

For Nazi Industrialists And Hitler’s Banker “All Was Forgiven”

By [Zero Hedge](#)

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In recent years, there has been much shock and stunned reactions among the general public as one after another banker avoided any prison time, despite perpetrating (and benefiting from the subsequent bailout) the biggest financial crisis know to mankind.

But is this shock warranted? The simple answer: no.

Consider the case of countless Nazi financiers and even Hitler’s personal banker, Hjalmar Schacht. What do they all have in common? Aside from (or perhaps *due to*) practically all having walked through the secretive corridors of the Bank of International Settlements, the one truly disturbing common theme is that virtually all avoided any significant prosecution for their participation in the Third Reich. In fact, as the following excerpt clearly reveals, the basis of Germany’s Fourth Reich, which in Adam LeBor’s words, “would be a financial, rather than a military imperium” was the work almost exclusively of Nazi financiers and bankers. And, of course, America’s backing and support of said Nazi bankers and industrialists.

Because when it comes to political winners and losers, the bankers will gladly support them all, and as such, no matter their prior actions, global financiers – who can and will bring down with them the entire financial system – have a perpetual immunity from the law, even if it means trillions in taxpayer bailouts, or hundreds of millions of casualties.

So the next time anyone is outraged that Lloyd or Jamie or Jon are not only walking free but have hundreds of millions in their bank accounts, advise them that if “all is forgiven” to Hitler’s personal banker, then there is clearly no hope that the judicial system will ever bring those criminals known elsewhere as “bankers” to justice.



The following is an excerpt from [TOWER OF BASEL: The Shadowy History of the Secret Bank that Runs the World](#) by Adam LeBor. Reprinted with permission from PublicAffairs.

CHAPTER TEN: ALL IS FORGIVEN

When detained in Dustbin, among a number of references to the financially great he pointed out that the President of the BIS, Mr. McKittrick of the United States, would be able to speak favourably of him.

— British intelligence report on Hermann Schmitz, CEO of IG Farben, while held prisoner at Kransberg Castle, aka “Dustbin,” December 1945

DESPITE THE MARSHALL Plan, postwar Germany was devastated, its population barely scraping a living. A fifth of all housing stocks had been destroyed, food production was about half of its prewar levels, and industrial output in 1947 was one-third of its 1938 level. Basic goods were rationed, and wages and prices were controlled. The black market was thriving, and there was no properly functioning central bank. Officially, the Reichsbank had ceased to exist. The Reichsmark staggered on, still in circulation, although the main unit of currency was American cigarettes.

In 1948, everything changed. The Reichsbank was abolished completely and replaced by the Bank deutscher Länder (BdL). The deutschmark replaced the Reichsmark. The BdL was a national clearinghouse for the banks of the German regional states in the western occupation zone, modeled broadly on the US Federal Reserve. Unlike the Reichsbank, which had been brought under government control, the BdL, which would now represent Germany at the BIS in Basel, had its independence constitutionally guaranteed.

Hjalmar Schacht, president of the Reichsbank, was not impressed with the deutschmark. It was backed neither by gold nor by foreign currency reserves. It was a fiat currency, imposed by the Western authorities. Schacht told Wilhelm Vocke, the president of the new German national bank, that the deutschmark would collapse in six weeks. But Schacht was wrong. The deutschmark was backed, and by assets even more powerful than gold or foreign exchange: public confidence and postwar planning by the Nazi leadership.

At the same time, Ludwig Erhard, the economic director of the British and American occupation zones, lifted price restrictions and controls. The results were spectacular. Employment soared, inflation plummeted, the economy boomed. The deutschmark was stable and enjoyed the public's full confidence. The western powers and their German subordinates proclaimed the dawn of a new era.

But the new central bank, currency, and Germany's economic recovery were all deeply rooted in the Third Reich. Because German companies, especially armaments firms, had reinvested their massive profits, despite the Allied bombing campaign and reparations, Germany's capital stock—its productive equipment, buildings, infrastructure, and other assets—was actually greater in 1948 than in 1936.

