Saarland would be overrun in days by American forces, replied almost indifferently: “We have lost the Saar once before and won it back. Old as I am, I shall see it return to our possession again.” And so it did.

The movement of German assets into Switzerland had also gone well, Bormann noted from his reports. Flight capital investments had been accomplished principally through the establishment of subsidiaries of powerful German firms. Over half the total German capital in Switzerland was used in setting up holding companies representing I.G. Farben, Merck, Siemens, Osram, Henkel, and others. A holding company may not trade in any form. It may only hold stock in other companies, but through this device the existing German firms, and the 750 new corporations established under the Bormann program, gave themselves absolute control over a postwar economic network of viable, prosperous companies that stretched from the Ruhr to the “ neutrals” of Europe and to the countries of South America; a control that continues today and is easily maintained through the bearer bonds or shares issued by these corporations to cloak real ownership. Bearer shares require no registration of identity, for such shares are exactly what they mean; the bearer of the majority shares controls the company without needing a vestige of proof as to how he acquired them. Thus the Germans who participated as a silent force in Bormann’s postwar commercial campaign—which is sometimes referred to by aging Nazis as “Operation Eagle’s Flight” or “Aktion Adlerflug”—insured their command over the industrial and financial institutions that were to move the new Federal Republic of Germany back into the forefront of world economic leadership.

In Switzerland the most substantial investments were in chemicals and drugs, and in electric power and equipment. German investments totaled $300 million, of which bank deposits (cash and securities) amounted to about $250 million, with direct investments about $50 million. In the German-Swiss clearings, Germany’s debt, as the new year of 1945 began, was 1,000 million Swiss francs ($232.1 million). Swiss investments in Germany and prewar loans to Germany were $445 million.

Six Swiss private banks were used by German firms in the flight capital program: H. Sturzenegger & Cie, Röchling & Co., Johann Wehrli and Company, Bank Wadenswil, Basler Bank, and Kreditanstalt. However, all major Swiss banks were serving the Germans in the massive movement of funds. The big German banks, Deutsche, Dresdner, and Commerzbank, all had their regular Swiss affiliations through which they worked. Deutsche had as its principal connection Credit Suisse, and also did business with the Swiss Bank Corporation and the Banque Fédérale. Funds transferred from Berlin for a client list approved by Bormann went into numbered accounts, and were either held there for local investment or soon shifted to neutral nations elsewhere in Europe or overseas, to be credited to the accounts of appropriate German corporate subsidiaries, or else to entirely new corporations awaiting these start-up monies that would enable them to go into business using German patents. As these new corporations prospered, they generated more money and profits, becoming important elements in the Bormann global economic scheme.

Seven hundred and fifty new corporations were established in the last months of the war under the direction of Reichsleiter Bormann, using the technique perfected by Hermann Schmitz.
A national of each country was the nominal head of each corporate structure and the board was a mix of German administrators and bank officials, while the staffing at senior and middle management levels was comprised of German scientists and technicians. In the background were the shadowy owners of the corporation, those Germans who possessed the bearer bonds as proof of stock ownership. The establishment of such companies, usually launched in industries requiring high technical skills, was welcomed in Spain and Argentina, to give two examples, diplomatic pouches of Joachim von Ribbentrop's Foreign Ministry were used to transport gold, Amsterdam diamonds, bearer bonds, and U.S. stocks purchased over the years in large American corporations. A Foreign Ministry special courier went twice monthly to Stockholm, where the gold and diamonds he carried were sold for kroner currency and then invested in Swedish firms. A similar pattern was developed for South America, where deposits were made in the Buenos Aires branch of Deutsche Bank. Many individual Nazis, with Bormann's permission, trans-
commerce. Six big German insurance companies with branches in Turkey followed the same policy. Further, they followed a policy of linking Turkish insurance companies to their own operations by granting readily available German capital in return for stock considerations. Thus, these insurance firms generated large fluid assets that they invested in real estate and other properties. More than sixty German-controlled firms were the linchpin of the Turkish economy, and ran the gamut from construction to chemicals. In 1944 gold trading grew very active, with Deutsche Bank selling $5.5 million in gold coins for clients.

When in 1944 Turkey severed diplomatic relations with the Third Reich, joining the Allies in 1945, just four months before German surrender, there was no blocking of German assets. Thus, the two German banks in Turkey were enabled to transfer millions to their branches in Spain and Argentina. The German firms that had taken on a Turkish coloration of ownership were to be reclaimed by their German owners after the war.

