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Adolf Hitler and German Heavy Industry, 1931-1933

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## Adolf Hitler and German Heavy Industry, 1931-1933 \*

**A**DOLF HITLER'S position in the economic life of his days has been the object of ardent discussions from his early beginnings down to the present time. The Marxist and leftist view which sees

\* This article represents the second part of an essay on Adolf Hitler and German heavy industry, 1918-33, which is about twice its size. The essay deals mainly with the role played by heavy industry in promoting Hitler's rise to power, leaving the analysis of the broader aspects of the problem, such as the social and economic policy of the leading industrial combines and of the Nazi party, up to the future.

The nature of this study makes it necessary to present at this point that part of the sources and the literature quoted in the unprinted section to which reference will be made. It is as follows:

Konrad Heiden, *Adolf Hitler* (Zurich, 1936). This is the most comprehensive of several studies which Heiden, a former representative in Munich of the *Frankfurter Zeitung*, dedicated to this subject. The documentary material published since has proved the painstaking exactitude of Heiden's studies.

Otto Dietrich, *Mit Hitler in die Macht* (20th ed.; Munich, 1938). The author, son-in-law of the powerful Dr. Reisman Grone, editor of the *Rheinisch-Westfaelische Zeitung*, main mouthpiece of heavy industry, was later Hitler's Pressechef. For our purposes, his book is of little use.

Fritz Thyssen, *I Paid Hitler*, published by Emery Reves (New York, 1942). The history of this book was the object of detailed discussions before the German Spruchkammer (special court) in the denazification trial of Thyssen. Through courtesy of the Deutsches Institut für Geschichte der Nationalsozialistischen Zeit in Munich, which also procured other valuable material such as the extracts from the book by Heinrichsbauer noted below, I received photostatic copies of essential parts of the prosecutor's and the defendant's briefs as well as of the verdict. It appeared from these documents that Reves's publication was based on direct dictation by, and also on informal discussions with, Thyssen, which took place in 1940 in the short period that Thyssen after his clash with Hitler spent in France where the German armies caught up with him. Thyssen's hasty way of talking, his anxiety to spill everything at once, and his unforeseen capture by the Germans before he could revise Reves's manuscript seem to account for certain incongruities and inconsistencies in the book but do not disprove its authenticity. Apparently Thyssen's statements about the payments he made to Hitler (which he later tried to correct) were preliminary guesses that he might have intended to verify.

Of the Nuremberg war crimes trials referring to the present topic, by far the most important one is that against Flick.—Military Tribunal, case #5, The United States of America against Friedrich Flick et al., Nuremberg, 1947. While elaborate extracts of most of these trials are now available in printed form, the present study is based on the mimeographed original which is more elaborate. Through the courtesy of a member of the United States prosecution staff at Nuremberg I was permitted to use a "Preliminary Memorandum Brief" on the connections between National Socialists and German heavy industry which contains much hitherto-unknown documentary material, such as an exchange of letters between the late Gustav von Bohlen and August Heinrichsbauer, an economic journalist and main go-between of Hitler and the Ruhr.

Heinrichsbauer, who at present once more represents German heavy industry in the political field, in 1948 published a confidential and privately printed book on the topic *Heavy Industry and Politics* (West Verlag, Essen-Kettwig) which, as already stated, was likewise available to the author.

in the Führer one of the most outstanding servants of German monopoly capitalism has been contested not only by Hitler's own followers but, to an even greater extent, by the spokesmen and legal representatives of the German industrial circles, who wished to disclaim any responsibility for the disastrous events of that period. A scientific investigation of this problem is the more imperative, since the preponderant role played by socioeconomic factors in the rise of the Führer is quite obvious. A leader of an insignificant little group who distinguished himself from the many antiproletarian dictator candidates of his time mainly by his qualities as a demagogue, rooted in his neurotic reaction to the experience of social decline, Hitler in 1923 suffered a complete political fiasco, because his following was too small. While times of full employment and economic boom were unfavorable for his party, his movement benefited greatly from periods of depression, such as the one that followed the stabilization of the mark in 1923, and especially from the big depression after 1929. This depression not only caused the ruined masses of the German middle class to follow a leader who knew how to fight his social decline by donning a field-grey uniform but it also made some big German producers more eager than before to listen to a man who seemed to be conquering a disaster that had been caused, to a large extent, by their own rationalization policy.