The lines of financial continuity between the Third Reich and postwar Germany reached right to the top. The BdL's first president, Vocke, was a Reichsbank veteran and ally of Hjalmar Schacht. Wilhelm Vocke had sat on the Reichsbank board from 1919 to 1939 and was Germany's alternate member on the BIS board from 1930 to 1938. He would now return to Basel for the governors' meetings. Vocke remained loyal to his former boss and testified at Schacht's trial at Nuremberg. He made the unlikely claim that Schacht had believed Germany's weapons buildup was intended to support a policy of armed neutrality and to reduce unemployment. Vocke, however, had not joined the Nazi party, unlike many of his colleagues at the BdL. Every state institution in postwar Germany—the police, judiciary, civil servants, teachers, doctors, and the intelligence services—relied on former Nazis to function. But the continuity among the bankers was striking. Between 1948 and 1980, 39 percent of officials on the executive and governing boards of either the BdL, the central banks of the regional states, or the Bundesbank (the BdL's successor) were former Nazis.

Some, such as Fritz Paersch, had been important figures in Hitler's economic empire. Paersch was the mastermind of the Nazi plunder and despoliation of Poland. As president of the central bank in German-occupied Poland, he reorganized the currency. Without his work,

the Nazi occupation would not have been able to function economically. Hans Frank, the governor general of Poland who oversaw the murder, enslavement, and deportation of millions of Poles and Polish Jews was a great admirer of Paersch. Frank was found guilty of war crimes at Nuremberg and executed. And Paersch should have been put on trial as well, but instead he lived freely and applied for a senior position at the BdL. He was rejected because of his wartime past but was compensated with a position as vice president of the Hesse state central bank, where he worked until 1957. Paersch then found a new sinecure: as official liquidator of the Reichsbank, whose legal affairs still stuttered on.

Like Schacht during the 1930s, Ludwig Erhard, the economic director of the western occupation zones, was hailed as a miracle maker. The truth was more prosaic. Erhard, a future chancellor of West Germany, was an ambiguous figure. He had refused to join any Nazi party organizations and was connected to the German resistance. But Erhard had accepted funds from the Reichsgruppe Industrie, the organization of German industrialists, including IG Farben, that supported Hitler. He was awarded the war service cross for his work on economics. By 1943 Erhard's work had come to the attention of the German bankers and industrialists who realized that the war was lost. They formed two groups to prepare for the future and ensure their continuing economic power in the postwar world: the Committee for Foreign Economic Affairs, composed of financiers and industrialists, and the Small Working Group, composed solely of industrialists, including Hermann Schmitz, the CEO of IG Farben and BIS director. Erhard was the connection between the two groups.

The members of the Committee for Foreign Economic Affairs included Hermann Abs of Deutsche Bank, the most powerful commercial banker in the Third Reich. The dapper, elegant Abs was an old friend of the BIS. He had been sent there by Schacht during the 1930s to try and stall demands for repayments of the loans that financed Germany after 1918.¹⁰ In Basel, Abs frequently met with a British banker called Charles Gunston, who was a protégé of Montagu Norman. Gunston managed the Bank of England's German desk, which made him immensely important during the 1930s. Gunston was so keen on the new Germany that he spent his 1934 summer holidays at a work camp for enthusiastic Nazi party members. He also admired Abs and later described him as "Very urbane. Always a velvet glove around an iron fist." Abs did not join the Nazi party, but he was so essential for the functioning of the Third Reich's economy that he did not need to. As the head of Deutsche Bank's foreign department during the war, Abs was the lynchpin of the continent-wide plunder, directing the absorption of Aryanized banks and companies across the Third Reich. During the twelve years of the Third Reich, the bank's wealth quadrupled. Abs sat on the board of dozens of companies, including, naturally, IG Farben.

In 1943 the Nazi industrialists asked Erhard to write a paper on how German industry could be converted back to peacetime production. Erhard argued for a free and competitive market with a gradual elimination of state controls. German industry would be redirected, as quickly as possible, to producing consumer goods. Erhard was taking a substantial risk by putting his name to such thoughts: any postwar planning that assumed that Germany might lose the war was enough to send the author to a concentration camp.