Throughout this period of asset transfer, Reichsleiter Bormann's goal was to have as much foreign exchange as possible in position in all neutral nations in both hemispheres. Aside from the Swiss banks, which made all currencies readily available in exchange for goods, trade, or gold bullion sales, the export of German products to neutral nations added to the general foreign exchange funds. Upon receipt of German goods, an agency in Spain—for example, the Spanish Foreign Exchange Institute—would credit pesetas to a German-controlled import-export company. With such funds accumulating rapidly in Spain, Portugal, Sweden, Switzerland, and Argentina, Bormann and his group, who were handling the fortunes of 750 new corporations, would use these corporations in neutral countries as cloaks for investing in American companies. Bormann always had a high regard for U.S. blue chip stocks as a stable investment, consistently purchasing a vast number of shares from the European offices of such New York stock brokerage houses as Merrill, Lynch on behalf of the Reich chancellery and Hitler, until war became official between the United States and Germany and the buying stopped, for a time.

In 1941, investments in U.S. corporations by German companies and assorted German individuals held voting ownership in 170; minority ownership was held in another 108 American companies. These businesses covered the following fields: manufacturing (foodstuffs, chemicals, electrical and automobile equipment, machinery and machine equipment, other metal products); petroleum production, refining and distribution; finance; trade; and miscellaneous.

American industry, of course, had a financial stake in German industry. In the same year, 1941, 171 U.S. corporations had major investments in German firms amounting to $420 million. A listing of these corporations is identical to the general category under German ownership in the United States.

When Bormann gave the order for his representatives to resume purchases of American corporate stocks, it was usually done through the neutral countries of Switzerland and Argentina. From foreign exchange funds on deposit in Swiss banks and in Deutsche Sudamerikanische Bank, the Buenos Aires branch of Deutsche Bank, large demand deposits were placed in the principal money-center banks of New York City: National City (now Citibank), Chase (now Chase Manhattan N.A.), Manufacturers and Hanover (now Manufacturers Hanover Trust), Morgan Guaranty, and Irving Trust. Such deposits are interest-free and the banks can invest this money as they wish, thus turning tidy profits for themselves. In return, they provide reasonable services such as the purchase of stocks and transfer or payment of money on demand by customers of Deutsche Bank, such as representatives of the Bormann business organizations and Martin Bormann himself, who has demand accounts in three New York City banks. They continue to do so. The German investment in American corporations from these sources exceeded $5 billion and made the Bormann economic structure a web of power and influence. The two German-owned banks of Spain, Banco Aleman Transatlantico (now named Banco Comercial Transatlantico), and Banco Germanico de la America del Sur, S.A., a subsidiary of Deutsche Bank, served to channel German money from Spain to South America, where further investments were made.

Argentina was the mecca for such money in the Western Hemisphere, and when Bormann gave the go-ahead in his overall flight capital program after the decisions at Strasbourg, over $6 billion of this money flowed into Buenos Aires for investment there and elsewhere in Latin America. The investments
covered factories, hotels, resorts, cattle, banks, land, sugar and coffee plantations, metallurgy, insurance, electrical products, construction, and communications. It was much the same investment spectrum as established in Spain. West German investments today account for nearly 45 percent of all foreign investments in Spain.

Before D-Day four Paris banks, Worms et Cie., Banque de Paris et des Pays-Bas, Banque de l’Indochine (now with “et de Suez” added to its name), and Banque Nationale pour le Commerce et l’Industrie (now Banque Nationale de Paris), were used by Bormann to siphon NSDAP and other German money in France to their bank branches in the colonies, where it was safeguarded and invested for its German ownership.

In addition to overseeing his 750 new corporations, Martin Bormann was also kept apprised of I.G. Farben’s activities in neutral countries, as well as the intensified activities of other major firms that were utilizing the new Bormann policy of transferring Third Reich money to subsidiaries. Farben had eight subsidiaries in Argentina, three in Portugal, four in Sweden, six in Switzerland, and fourteen in Spain. A.E.G., the giant electrical equipment manufacturer, had six subsidiaries in Argentina, three affiliates in Spain, and four in Sweden. In brief, every major German corporation with an international operation strengthened its branches, subsidiaries, and affiliates with an influx of new money and talent that included scientists and technicians arriving weekly to perform laboratory research in Spain and Buenos Aires.