## I

Down to the time of the depression, the German bankers and the captains of industry had not shown much interest in sponsoring fascism or nazism proper.<sup>1</sup> While hardly less eager to check communism than anybody else in the Reich, they felt they could do so most efficiently by continuing the policy of co-operation with the German trade unions which Hugo Stinnes, the later so-called "king of the Ruhr," and the union leader Carl Legien had inaugurated in the defeat-clouded autumn of 1918. To be sure, heavy industry and its affiliates had not always

Not used was a much-quoted book on the financing of the Nazi party, published in 1933 in Amsterdam, and based on alleged discussions with an alleged Sidney Warburg. The history of this book and its contents strongly suggest a falsification.

<sup>1</sup> This paragraph gives a short summary of the findings of the first part of this essay which could not be printed. The best work on the transformation of German heavy industry after 1925 is Robert A. Brady, *The Rationalization Movement in German Industry, a Study in the Evolution of Economic Planning* (Berkeley: University of California Press, 1933).

followed this line too meticulously. During the months of social radicalism which followed the outbreak of the German Revolution in November 1918 a group of the Reich's most prominent businessmen, comprising Stinnes, Albert Voegler (then director of the Gelsenkirchen Mining Co., Ltd.), Carl Friedrich von Siemens, Felix Deutsch (of German General Electric), Director Mankiewitz, of the Deutsche Bank, and Director Salomonsohn, of the Diskontogesellschaft, financed the movement of a Hitler forerunner, one Dr. Eduard Stadtler, who demanded the establishment of a German National Socialist state and who was instrumental in the smashing of communism in Berlin—then called Spartacism—and in the killing of its leaders, Karl Liebknecht and Rosa Luxemburg.<sup>2</sup> In the Ruhr, Stadtler's movement was backed by the very same steel producers who, as will be shown, later backed Hitler: Emil Kirdorf, the venerated but dreaded God Wotan of German heavy industry, Albert Voegler, Fritz Springorum, of the Hoesch steel group, and also by Paul Reusch, of the Haniel group, and August Thyssen, father of Hitler's later financier Fritz Thyssen. But as soon as actual street fighting stopped, the industrialists dropped Stadtler and returned to their political co-operation with union labor.

Hitler who originally was nothing but the chief of an insignificant nationalist south German group could not hope to change this basic line followed by the Ruhr industrialists. Down to 1929 his party appears to have lived, in the main, on membership dues and individual gifts, mainly from local South German producers.<sup>3</sup> A donation by Fritz Thyssen in 1923 remained an isolated fact. Even the party's increasing intimacy with Emil Kirdorf did not change the picture. A survivor of the period when the Reich, under Bismarck's leadership, had tried to solve the workers' question by a mixture of benevolent despotism and brutality, Kirdorf was considered out-of-date by everybody but the Nazis. Even the fact that he opened to the party access to the funds of the Bergbaulicher Verein and the Federation Eisen Nord West<sup>4</sup> should not be overrated. Compared to the increasing indebtedness of the party which by 1933 rose to 70–90 million reichsmarks, these payments were only a drop in the bucket. For the same reason, it is not too impor-

<sup>2</sup> Eduard Stadtler, *Lebenserinnerungen* (2 vols.; Berlin, 1935).

<sup>3</sup> Heiden, p. 250. The diaries and other papers of the treasurer of the National Socialist Party (N.S.D.A.P.), Franz Xaver Schwarz, who died in 1947, are said to have been burned by him in the Munich Braunes Haus, in April 1945.