But Erhard had protection at the highest levels of the Nazi state: Otto Ohlendorf, the chief of the SS internal security service. The SS was a business as well as a killing machine, the state engine of looting, plunder, and despoliation, from the gold extracted from the teeth of concentration camp victims to the banks, steelworks, factories, and chemical plants of Nazi-occupied countries. Ohlendorf had extensive first-hand experience of the SS's methods.

Between 1941 and 1942, Ohlendorf had commanded Einsatzgruppe D, the extermination squad operating in southern Ukraine, which had murdered ninety thousand men, women, and children. Ohlendorf, an intelligent and educated man, showed great concern for the psychological welfare of his squad's gunmen. He ordered that they should all fire at the same time at their victims, so as to avoid any feelings of personal responsibility.

Ohlendorf also held a senior position at the Ministry of Economics, supposedly focusing on Nazi Germany's foreign trade. By 1943, after the Russian victory at Stalingrad, Ohlendorf also understood that the Third Reich would eventually lose the war. His real job was to plan how the SS would keep its financial empire so that Germany would reassert its economic dominance over Europe after the inevitable defeat. The postwar priority was rapid monetary stabilization, to preserve economic stability and avoid Weimar-style hyperinflation. Germany would need a new currency, which would have to be imposed by the occupying powers, as well as a mixed economy of state and private sectors. There was an obvious overlap with Erhard's ideas. Ohlendorf came to hear of Erhard's work, and Erhard was persuaded to send him a copy of his memo.

As the Allies advanced on Germany, the Nazis stepped up their plans for the postwar era. On August 10, 1944, an elite group of industrialists gathered at the Maison Rouge Hotel in Strasbourg, including representatives of Krupp, Messerschmitt, Volkswagen, and officials from several ministries. Also in attendance was a French spy, whose report reached the headquarters of the Allied invasion force, from where it was forwarded to the State Department and the Treasury. The account of the meeting is known as the Red House Report.

Germany had lost the war, the Nazi industrialists agreed, but the struggle would continue along new lines. The Fourth Reich would be a financial, rather than a military imperium. The industrialists were to plan for a "postwar commercial campaign." They should make "contacts and alliances" with foreign firms but ensure this was done without "attracting any suspicion." Large sums would have to be borrowed from foreign countries. Just as in the prewar era, the US connection and links to chemical firms, such as the American Chemical Foundation, were essential to expanding German interests. The Zeiss lens company, the Leica camera firm, and the Hamburg-American line had been "especially effective in protecting German interests abroad." The firms' New York addresses were passed around the meeting.

A smaller group attended a second, select meeting. There the industrialists were instructed to "prepare themselves to finance the Nazi party, which would be forced to go underground." The prohibition against exporting capital had been lifted, and the government would help the industrialists to send as much money to neutral countries as possible, through two Swiss banks. The Nazi party recognized that after the defeat, its best-known leaders would be "condemned as war criminals," the intelligence report concluded. However, the party and the industrialists were cooperating in placing the most important figures in positions at German factories as research or technical experts.

US Treasury officials were closely watching this massive export of German capital, much of which was going to South America. Funds were pouring out of Germany and other Nazi-controlled territories, Harry Dexter White—an American economist and senior U.S. Treasury representative—told a meeting of Treasury officials in July 1944 during the Bretton Woods conference. Nazi leaders were preparing to flee the country or have their property confiscated. "They bought estates and industries and corporations, and there is evidence

that the German corporations have been buying into South American corporations in the expectation of being able to re-establish themselves there after the war.” The cloaking operation was extremely complex, said White. “They are working through first, second and third fronts, so it is pretty hard to trace it without having all the data available.” The Treasury officials also discussed the BIS at the same meeting, noting that out of twenty-one board members and senior officials, sixteen were “representatives of countries that are either now our enemies, or are occupied,” including Walther Funk—a former journalist, ardent Nazi, and point man on the BIS board for big business and industrialists—and Hermann Schmitz, the CEO of IG Farben, the giant German chemical conglomerate.