Early in January 1945 Adolf Hitler and Martin Bormann, in company with the rest of their headquarters staff, left the Ardennes sector and traveled back to Berlin. On January 12 Stalin launched his Soviet winter offensive. The Fuehrer was in his main office in the chancellery, Bormann just adjacent. A briefing on the battle in the East given by General Heinz Guderian had been concluded. It had been a stormy session, in which Guderian was pessimistic about holding, and strongly urged that German forces fall back. Hitler resisted this suggestion with anger. Afterward, Reichsleiter Bormann was visited in his own office by Heinrich Mueller, SS chief group leader and senior general of the Waffen SS. As Bormann was skillful in administration and world fiscal affairs, Mueller was equally tops

in his own area of competence, secret state police affairs. He told Bormann that Ernst Kaltenbrunner, chief of the Gestapo and an SS general, had gathered a small personal treasure and was sending it by armed SS convoy to a hideaway. Mueller handed to Bormann the listing, which read as follows: 50 kilograms of gold bars, 50 cases of gold coins and gold watches, 2 million American dollars, 2 million Swiss francs, five cases filled with diamonds and other precious stones, one stamp collection worth 5 million gold marks.

“Well,” Bormann commented, “Ernst is still looking out for Ernst. It doesn’t mean much to the big picture. But find out where he has it taken. When it’s buried, and it will probably be in an Austrian lake close to his home, we might want one of our party gauleiters to watch over it. Kaltenbrunner may never last the war out, and it would be useful to the party later.”

Mueller stood at attention, nodded, and left the office.

Kaltenbrunner finished the war out but never made it to his treasure. He did receive a report from his aide that it was secure, sunk deep in waterproof containers in Ausee Lake, but he was one of the ten convicted and executed in the prison gymnasium at Nuremberg.

Field Marshal Kesselring, during his retreat in Italy, before surrendering his 1-million-man force to the Allies, ordered $4.8 million in assorted valuables sunk in the waters around Verona. He wanted it safely out of the grasp of Italian communist partisans.

Corsica was held by German and Italian troops in the summer of 1943. The coastal areas, that is, and the principal cities—the capital of the island, Ajaccio, with its 25,000 people living around the bay, Bastia and its bay likewise ringed with people, and the coastal regions. But despite the armed might of the Axis troops, the Corsicans controlled the inland mountainous region, where hardly a road existed. The rugged dwellers had footpaths and trails throughout the wild interior, and they had the patience and wily wisdom of their forebears. They knew that in time the Germans and Italians would depart, as had the Romans and the Vandals, the Visigoths, the Saracens, the Genoese, and the French. Through the centuries, Corsicans had engaged in trade with their invaders. They did so now with the
Germans and Italians, and would soon be doing likewise with the Americans and British and Free French who were to come. 

The Germans and Italians were making preparations to leave, and were watched, as always, by members of the Unione Corse, the ancient secret organization whose tentacles spread to Marseille and through the underworld of Europe. They watched at the Bay of Bastia during the month of September as German E-boats and frogmen searched the bottom of the bay for a treasure they were unable to locate.

The Germans were searching for a shipment of gold bullion, diamonds, jewelry, and currencies, which had been sealed in six lead containers and placed aboard an E-boat at Tripoli earlier in 1943. It was loot of North Africa, valued at an estimated $150 million, and had been collected by a special unit sent from Berlin by Reichsleiter Martin Bormann, to add to the Reich chancellery fund of the NSDAP. As the Afrika Korps retreated under the ferocious onslaught of the British Eighth Army, the treasure had been packed up and shipped out of Tripoli. This port in Libya was especially striking because of the waterfront facade built by Italian stonemasons. The E-boat, under command of officer Hauptmann Dahl, moved out of Tripoli harbor at high speed, then was lost from view in the Mediterranean's dark blue. On the water to Italy, Hauptmann Dahl was ordered from Rome to head for Corsica with the sealed treasure; he was to join a German naval convoy off Bastia, which would then steam north to German naval headquarters at La Spezia, in northern Italy. There they were to unload the consignment and take it by truck to Milano, where it would go by train over the Alps to Germany and on to Berlin. Dahl had made it to the coast of Corsica but before he could join the convoy an Allied air attack dispersed the German and Italian ships, sinking several. Steering a course along the shoreline was all that he could do; Dahl didn't dare to venture ashore because on this night he could see a firefight in progress between German troops and guerillas. He had headed for the estuary of Golo and there, about four kilometers off the port of Bastia, unloaded the six lead containers, as a safekeeping measure. He ordered his officers and crewmen to drop the cargo overboard, which they did—in about 20 fathoms of water. Marking the spot in triangular fashion with two land bearings he headed north to Italy.

had reached La Spezia and reported his action to the German naval command. Rather than being commended for his foresight, he, along with three officers, was held for court-martial in the barracks of Massa, below La Spezia. The officers were shot and the seamen, judged as only carrying out orders, were sent off to the Russian front.