<sup>4</sup> Heiden, p. 249. According to Heinrichsbauer (p. 52) the total amount the N.S.D.A.P. received from this source from 1930 to 1933 "did not exceed 500 to 600 000 RM."

tant to determine the exact amount that Hitler received at this and other occasions, as even the highest figures mentioned remained far behind the party's expenditures. What mattered was the fact that such amounts came in at all. They were like shots in the arm which proved to the millions of Hitler's followers that their Führer was "in" with the right type of people and thus deserved credit, politically and economically. After 1929 Hitler's chances in both fields improved rapidly. Favored by the increasing depression and by the funds he received from Alfred Hugenberg, leader of the conservative German Nationalist party in the Reichstag, the chief of the Nazis managed to raise the number of Nazi voters within two years from 800,000 to far over 6 millions.<sup>5</sup> The Reichstag elections of September 14, 1930, gave the Nazis 107 seats, which made them the second largest party. The following year, with its bank crashes and public scandals which led in the summer to the closing of the German stock exchange and to the establishment of currency control, widened the Nazis' chances of success. From this time on, Hitler had dozens of meetings with business leaders, to gain support.

## II

The depreciation of the British currency, on September 20, 1931, made the situation of the German exporters desperate and caused heavy industry to formulate an antidepression program which it could hardly hope to carry through without some Nazi help. Acting in the name of all German employer organizations, the Reich Federation of German Industry demanded that public expenses be cut down, that salaries be lowered according to the international market situation, that the social-insurance expenditure, including the subsidies to the unemployed, be slashed, and that the mail and freight tariffs be reduced.<sup>6</sup> During the following weeks heavy industry made an all-out attack against the weak Brüning cabinet. The nationalist meeting in Bad Harzburg in October, in which Hugenberg and Hitler participated, became an assembly

<sup>5</sup> According to what Thyssen told Reves (Thyssen, p. 102), Hugenberg, in the last years before 1933, gave Hitler 2 million reichsmarks a year. This statement must be used with caution, as it might have been merely a guess.

<sup>6</sup> *Frankfurter Zeitung*, September 29, 1931.

center of the industrial leaders, with men like Dr. Hjalmar Schacht, the Hamburg shipbuilder Blohm, the steel merchant Ravené, the United Steel head Ernst Poensgen, and a trusted agent of the steel people, Schlenker, in attendance. The debates centered largely around the currency question. After a long inner fight, heavy industry, in view of its interest in purchasing raw materials cheaply and in saving the Reich's inner purchasing power, refrained from advocating a German currency depreciation, which Dr. Schacht appears to have advocated. But in other respects Schacht was successful. Since the end of 1930 a public supporter of Hitler, the former president of the German Reichsbank and weathervane of German economic policy opened Hitler's way to the big banks.<sup>7</sup> To show his recognition, Hitler cut the last tie that connected him with Gottfried Feder, the economic quack who in bygone days had impressed him greatly, but whose agitation against the "interest slavery" did not fit into the spirit of those days. Schacht saw to it that Feder was given a successor as Hitler's adviser in economics in a man better meeting the wishes of the industrialists: it was Dr. Walter Funk, an economic journalist who later became minister of economics and whom the Nuremberg court sent to prison for life.<sup>8</sup>

Funk's appointment, effected with the help of Gregor Strasser, symbolized the rising interest that leaders of heavy industry took in the party.<sup>9</sup> The mining industry subsidized Funk's orientation bulletin, the *Wirtschaftspolitischer Dienst*, with several thousand reichsmarks a month. In the performance of his new duties, Funk worked in close connection with Schacht, Dr. von Stauss, of the Deutsche Bank und Diskontogesellschaft, Hermann Goering, and Goering's helpers and associates in this field, Directors Hilgard, of the Alliance Insurance Corporation and Curt Schmitt of the Munich Reinsurance Corporation as well as Dr. Lubert, of the Verkehrswesen Ltd. and of the big building firm, Lenz and Co., all of whom he introduced to Hitler. Schmitt later became Hitler's minister of economics.

