CHAPTER ONE

Wall Street Paves the Way for Hitler

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

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

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

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

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

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

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

> *plane plants but others of military importance, in which they learned a great deal that was eventually used against the United States.*[2]

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

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

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

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

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

1924: The Dawes Plan

The Treaty of Versailles after World War I imposed a heavy reparations burden on defeated Germany. This financial burden — a real cause of the German discontent that led to acceptance of Hitlerism — was utilized by the international bankers for their own benefit. The opportunity to float profitable loans for German cartels in the United States was presented by the Dawes Plan and later the Young Plan. Both plans were engineered by these central bankers, who manned the committees for their own pecuniary advantages, and although technically the committees were not appointed by the U.S. Government, the plans were in fact approved and sponsored by the Government.

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

Between 1924 and 1931, under the Dawes Plan and the Young Plan, Germany paid out to the Allies about 86 billion marks in reparations. At the same time Germany borrowed abroad, mainly in the U.S., about 138 billion marks — thus making a net German payment of only three billion marks for reparations. Consequently, the burden of German monetary reparations to the Allies was actually carried by foreign subscribers to German bonds issued by Wall Street financial houses — at significant profits for themselves, of course. And, let it be noted, these firms were owned by the same financiers who

periodically took off their banker hats and donned new ones to become "statesmen." As "statesmen" they formulated the Dawes and Young Plans to "solve" the "problem" of reparations. As bankers, they floated the loans. As Carroll Quigley points out,

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

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

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

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

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

1928: The Young Plan

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

Fritz Thyssen claims that,

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

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

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

and is clear evidence of private financiers (including Franklin D. Roosevelt) using the power of the state to advance their own interests by manipulating foreign policy.

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

> *The acceptance of the Young Plan and its financial principles increased unemployment more and more, until about one million were unemployed. People were desperate. Hitler said he would do away with unemployment. The government in power at that time was very bad, and the situation of the people was getting worse. That really was the reason of the enormous success Hitler had in the election. When the last election came, he got about 40%.*[9]

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

> *"A bank of this kind will demand financial co-operation be, tween vanquished and victors that will lead to community of interests which in turn will give rise to mutual confidence and understanding and thus promote and ensure peace."*
>
> *I can still vividly recall the setting in which this conversation took place. Owen Young was seated in his armchair puffing away at his pipe, his legs outstretched, his keen eyes fixed unswervingly on me. As is my habit when propounding such arguments I was doing a quiet steady "quarter-deck" up and down the room. When I had finished there was a brief pause. Then his whole face lighted up and his resolve found utterance in the words:*
>
> *"Dr. Schacht, you gave me a wonderful idea and I am going to sell it to the world.*[11]

B.I.S. — The Apex of Control

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

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

Politicians amenable to the objectives of financial capitalism, and academies prolific with ideas for world

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

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

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

Building the German Cartels

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

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

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

Looking at all the loans issued, it appears that only a handful of New York financial houses handled the

German reparations financing. Three houses — Dillon, Read Co.; Harris, Forbes & Co.; and National City Company — issued almost three-quarters of the total face amount of the loans and reaped most of the profits:

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

Source: **See Appendix A**
Robert R. Kuczynski*, *Bankers Profits from German Loans

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

After the mid-1920s the two major German combines of I.G. Farben and Vereinigte Stahlwerke dominated the chemical and steel cartel system created by these loans. Although these firms. had a voting majority in the cartels for only two or three basic products, they were able — through control of these basics — to enforce their will throughout the cartel. I.G. Farben was the main producer of basic chemicals used by other combines making chemicals, so its economic power position cannot be measured only by its capacity to produce a few basic chemicals. Similarly, Vereinigte Stahlwerke, with a pig-iron capacity greater than that of all other German iron and steel producers combined, was able to exercise far more influence in the semi-finished iron and steel products cartel than its capacity for pig-iron production suggests. Even so the percentage output of these cartels for all products was significant:

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

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

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

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

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

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

In brief, American companies associated with the Morgan-Rockefeller international investment bankers — not, it should be noted, the vast bulk of independent American industrialists — were intimately related to the growth of Nazi industry. It is important to note as we develop our story that General Motors, Ford, General Electric, DuPont and the handful of U.S. companies intimately involved with the development of Nazi Germany were — except for the Ford Motor Company — controlled by the Wall Street elite — the J.P. Morgan firm, the Rockefeller Chase Bank and to a

lesser extent the Warburg Manhattan bank.[18] This book is not an indictment of *all* American industry and finance. It is an indictment of the "apex" — those firms controlled through the handful of financial houses, the Federal Reserve Bank system, the Bank for International Settlements, and their continuing international cooperative arrangements and cartels which attempt to control the course of world politics and economics.

Footnotes:

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

[2]*Elimination of German Resources,* p. 174.

[3]Gabriel Kolko, "American Business and Germany, 1930-1941," *The Western Political Quarterly,* Volume XV, 1962.

[4]Ibid, p. 715.

[5]Carroll Quigley, *op. cit.*

[6]Ibid, p. 308.

[7]Carroll Quigley, *op.* cit., p. 309.

[8]Fritz Thyssen, *I Paid Hitler,* (New York: Farrar & Rinehart, Inc., n.d.), p. 88.

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

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

[11]Ibid, p. 282.

[12]Carroll Quigley, *op. cit.,* p. 324.

[13]Henry H. Schloss, *The Bank for International Settlements* (Amsterdam,: North Holland Publishing Company, 1958)

[14]John Hargrave, *Montagu Norman,* (New York: The Greystone Press, n.d.). p. 108.

[15]James Stewart Martin, *op.* cit., p. 70.

[16]See Chapter Seven for more details of Wall Street loans to German industry.

[17]See Gabriel Kolko, *op. cit.,* for numerous examples.

[18]In 1956 the Chase and Manhattan banks merged to become Chase Manhattan.

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