For the next month, on instructions from La Spezia, the German naval command on Corsica searched for the heavy containers in the waters and soft sand off Bastia Bay. But on October 4, under Allied pressure, the Germans withdrew from the island, after blowing up the ancient, narrow stone bridges on the eastern end. Within two days the streets of Ajaccio, with its statue of Napoleon, were filled with men wearing the uniforms of the United States, Britain, and the Free French. The bays of Ajaccio and Bastia filled with freighters, supply ships, tenders, gray destroyers, and troop transports. Inland, glades, meadows, rocks, and trees were bulldozed away to create an airfield, from which flew American and British fighter planes and DC-3 transports.

The Unione Corse waited through this desecration with the traditional patience of a patriarchal crime family. When the hubbub was over, and all was serene again, the waters would be theirs and theirs alone to explore. Peace, of course, did come to Corsica, and divers of the Unione Corse tried and tried but failed to locate the looted treasure of North Africa. Occasionally, ventureseome strangers would arrive to explore, having heard rumors of Nazi booty. In one way or another, all were discouraged. Four disappeared one night. An Andre Mattei was found dead, riddled with bullets, after he had had too much to say about the location of the six containers. Then appeared Peter Fleig, one of the German sailors of the original E-boat, who had helped shove the containers into the water that night back in September 1943. He had survived the war in Russia, spent a year or so in a military hospital recovering from wounds, and then made it to Corsica. The vision that had sustained him through Russia and convalescence was that of finding again this wealth. While diving for it he was warned off by the Unione Corse, a warning he paid no attention to. He vanished.

This legend of World War II continues to attract the adventurous. Even Edwin Link, American businessman and inventor
of the Link Trainer of World War II, who later pioneered underwater vehicles for oceanographic exploration, mounted an

man art dealer who had become owner of the Goudstikker Galleries in Amsterdam after the occupation in 1940, to begin
had been transferred, and to demonstrate that all art lovers were not in Spain, Sweden, or Switzerland, the paintings he had with foresight shipped to Buenos Aires were soon gracing many fine homes there.

In London and Washington there was grave concern about the German flight capital. Officials of both Allied governments knew in a general way what was going on, but not until they had laboriously compiled a card index of 500,000 names of businessmen in both hemispheres, northern and southern, who were working for the Germans, did they realize the magnitude of the task ahead. This list showed only the tip of the iceberg; many, many people were willing to be profitably employed by the Germans. It was early 1945, and Bormann was moving forward full speed. The various departments of the two Allied governments—U.S. Department of State and Treasury Department, British Ministry of Economic Warfare, together with General Donovan's OSS and General Menzies' MI-6—realized only too well that they would have to come up with a substantial counteroffensive to checkmate Martin Bormann's economic blitzkrieg. Bormann's group was lean and mean, a prototype of what Admiral Turner in 1977 was to hope aloud that his CIA might one day become.

Orvis A. Schmidt, director of Foreign Funds Control of the U.S. Treasury Department, shook his head when he described the German flight capital operation in 1945:

"The network of trade, industrial, and cartel organizations has been streamlined and intermeshed, not only organizationally but also in an official job. And it happened... had been trained like those in industry to follow a pattern that would advance the interests of their country. In the first week of occupation by the Allies after the surrender, when Allied military government representatives went to the Ruhr factories, they were always met by handpicked Germans, frequently engineers, speaking English and prepared with credentials to prove their acquaintance with reputable citizens and corporations in the United States. They had already begun to rehabilitate the bombed factories. The destruction of I.G. Farben plants was relatively light. As German I.G. technicians streamed from the battlefronts back to their hometowns and went to work, it was estimated that production could reach 90 percent of capacity in three months, given adequate supplies of labor, fuel, power, and raw materials. War damage to the other industrial firms had also been greatly exaggerated by Allied wartime air intelligence. The amount of capacity knocked out by bombing and shelling was less than that which the Germans had built during the war, so that Germany found herself somewhat ahead of her prewar capacity. For a time the Allies threatened to dismantle heavy factories and ship them to neighboring countries. But they would have been useless additions, and this factor, together with a growing distrust of Russia by the American and British governments, produced a change in outlook. Germany, with $1.5 billion from the Marshall Plan, would soon find herself with the same well-rounded industrial structure as before the war.