Hitler was too good a politician, however, not to see the dangers which his ties with big business created both for his movement and

<sup>7</sup> Heiden, p. 277.

<sup>8</sup> Heiden's presentation of this episode (p. 277) has been fully confirmed by Funk's own statement.—Nazi Conspiracy and Aggression; A Collection of Documentary Evidence, prepared . . . for presentation before the International Military Tribunal at Nuremberg (Washington, 1946) supplement A, pp. 1196 ff. The names of Funk's collaborators, given in the text, are contained in this statement.

<sup>9</sup> Heinrichsbauer, p. 42.

himself. To be sure, he was not opposed to the making of profits by capitalist producers, as long as their ways did not cross his own. He felt, however, that his intended dictatorship called for the destruction of all elements of the existing society that could hamper his rule, comprising both union labor and all producers who refused to co-operate with him. The thought that his becoming a hireling of Hugenberg made him dependent on a type of businessman unwilling to accept his rule and the planned economy it involved drove him almost to physical despair. It is reported that during the Harzburg meeting in October 1931, when he was forced by the penury of his movement to co-operate with Hugenberg in a public demonstration, he showed signs of hysterical fury and behaved like an irresponsible madman.<sup>10</sup> Before long, he took steps to break out of this ambiguous situation. "During a conversation which I had with the Fuehrer in December, 1931," Wilhelm Keppler relates, "the Fuehrer said: 'Try to get a few economic leaders—they need not to be Party members—who will be at our disposal when we come to power.'"<sup>11</sup> This was the start of the so-called "Circle of Friends," the entering wedge of the Nazis into the ranks of heavy industry as a whole. Keppler, a depression-stricken small businessman who had become Hitler's agent in economic matters, states that the Führer mentioned no other names aside from Dr. Schacht and, presumably, Albert Voegler, the director general of the United Steel Works, leaving it up to him, Keppler, to solicit members during the trips he took. He adds that in doing so he, Keppler, used the services of his distant relative Kranefuss, a small industrialist like himself who was Heinrich Himmler's personal adjutant and who later succeeded in ousting him from the leadership of this group.

At the end of 1931 the results of this activity became gradually visible. In a New Year's article for 1932 Friedrich Reinhardt, director of the Commerz-und Privatbank, and one of the first nine members of the Keppler circle, launched a campaign for German economic self-sufficiency, a policy which spelled doom for the German consumers, merchants, and exporters but which was welcome to the producers of steel and coal and called for rearmament and imperialism, to make up for the sacrifices it involved.<sup>12</sup> In the same days the press reported that

<sup>10</sup> Heiden, p. 277.

<sup>11</sup> Flick Trial, Exhibit #679. Keppler's version suggests the conclusion that Hitler's own attempts in this field had not been too successful.

<sup>12</sup> *Frankfurter Zeitung*, January 8, 1932. Reinhardt was introduced to Hitler by Funk. So were O. C. Fischer, of the Deutsche Credit Gesellschaft, and sundry others (*see* footnote 8).

Hitler had gained the support of Ludwig Grauert, the secretary general of the important Federation of German Employers, Group Northwest (Ruhr), who determined the attitude of heavy industry in wage questions. Grauert's attitude caused Schlenker, the executive secretary of the northwest German steel industry and of the so-called "Long Name Federation" (Federation for Safeguarding the Business Interests of Rhineland and Westphalia), to follow suit.<sup>13</sup>

The big steel producers, during those days, clashed sharply with the steel-processing industry, since they no longer felt able to pay it the customary reimbursements for the price difference between the international and the inland prices for steel, in the case of exported steel goods. As the German steel prices were 214 per cent above the international level, this change in policy was a deadly blow to exporters. To maintain the domestic price level, heavy industry, facing sudden bankruptcy, started looking for public orders.<sup>14</sup>