Emil Puhl, the vice president of the Reichsbank and BIS director, discussed the Nazi leadership’s postwar strategy with McKittrick at the BIS in March 1945, during the last few weeks of the war. The information he passed to McKittrick echoes that included in the Red House Report and Harry Dexter White’s discussion at Bretton Woods. Military defeat was merely a temporary setback. The Nazis were fanatics and would never give up their ideals, Puhl explained. Instead they would go underground. McKittrick immediately informed Dulles of the conversation. Dulles sent the information on to London, Paris, and Washington on March 21, 1945. His telegram noted that Puhl had “just arrived” in Basel:

He said that the jig was up but that Nazis had made careful plans to go underground, that every essential figure had his designated place, that Nazism would not end with military defeat as Hitler and his fanatical followers would no more change their philosophy than would Socrates or Mohammed, that these men were just as convinced of their cause as ever and carried a great body of people with them. He emphasized that Nazism was like a religion, not merely a political regime.

After the Allied victory, Donald MacLaren, the British intelligence agent who had brought down GAF, IG Farben’s US subsidiary, was sent to Berlin to investigate the chemicals conglomerate. MacLaren wrote an extensive dossier on IG Farben, its history and key personnel, and its central role in preparing and waging war. MacLaren laid out in detail how IG Farben’s trading partners in New York and London, such as Standard Oil, had willingly entered into cartel arrangements with the chemical conglomerate, thus ceding control to Germany and helping it to rearm.

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SO WHAT THEN should be the fate of the Nazi industrialists such as Hermann Schmitz? For MacLaren, the answer was clear. Schmitz had murdered, enslaved, and plundered from behind his desk, rather than on the battlefield. He was a war criminal as much as the leaders of the SS and should face the same punishment. But not all Allied officials agreed. When MacLaren asked his superiors if the industrialists were to be included with the Nazi military leadership as war criminals, he was told, “The term ‘industrialists’ raises a point on which no definite line has been laid down.” Schmitz, as MacLaren noted, certainly believed himself to be protected by his connection to the BIS and to Thomas McKittrick.

At one stage it seemed justice might be done. In 1947, twenty-four IG Farben executives, including Schmitz, were put on trial at Nuremberg. Twelve were found guilty. The sentences were derisory. Schmitz was sentenced to four years. Georg von Schnitzler, the commercial chief, who had apparently used the BIS to contact the Allies, received five years. Otto Ambros, a senior manager of IG Auschwitz, received eight years. Ambros testified that the prisoners at IG Auschwitz were fortunate to “have been spared all that which happened” in

the main concentration camp. The IG managers had also saved them a commute. The slave laborers could live on-site and no longer had to march fourteen kilometers a day to and from the main camp. "There was no stinting when Monowitz was built. It was heated and hygienic," Ambros explained, although Rudy Kennedy, who worked as a slave laborer for IG Farben when he was a teenage boy, remembered conditions rather differently. The slave laborers were served soup at lunchtime, soup with a "higher calorific content" than most Germans enjoyed in the immediate postwar years. "I believe that IG Farben and its officials deserve not a reproach, but due recognition," Ambros later wrote, and they would soon get it.

IG Farben was broken up into four successor companies: BASF, Bayer, Hoechst, and Cassella. The dismantling was no punishment. The shareholders asked the occupation authorities to transfer the conglomerate's assets to the successor firms, and they agreed. BASF, Bayer and Hoechst immediately reconstituted themselves, with the same staff working in the same offices and factories. A new holding company was created to deal with the legal fallout and consequences of the breakup. The legacy firms said they had no obligations for IG Farben's sins, as they had not legally existed during the war. It was a shameless and completely successful legal maneuver.

In 1949 John McCloy left the World Bank and started work as US High Commissioner for West Germany. McCloy, the former partner in the Cravath law firm that had represented GAF, the American wing of IG Farben, did not forget his former business partners. Hermann Schmitz was released from prison in 1950, and by February 1951 all of the IG Farben executives were free. McCloy also freed Alfred Krupp. The Krupp industrial empire had worked about eighty thousand slave laborers to death in a network of fifty-seven labor camps guarded by the SS. Krupp was sentenced to twelve years imprisonment, but he served less than three.