But what really heaved officials in London and Washington, when it came to give the State Clare Insiders out of Ger
intelligence sources that Russia would take over eleven nations along the eastern frontier, including the eastern part of Germany, and that this would disenchant the British and the Americans. This, and the truth that man's memory is short-lived, guaranteed an altered Allied attitude.

But all this speculation was for the near future; Bormann dealt with the present from his offices in Hitler's headquarters. When he gave directions they were followed in Latin America. At the time Orvis A. Schmidt of the U.S. Treasury Department declared:

"The great German combines were the spearheads of economic penetration in the other American republics. In the field of drugs and pharmaceuticals the Bayer, Merck, and Schering companies enjoyed a virtual monopoly. I.G. Farben subsidiaries had a firm hold on the dye and chemical market. German enterprises such as Tubos Mannesmann, Ferrostaal, A.E.G., and Siemens-Schuckert played a dominant role in the construction, electrical, and engineering fields. Shipping companies and, in some areas, German airlines, were well entrenched. In addition, other and newer pro-German firms were engaged in miscellaneous types of business, some of which were partly or wholly owned by Germans and some of which were wholly owned by persons of German origin, who, without changing their inborn allegiance, had acquired citizenship in one of the American republics."

The U.S. Treasury Department thought it might be possible to supersede these German firms with a replacement program of its own, in which local industry would be fostered, with U.S. corporations encouraged to expand into these markets. But the obstacles were too great. In some Latin American countries German capital represented a large segment of the total business investment, and in some important industries there was nothing to replace such German corporations, which had been profit-making concerns for some years; the I.G. Farben and Siemens. Part of the new corporate move to Latin America was represented by Fritz Mandl, the armament manufacturer of the Ruhr, who invested heavily in an Argentine government program to expand its armaments industry. The two largest German firms, Thyssen Lametar, S.A., Industrial y Mercantil, and La Sociedad Tubos Mannesmann, received German financing un-
of brilliant young men dedicated to high principles and the freezing of enemy assets in wartime. Arnold described Schmidt as a "tenacious, observant man, a man of sincerity and great character. . . . He was large and barrel-chested, quiet-spoken but possessed of a sense of mission." Following World War II, Orvis Schmidt went to the International Bank for Reconstruction, serving there until the time of his death.

From the second attorney, John Pehle, I learned why Schmidt and Foreign Funds Control had been unable to stop the German program of flight capital to neutral nations. John Pehle, an urbane and distinguished looking man who is today counsel to the law firm of Morgan, Lewis, and Bockie, had been the original director of Foreign Funds Control in the U.S. Treasury Department, with Orvis Schmidt serving as his deputy director.

Pehle said, "The main mission of Foreign Funds Control, which began on April 8, 1940, after Norway and Denmark were invaded, was to freeze the assets of these countries in the United States so they could not be used by the Third Reich. As other countries were occupied, our activities expanded until we had all assets of Germany, Japan, and all occupied countries frozen, which amounted to many billions of dollars. We also attempted to reach outside the United States to control the assets and trade of Germany and Japan by establishing, with Britain, a blacklist of firms and businessmen doing business with Germany. There were no computers in those days and we kept some 500,000 names on Rolodex files. It was cumbersome and slow."

Mr. Pehle believes his department of several hundred did a fine job of controlling foreign assets in the United States. Of course, "there was always political pressure to free some company or other from our strictures. The infamous IT&T deal in which they sold their telephone company in Romania to the Romanian government and were paid the $7 million in the U.S. which represented Romanian frozen currency, is a testimony to backstairs influence. However, I am glad to say it didn't happen again."

Pehle described the U.S. Treasury Department as an interesting place to be. "We had bright men. Lend-Lease was conceived in the Treasury."

But perhaps Pehle put his finger on the reason why U.S. Foreign Funds Control was unable to interdict the German drive to move assets to neutral nations.

"In 1944 emphasis in Washington shifted from overseas fiscal controls to assistance to Jewish war refugees. On presidential order I was made executive director of the War Refugee Board in January 1944. Orvis Schmidt became director of Foreign Funds Control. Some of the manpower he had was transferred, and while the Germans evidently were doing their best to avoid Allied seizure of assets, we were doing our best to extract as many Jews as possible from Europe."

One project of Mr. Pehle's War Refugee Board was an order to rescue as many Jews as possible from Budapest. The U.S. board could not intervene directly and so it asked the Swedish government if it would send a Swedish representative to Hungary, where 900,000 Jews, the last large remaining Jewish population, awaited either extinction or rescue. Sweden agreed and dispatched Raoul Wallenberg, who traveled to Budapest with huge sums of U.S. Treasury money and Swedish diplomatic papers, which were to provide freedom of travel to Sweden for a subsequent stream of 90,000 Jewish refugees. But when Budapest fell to Soviet troops, Wallenberg became a prisoner of the Russians and was shipped to Moscow.