This general situation was the background for an event which Otto Dietrich later called decisive in the history of the movement: it was Hitler's speech in the Industry Club in Düsseldorf on January 27, 1932. Initiator of this meeting was Fritz Thyssen, next to Kirdorf the most prominent of Hitler's supporters in the ranks of the industrialists. A son of a stern and hard-working father who had founded one of the three largest privately owned industrial empires in the Ruhr, Fritz Thyssen, suppressed, unsteady, and errant, was the problem child of the Reich Federation of heavy industry and the target of ire of his workers, who hated the feudal manners of this overbearing and pleasure-loving magnate.<sup>15</sup> Several decades younger than Kirdorf, who always remained a Bismarck admirer, Thyssen admired the last Kaiser. He hoped that Hitler would help the industrialists to re-establish the Wilhelmian regime. This being so, Thyssen took a certain pride in presenting Hitler to the greatest assembly of industrialists the later Führer had ever met. In his speech, Hitler as usual expressed his dis-

<sup>13</sup> *Frankfurter Zeitung*, January 19, 1932. The Funk statement (see footnote 8) confirms this fact. Through Grauert, the party received 100,000 reichsmarks for its Essen paper and the same amount for the spring election of 1932. The latter gift, made upon advice of Fritz Thyssen, was sharply attacked by E. Poensgen, as head of the Grauert organization. —Heinrichsbauer, p. 56. This forced Thyssen to refund the money.

<sup>14</sup> *Frankfurter Zeitung*, March 9 and June 22, 1932.

<sup>15</sup> The impression furnished by Thyssen's memoirs, which in many points are self-revealing, was confirmed, to me, by an oral report about Thyssen I received from a former member of the Reich Federation of Heavy Industry.



satisfaction with the Treaty of Versailles and with the democratic system and declared it to be his general aim to rearm Germany and to take affirmative action in order to achieve German objectives in foreign affairs. He stated that "Germany's power position . . . is . . . the condition for the improvement of the economic situation" and that "there can be no economic life unless behind this economic life there stands the determined political will of the nation absolutely ready to strike, and to strike hard."<sup>16</sup> Otto Dietrich says that in this speech Hitler succeeded in breaking through the reserve of the western German captains of industry,<sup>17</sup> and Thyssen expresses the view that the "speech made a deep impression on the assembled industrialists, and in consequence of this a number of large contributions flowed from the resources of heavy industry,"<sup>18</sup> a statement which seems somewhat exaggerated.

The day following the speech at the Industry Club, Ernst Poensgen and Albert Voegler met Hitler, Goering, and Roehm at Thyssen's castle, Landsberg. The content of their conversation is unknown. Poensgen states, however, that Goering asked the industrialists whether they would allow Ludwig Grauert, Hitler's newly won supporter, and head of the employers Organization Northwest, to become minister of labor in a Hitler cabinet.<sup>19</sup>

In the person of Albert Voegler, Kirdorf's associate in the chairmanship of the Gelsenkirchen board, chairman of the Federation of German Steel Miners, and director general of by far the biggest German steel combine, the United Steel Works (Vereinigte Stahlwerke), Hitler met, not for the first time, the man who next to Kirdorf was the most representative figure of the German steel industry of those days and whose experience even a Thyssen could not match. An ardent nationalist and imperialist who in the First World War had headed the drive for the incorporation into the Reich of the French iron-ore basin of Briey and Longwy<sup>20</sup> and who later financed Dr. Stadtler, Voegler

<sup>16</sup> The speech was published in pamphlet form in German as *Vortrag Adolf Hitler's vor westdeutschen Wirtschaftlern im Industrie Klub Duesseldorf am 27 January 1932*. The complete text has been translated in Baynes, *Hitler's Speeches* (London and New York, 1942), pp. 777 ff.

<sup>17</sup> See the entire chapter "Captain of Industry at the Cross Roads," in Dietrich's book (pp. 46 ff.).

<sup>18</sup> Thyssen, p. 101. In his later statements, Thyssen emphatically denied that the assembled industrialists translated to finance Hitler, and so did competent witnesses at his denazification trial. Most probably, the contributions referred to by Thyssen in dictating the above passage to Reves were made privately by individual participants of the Düsseldorf meeting.