Otto Ohlendorf, the former commander of Einsatzgruppe D and protector of Ludwig Erhard, was an exception. He was hanged. But McCloy ordered that Nazi camp doctors who had conducted experiments on inmates, Nazi judges who had dispensed Gestapo justice, and SS officers who had organized mass killings be freed or have their sentences drastically reduced. Seventy-four of the 104 defendants convicted at Nuremberg had their sentences substantially reduced, and ten death sentences were commuted. Heinz Hermann Schubert, Ohlendorf's adjutant, who had personally supervised a mass execution of seven hundred people at Simferopol, had his death sentence commuted and was sentenced to ten years in prison.

The IG Farben managers were swiftly welcomed back into the German business community. Hermann Schmitz joined the supervisory board of the Deutsche Bank. Otto Ambros, provider of soup to slave laborers, joined numerous company boards and set up as an economic consultant. His clients included Konrad Adenauer, the federal chancellor. Kurt von Schröder, the banker and BIS director who had brokered Hitler's rise to power, was found disguised as an SS corporal in a POW camp in France. He was tried by a German court for crimes against humanity and was sentenced to three months in prison. Walther Funk, the dissolute Reichsbank president and BIS director, was found guilty of war crimes and sentenced to life imprisonment. The trial established how Funk had worked with Himmler, the SS chief, to ensure that gold and valuables from camp victims were credited to a special account at the Reichsbank in the name of "Max Heiliger" for the SS. Funk was released from Spandau prison for health reasons in 1957 and died three years later. Emil Puhl, Funk's deputy, BIS director, and friend of Thomas McKittrick, was also convicted of war crimes. Sentenced to

five years, he was released in 1949.

Ironically, it seems the Warburgs were also instrumental in the reconstruction of German industry, thanks to the family's friendship with McCloy. Freddie Warburg had persuaded McCloy to take the position of president of the World Bank. The two men had known each other since the 1920s when McCloy had done legal work for Kuhn, Loeb, a branch of the Warburg empire. When Eric Warburg and McCloy dined together in August 1949, Warburg pleaded with McCloy to stop the dismantling and destruction of German industrial plants. Soon after, Warburg gave McCloy a list of ten steel, gas, and synthetic rubber concerns, including the Thyssen steel works and the Krupp gas works, to be saved. All were spared. McCloy occasionally took a moral stand—he repeatedly told Germany to return Jewish property. When he was informed that Germans who served on de-Nazification boards were being shunned as traitors, he ordered state governments to guarantee such people civil service jobs.

As for Schacht, charged with organizing Germany for war, he still had powerful friends in London and Washington. Green Hackworth, the legal adviser to the State Department, was working behind the scenes to help the former Reichsbank president. During the war, Hackworth had repeatedly sabotaged attempts to publicize Nazi war crimes and bring their perpetrators to justice, arguing that such moves would endanger American POWs. Breckinridge Long, the assistant secretary of state, who had once praised Mussolini, supported Hackworth. Long and his aides had prevented Jewish refugees from obtaining visas, suppressed news of the Holocaust, and derailed attempts to document Nazi war crimes. In 1944 Henry Morgenthau's staff wrote a detailed paper that documented the State Department's wartime record. Its title was "Report to the Secretary on the Acquiescence of this Government in the Murder of Jews."

Once again the Dulles connection came to the fore. In late 1945 Schacht requested that Hans Bernd Gisevius be summoned as a defense witness to testify on his behalf. Gisevius, the wartime German consul in Zürich, was also an officer in the Abwehr, German military intelligence, a member of the anti-Hitler resistance, and one of Allen Dulles's most important agents, known as OSS source 512. Declassified US intelligence documents show that Gisevius was expected to testify that Schacht had attempted to overthrow Hitler in 1938 and to talk about Schacht's difficult relationship with the Nazi party, so that Schacht could present himself as a member of the resistance.