Many believe that Wallenberg has spent the last thirty years in Soviet prisons. Russia has denied the capture and imprisonment of Wallenberg. But the case remains open. In May of 1980 the "Free Raoul Wallenberg Committee," largely composed of influential Swedish and American Jews, held an international hearing in Stockholm to focus new attention on this case. They wanted to induce the Soviet Union to produce this man, whom Einstein recommended for the Nobel Peace Prize in 1949 for efforts in Budapest on behalf of Balkan Jews and the American War Refugee Board operating under the direction of John Pehle.

The two objectives were diametrically opposed. Certainly in his power position Reichsleiter Martin Bormann from 1944 to the end of the war was moving with all possible speed to shift all moveable assets out of the greater Third Reich. He was untroubled by the humanitarian considerations holding Wash-
lington in their sway. For him it was a go-for-broke operation all the way. Even today, however, there are U.S. Treasury old-timers of World War II still not aware of the magnitude of the Bormann operation and of its success. Those who know, in Washington, in South America, and in the capitals of Europe, are locked together in a conspiracy of silence that has endured for thirty-seven years until the publication of this book.

In this silent contest during the winddown years of World War II, Orvis A. Schmidt was not to emerge victor over Martin

reach and eliminate the German ability to finance another world war. We must render useless the devices and cloaks which have been employed to hide German assets.

Schmidt noted the facts that A.E.G. had six subsidiaries in Argentina, one in Portugal, two in Spain, three in Sweden; Siemen-Schuckert-Werke A.G. with seven subsidiaries in Argentina, two each in Portugal and Sweden, four in Spain, and...
Orvis Schmidt also testified that when they questioned the top Farben people about their wartime activities,

... They were inclined to be very indignant. Their general attitude and expectations was that the war was over and we ought now to be assisting them in helping to get I.G. Farben and German industry back on its feet. Some of them have outwardly said that this questioning and investigation was, in their estimation, only a phenomenon of short duration, because as soon as things got a little settled they would expect their friends in the United States and England to be coming over. Their friends, so they said, would put a stop to activities such as these investigations and would see that they got the treatment which they regarded as proper and that assistance would be given to them to help reestablish their industry.

As the war came to a close, all major American industries felt that they would like to see the German money machine working again. Every U.S. company of consequence had its representative in uniform, as technical advisor or officer, as did the British. As Allied armies moved through France, Belgium, and the Lowlands, corporate executives took time out to check the status of their branch firms. The changing tone seemed auspicious to Martin Bormann.

In all lands liberated by American and British armies, there was a reluctance to disturb the machinery of money and industry that had been shaped by German economic experts into cartels and interlocking business arrangements with German firms. The obvious inequities and seizures were adjusted. The paintings taken from the Rothschilds were returned, as was the family bank. Firms and newspapers that had been too blatantly Nazi changed hands or were closed down. The German presence was reduced, but not eliminated; the device of cloaked ownership insured a continuation of proprietary rights. It all added up to a new chapter in the adventures of the U.S. Army investigative teams. Grim idealists when they entered the liberated countries, they soon learned that, once free, each government haughtily insisted on making its own decisions without advice from the Americans.

Even Grand Duchess Charlotte of Luxembourg had her own ideas, and they didn’t jibe with those of the U.S. investigative team dispatched to her tiny country to set things right. Upon her return from exile in London and Montreal, she promptly dismissed the U.S. investigative mission, which had been attempting to uncover secrets of the German–Luxembourg steel cartel. Elbert D. Thomas of Utah, when he was chairman of the U.S. Senate subcommittee on military affairs, commented in Washington on June 26, 1945:

We had a mission in Luxembourg which was obtaining quite a bit of information on the steel cartel until the Grand Duchess returned. Information was then blocked off from us and the mission had to retire with what information they had already collected. There was much to learn about the way in which small states like Luxembourg had been used by the cartels. The episode suggests that some rulers, whom we have befriended, may be expected to assist the cartelists in their postwar efforts to regain dominance.