<sup>19</sup> Poensgen memoirs (quoted in Preliminary Memorandum Brief), p. 5.

<sup>20</sup> The famous memorandum of the Federation of German Iron and Steel Industrialists and

supported the Nazis in the apparent hope of saving his combine from disaster by a policy of lowering wages, soliciting government orders, and sponsoring general rearmament. As already said, he was one of the two persons whom Hitler mentioned by name when urging Keppler late in 1931 to organize the Circle of Friends, the other man being Dr. Schacht, the close friend of Dr. von Stauss, of the Deutsche Bank und Diskontogesellschaft. What Hitler presumably did not yet know was the fact that Voegler's industrial combine, the United Steel Works, was threatened by a disaster similar to the one which in the summer of that year had overpowered the German banks and had forced the Reich to intervene and take over some of their functions.

Victims to a large extent of their own rationalization and price policy which created unemployment and prevented recovery, the Voeglers and Stausses expected to obtain salvation by endorsing a dictatorship that would spend for rearmament. In doing so, they inevitably provoked the ire and the bitter criticism of scores of other businessmen and producers who were not "in" with the big concerns and resented the latter's Nazism. This type of criticism later furnished one of the bases for the many misstatements and exaggerations by the defense in Nuremberg when it tried to prove that big business as a whole hated Hitler. In the weeks of January and February 1932 when Poensgen, Voegler, and the three top Nazis deliberated, Voegler, as will be shown presently, secretly notified the Reich bureaucracy, that the big steel combine he headed was facing disaster, unless supported by public means.<sup>21</sup> His statements were made jointly with a man who from being a comparatively unknown little industrialist had reached, in those days, a position of great influence in German heavy industry: Friedrich Flick whom the Nuremberg tribunal later sentenced to seven years in prison for having committed crimes against humanity. Like Voegler, Flick too, considered co-operation with the Nazis to be one of the many ways that might lead him out of the disaster that was threatening him and all his allies. Through the initiative of Walter Funk he in February 1932 had a first interview with

of the Federation of German Iron Miners, submitted to the German high command in December 1917, requesting the "Incorporation of the Franco-Lorraine Iron Ore Basin into the German Reich Territory" (printed as manuscript) is signed by Voegler, on behalf of the German iron miners. See also Hans W. Gatzke, *Germany's Drive to the West* (Baltimore: The Johns Hopkins Press, 1950).

<sup>21</sup> See below, p. 233.

Hitler.<sup>22</sup> None of these steps, however, had immediate success. Hitler, as was his habit, submerged his visitor in a torrent of words which prevented Flick from saying what he wanted. Besides Hitler, during those days, was hardly able to make definite promises which would have saved the steel magnates from disaster.

Having decided to run against old President von Hindenburg in the presidential elections, Hitler was not much less of a gambler than was a man like Flick. During the electoral campaign, he saw with dismay that the bulk of German industry still supported the German People's party, the comparatively moderate group once headed by the late Stresemann, which joined the parties of the Weimar Coalition in advocating Von Hindenburg's candidacy. To Hitler's anger, the opponents of his rule and advocates of co-operation with union labor still controlled the commanding positions of the German Republic and German industry. This basic situation did not change even after Reich President von Hindenburg, re-elected on April 10, 1932, in a hard fight at the polls against the self-styled Führer, turned his back on his voters, the Weimar parties and others, dismissed the Reich Chancellor, Dr. Brüning, and with the consent of Reichswehr and Nazis appointed a Junker-controlled cabinet, under Franz von Papen. While most of the measures envisaged by the new cabinet, such as the restriction of democratic liberties, the absorption of the jobless by public works and the suppression of the Weimar regime in Prussia corresponded to Nazi ideas, Hitler saw with mounting fury that the credit for this policy was going to men who were out to destroy him.<sup>23</sup>

The entire year 1932 is marked by a series of efforts to carry out his program without giving him personal power and to use his party as a policeman in the interest of others. Champions in this game were first Reich Chancellor von Papen and his Junker cabinet and, after Von Papen's resignation in November, the Reichswehr leader, General Kurt von Schleicher. Since none of these men dared openly to violate the Constitution and, instead of governing without a parliament, resorted to the means of Reichstag dissolutions, the day of parliamentary reckoning was going to come sooner or later. But Hitler's unsuccessful running for Reich President, in the spring of that year, and the two

<sup>22</sup> Flick Trial, pp. 5051 and 6176.