The documents reveal how much effort the State Department made to get Gisevius, who was living near Geneva in Switzerland, to Nuremberg to aid Schacht. A telegram from US diplomats in Berlin to the State Department, on December 10, 1945, requests that the "necessary arrangements be made to bring him to Nuremberg on ten days' notice and that Tribunal be kept fully advised through this office." Three days later, Leland Harrison, the US ambassador to Switzerland, cabled Washington that Gisevius was willing to appear as a defense witness for Schacht and could depart for Nuremberg any time in January on forty-eight hours' notice. Harrison asked the State Department to alert him when Gisevius should arrive in Nuremberg. The US government, was, in effect, acting as an aide to Schacht's defense lawyer, arranging for Gisevius's transport and logistics, and coordinating his appearance with the Nuremberg Tribunal.

The US team at Nuremberg was split over Schacht. Robert Jackson, the chief US prosecutor, wanted to prosecute him. But his deputy, William Donovan, the former OSS chief, was opposed. Donovan argued that Schacht had been sympathetic to the Allies in the early

years of the war. And there was the postwar German economy to consider, always a crucial factor in US policy calculations. A harsh cross-examination of Schacht would alienate the important German businessmen and financiers who favored good relations with the United States. There was consternation in Washington when Schacht's lawyer told the press that Sam Woods, the US Consul General in Zürich, had offered the Reichsbank president a deal in that—that if he resigned from Hitler's government, he would be returned to power after the war. Considering all we now know about the secret back channels between the United States and Nazi businessmen, this seems highly plausible.

Woods had long been a conduit between the US government and the Axis powers. After Admiral Horthy, Hungary's wartime leader who had permitted 430,000 of his own citizens to be deported to Auschwitz, was released from custody in 1946, Woods invited him to his wedding.

The State Department's efforts on Schacht's behalf worked. He was initially found guilty but was then acquitted, to the fury of the Soviet judge. There were also suspicions that Montagu Norman, governor of the Bank of England and BIS founding board member, had somehow managed to influence the proceedings through Sir Geoffrey Lawrence, the British judge. The British obsession with class seemed to play a part. Francis Biddle, the American judge, recorded in his diary that Lawrence had claimed Schacht was a "man of character" while other defendants were "ruffians." Norman was immensely relieved when Schacht was not hanged at Nuremberg, recalled his stepson, the writer Peregrine Worsthorne. "He did not think Schacht was guilty for the crimes of the war, but obviously being on speaking terms with any prominent Nazi made you a pariah after the war. He had made his mind up about Schacht before the war and the horrors." (In later years Priscilla Norman angrily denied that her husband had tried to influence the outcome of Schacht's trial.)

Intriguingly, Worsthorne believes that Norman and Schacht managed to stay in communication during the war—if they did, the BIS would have been the natural channel. "Norman kept up this strange relationship that he had with Schacht, even during the war. Both during the First and Second World Wars the capitalist world was not at war. The bankers kept the system in cold storage. I am sure that there would have been absolutely no record of their contacts and that Norman kept in touch with him without the government knowing."

After several more years of legal travails with the German authorities, Schacht was finally cleared of all charges. He started a lucrative second career as an investment adviser to countries in the developing world and set up his own bank, Schacht & Co. Schacht even visited Israel, albeit inadvertently when his airplane stopped briefly at Lydda airport in 1951. Schacht and his second wife, Mani, wanted to stay on board but were taken to the airport cafeteria to have breakfast. The Schachts handed their passports to the Israeli police and were photographed by reporters. His wife was too nervous to eat, so Schacht ate her breakfast as well. A waiter asked in German how "Herr President" had enjoyed his breakfast, using Schacht's Reichsbank honorific. The waiter told Schacht that he was from Frankfurt and missed his hometown. He asked for Schacht's autograph, which Schacht provided. The Schachts left Israel with no problems, although a furor erupted in the Knesset, the Israeli parliament, when the news broke that Hitler's banker had passed through the Jewish state without being arrested.

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