What the grand duchess learned from her finance minister on her return to Luxembourg was simple: “Don’t tamper with the money machine. We made record profits during the German era, and there is every indication we will be going into an even greater period of prosperity, once Germany recovers. They will then continue to be our biggest customer. All that is required now is a readjustment in stock ownership to please Belgian, French, British, and American shareholders, which will be done.” Open German stock ownership was reduced to its former position of about 20 percent in Luxembourg industry and the German trustee was eliminated. But at board meetings, Belgian and French banks voted as blocs on behalf of stockholders in Germany. The German voice in the wings was still there, and as time went on in Luxembourg, increasingly the voice could be heard loud and clear—the customer speaking to the seller, the equalizer of the marketplace. Grand Duchess Charlotte, who was to retire during the sixties to be succeeded by her son, Grand Duke Jean, always believed that the new prosperity of Luxembourg after the war was testimony to her decision in 1945 not to permit interference with the German financial and industrial apparatus. The German banks, Deutsche and Dresdner, remained in position and the Luxembourg financial community continued to look to Frankfurt rather than to Zurich, London, and New York for financial guidance. ARBED (its sales organization in New York City is Amerlux Products) continues as a powerful...
and prosperous steel cartel closely tied to its German mentors. By 1980 Luxembourg was to become a new center for gold buying in Europe, with West German banks selling the equivalent of $1.4 billion in gold to holders in Luxembourg. The chief attraction was the lack of a value-added tax, a form of sales tax. The tiny principality also became the European finance center for the KGB and its espionage operations on the continent.

But on February 25, 1946, Russell A. Nixon, when acting director, Division of Investigation of Cartels and External Assets in the U.S. military government in Germany, was to sum up the entire problem facing those investigative teams in their efforts to check and change the economic web woven to confuse the Allies. He was to tell a Senate subcommittee in Washington:

We have not yet, nine months after the war has ended, developed an effective drive for these assets. If you will go through the neutral countries, country by country, you will find that they have not accepted the sovereignty of the four powers in getting the assets. They are not turning the assets over. Such progress as we have made has been very partial and generally ineffective. Generally speaking, in spite of the efforts that have been made, at the present time there is a continuation of the dissipation and further concealment of these assets throughout all the neutral countries.

Powerful friends of the Bormann organization in all Western
countries had been at work in the latter part of 1945 to rally support for the release of Hermann Schmitz and Martin Bormann, two key men in the Nazi organization. The vote was four-to-one in late 1945 to release from prison Richard Freudenberg, the largest leather and shoe manufacturer in Germany. In 1944 his personal income for the year was one million marks. Freudenberg was also a war economy leader and a regional economic advisor to Reichsleiter Bormann. He had been jailed as an active Nazi under the mandatory arrest category regulation, and the vote to release him also permitted him to return to management of his company. The argument for freedom, which was to become a landmark for occupation authorities, was expressed by Mr. Reinhard, representing Ambassador Robert Murphy:

“What we are doing here through denazification is nothing less than a social revolution. If the Russians want to Bolshevize their side of the Elbe that is their business, but it is not in conformity with American standards to cut away the basis of private property. This man is an extremely capable industrialist, a kind of Henry Ford.”

It was fated that Hermann Schmitz and Martin Bormann should meet again and discuss the progress of the flight capital program. It took place at the chancellery in Berlin in March 1945. The Wehrmacht was fighting inside Germany, hard pressed by General Patton's U.S. Third Army. In the east, German defenses still held in Upper Silesia, Czechoslovakia, and Danzig. But Russian pressure was increasing. In the chancellery it was quiet, with only the noise of typewriters and teletype machines in outer offices as Schmitz and Bormann talked.
that would bolster Germany in the postwar years. In their meeting in the chancellery, both men checked over the figures of sums disbursed, and they were accurate to the pfennig. The Reichsleiter asked Schmitz his views of the future. Schmitz replied, “The occupation armies will be understanding in the West, but certainly not in the East. I have instructed all Farben administrators and technicians to come to the West, where they can be of use in resuming our operations once the disturbances of 1945 come to a halt.”

Schmitz added that, while general bomb damage to the I.G. plants was about 25 percent of capacity, some were untouched. He mentioned speaking with Field Marshal Model, who was commanding the defenses of the Ruhr. “Model had planned to turn our Bayer-Leberkusan pharmaceutical factory into an artillery base but he agreed to make it an open, undefended factory. Hopefully, we will get it back untouched.”

“What about your board of directors and the essential executives? If they are held by the occupation authorities can I.G. continue?” Bormann asked.

“We can continue. We have an operational plan for such a contingency, which everyone understands. However, I don’t believe our board members will be detained too long. Nor will I. But we must go through a procedure of investigation before release, so I have been told by our N.W.7 people who have excellent contacts in Washington.”