<sup>23</sup> One of the best-informed sources for the history of this policy and of that entire time is the book by Otto Meissner: *Staatssekretär unter Ebert-Hindenburg-Hitler* (Hamburg, 1950). See particularly, pp. 230 ff.

consecutive Reichstag dissolutions that followed, loaded down his party with heavy debts, in the amount of 70-90 million gold marks,<sup>24</sup> and made it highly improbable that, in the decisive moment, he would still be a political factor to reckon with. Recognizing the intentions of the Von Papen cabinet to wear him down and to make Junkers and heavy industry the sole masters of the Reich, Hitler during that entire eventful year was like a madman racing against time. There was but one element that could save him and his party: the reluctance of many Junkers and industrialists to face, without a protecting cover of brown-shirts, a Reichstag investigation into their personal affairs and into certain deals that had taken place in the regimes of Breuning and Von Papen. Here lies the importance of the two *causes célèbres* of that year: the Osthilfe scandal and the Gelsenkirchen case. The Osthilfe scandal referring to the paying by the Reich of unwarranted subsidies to many Junkers and landowners, under the pretext of giving relief to the German east, has been discussed frequently,<sup>25</sup> but the importance of the Gelsenkirchen matter for both the history of Hitler's relations with German industry and for the history of the Reich in general has only recently come to light through the Nuremberg trial records.

### III

The Gelsenkirchen matter is the direct outcome of the desperate efforts made by Voegler and Flick to save their sinking ship from disaster. For Flick, this pressing situation almost meant the sudden end of an otherwise extremely successful career. Scion of a family of small iron industrialists from the Siegerland where some of the best of Germany's slender deposits of high-grade iron ore are found, Flick around 1915 had emerged as a minor power in the world of iron and steel, and soon was known as director of the Charlottenhütte Ltd. which had no coal pits but owned ore mines, blast furnaces, converters, and rolling mills, and manufactured railway equipment.<sup>26</sup> In 1923 Flick—a speculator with the know-how of an industrialist rather than

<sup>24</sup> Heiden, p. 303.

<sup>25</sup> For instance by Heiden, pp. 287 ff., and Meissner, pp. 222 ff.

<sup>26</sup> Flick Trial, p. 43, gives many important details about Flick's former career and a good summary of the Gelsenkirchen transaction, which is more involved than can be shown here.

a producer proper—expanded into Upper Silesia but soon transferred his Silesian interests to Hugo Stinnes who gave him an interest in what later became the nucleus of that intended all-embracing steel merger, the United Steel Works, by handing him over a parcel of Rhein Elbe Union shares.<sup>27</sup>

An eager student of Stinnes' methods, Flick decided to outdo that great industrialist and speculator and to use these shares as a basis for gaining control of the United Steel Works and, thereby, of German heavy industry as a whole. In spite of his small beginnings and initial lack of capital he very nearly succeeded. With the help of large credits, borrowed in the name of the Charlottenhütte and with the assistance of his Rhein Elbe Union shares, he managed to gain control over the Rhein Elbe which in 1926 consolidated with one of its subcompanies, the old and respected Gelsenkirchen Mining Co., Ltd., and assumed the latter's name. Repeating this technique of borrowing, in order to expand his rule, he several years later made Gelsenkirchen buy up the stock of the United Steel Works of which Gelsenkirchen had been a cofounder and minority stockholder.