This was not quite an accurate assessment of the immediate future that faced Schmitz and I.G. Farben in Germany. Twelve officers of I.G. were to be tried at Nuremberg, and on July 30, 1948, they were sentenced to various prison terms for plunder of occupied territories and use of slave labor in their factories. Schmitz was to receive a four-year prison term, but many of the lesser officials would be released by the Allied military government, which simply didn’t know what to do with them. Of those at the second level of management, there was Paul Denker, director of Farben’s accounting divisions and important in the various Farben subsidiaries; Carl von Heider, general director of sales of dyestuffs, who also handled the Czechoslovakia operation; Helmuth Borgvardt, general director of sales of organic chemicals; Guenther Frank-Fahle, chief of the central finance office and director of Max Ilgner’s espionage group; N.W.7’s

Kurt Kruger, another Ilgner lieutenant; Herbert Stein, chief legal advisor of the chemical and dyestuffs department and corporate camouflage expert second only to Schmitz himself. All were returned to their corporate offices.

Schmitz also told Bormann of his visit to Switzerland earlier in the month. “Germany will have a poor image problem this time. Much worse than after the First World War. It can all be placed on the doorsteps of Goering, Himmler, and Heydrich. Goering and Himmler thought up the Final Solution for the Jews, and Heydrich made it a fact.”

Bormann agreed, asking, “How does that affect I.G.?”

“We produced the poison gas on Himmler’s orders,” Schmitz explained, “so I’ve been making some corporate name changes in Basel, which may help our overseas situation.”

Hermann Schmitz then went on to explain that he had changed I.G. Chemie to Société Internationale pour Participations Industrielles et Commerciales S.A. In German-speaking Basel, the name became International Industrie und Handelsbeteiligungen A.G., or Interhandel. Schmitz said he had stipulated that only Swiss were to be on the board of directors of the new holding corporation, which could then declare itself a fully Swiss corporation. The brightest jewel in the Interhandel string of companies was General Aniline and Film Corporation, a holding company in the United States for various American I.G. Farben companies. It had been organized in 1929. There were ten members of the board: Schmitz, Bosch, and Greif, all Farben men; Metz, Weiss, and Kitroff, of U.S. companies that sold Farben manufactured products; and four prominent American industrialists and bankers—Mitchell, Ford, Warburg, and Teagle of Standard Oil. In one instance Farben gained a large bloc of Standard Oil stock by selling certain patents to the Standard Oil Corporation. Some American directors of General Aniline had large blocs of GAF stocks registered in their name. The New York bank of record was National City Bank, the largest in New York, which is now known as Citibank. In 1929 the board voted Hermann Schmitz president, a position in which he served from 1929 to 1936, while simultaneously serving as head of I.G. Farben. In March 1945, Hermann Schmitz was telling Martin Bormann that he hoped this shuffling of name and board membership would prove helpful after the war.
when steps would be taken to return General Aniline and Film Corporation to his ownership in Switzerland. The valuable holding company had been seized in 1942 by U.S. authorities as suspected enemy assets.

In 1948 a suit was to be filed by certain minority stockholders of Interhandel against the attorney general of the United States, as successor to the wartime Alien Property Custodian, and the U.S. Treasury, for the return of 89 percent of GAF, of a value of $100 million plus $1.8 million seized in cash in 1942. Interhandel, through its American attorneys, first filed an administrative claim, which was denied. The suit then went to the

Corporation, an American firm of the Union Bank of Switzerland and the Deutsche Bank of Germany, would be the financial advisors for Thyssen A.G. in its $275 million cash takeover of the Budd Company of Troy, Michigan, a leading U.S. manufacturer of auto components, truck trailers, and rail cars. UBS-DB Corporation would also say that the West German companies it represented were showing a "very substantial interest in all sorts of American ventures, including mergers and acquisitions."

Bayer A.G., another of Schmitz's divisions in I.G. Farben, would continue to grow, in 1977 buying Miles Laboratories, a
always the unknown—What now? Schmitz foresaw himself testifying before victorious American occupation authorities, perhaps, ruefully, spending some time in prison, and then back to I.G. Farben, to resume his plans to make this vast industrial apparatus more prosperous than ever.

For Martin Bormann time was of the essence, and he had planned his escape with great care. He would, loyally, remain with Adolf Hitler till the end of the war, then he and the Fuehrer would make their way to South America. But on April 27 Hitler’s choice was to expire in the Fuehrerbunker with his devoted Eva. Bormann finalized his own plans for an escape design, one worthy of the man who had directed the greatest financial disappearing act in history. From that time on the world has speculated. What really became of Martin Bormann?