Had the great business depression of 1930 not interrupted his speculative sprint to power, Flick might have consolidated his position and replaced Fritz Thyssen as the dominant power in United Steel. But he was overextended by reason of his borrowings and by early 1932, United Steel was rickety, Gelsenkirchen stock was selling on the market at 22 per cent of its value, and Flick's position was precarious. He decided to retrench and sell his Gelsenkirchen holdings. Shortly after the beginning of the new year Flick and Albert Voegler, the director general of United Steel and chairman of the board of both the Gelsenkirchen and of Flick's Charlottenhütte, approached the Reich and declared that Charlottenhütte was facing bankruptcy unless saved by government intervention.<sup>28</sup> The Reich, in this matter, was represented by Herr Max von der Porten, the chief figure in all Reich-owned industries, and an old hand in "saving" bankrupt producers by bringing their plants under the tutelage of the Reich bureaucracy. In vain did Fritz Thyssen, the former master of United Steel, try to

<sup>27</sup> The Rhein Elbe Union, one of the two main bases of Stinnes' fabulous might, comprised the three vertical trusts, Deutsch-Luxemburg, Bochumer Verein, and the Gelsenkirchen Mining Co., the enterprise made prominent by Emil Kirdorf.

<sup>28</sup> *Frankfurter Zeitung*, July 30, 1932. The *Frankfurter Zeitung* took special pride in probing into this matter relentlessly. The material it produced is most interesting, though the main features of the transaction remained hidden until recently.

prevent this development by offering to buy the Gelsenkirchen shares for a group he headed. The discovery that his group was backed by the Amsterdam collaborator of the Mendelssohn bank, Mannheimer, who in this deal co-operated with the Luxemburg steel firm Arbed and with the French armament firm of Schneider-Creusot, was used by Flick and Voegler for increasing their pressure on the Reich to buy the shares.<sup>29</sup> Having ascertained that the Reich would meet his wishes, Flick, in a letter of March 18 which was later published, rejected Thyssen's offer, as he contended, for patriotic reasons. Only a few days later, Gelsenkirchen shares started to rise—a sign that a preliminary agreement between Flick and the Reich had been reached. With the knowledge of Reich Chancellor Dr. Bruening and the Minister of Economics, Herman Warmboldt, Reich Finance Minister Dietrich, who concluded the deal, consented to pay Flick 90 per cent of the par value for the Gelsenkirchen shares, though their market value was only 22 per cent at the time. The transaction provided Flick with adequate funds to meet his obligations and re-establish himself as an independent steel magnate in central Germany.

It was a most extraordinary case. Since Reich Chancellor Bruening, last leader of the Weimar Republic before the half-fascist and fascist cabinets that followed him, was a painfully correct official and devout Catholic, the German public hardly believed its ears when notified that the Bruening cabinet had supported the transactions of a foolhardy speculator by buying large blocks of shares from him, at over 300 per cent above their market value. Flick later tried to explain this fantastic happening by pointing out that the Reich cabinet wanted to prevent him from selling out to the French. "The program was," he emphasized, "to give the French an interest in the Ruhr coal and vice versa, give the Ruhr an interest in the French Minette, that is the ore in Lorraine."<sup>30</sup> If this were the full story of his intention it would in itself sound quite reasonable; still, nobody would be able to understand for what reason the cabinet intervened in this transaction, at the risk of tremendous public resistance and at such an exaggerated price. It was assumed from the outset, however, that the much-discussed matter had a special background, deeply hidden, and, it was believed, of still more dramatic nature than was the famous "Putilov case" of January

<sup>29</sup> *Frankfurter Zeitung*, July 30 and 31 and August 3, 1932.

<sup>30</sup> Flick testimony, Flick Trial, pp. 3198 ff. This version sounds less nationalist than the one he gave in his above-mentioned letter of 1932.

1914 which it otherwise resembled strongly.<sup>31</sup> The proceedings of the Flick trial have now largely removed the veil that hid the affair. According to the concurring testimonies of three defendants, Flick himself, his cousin Conrad Kaletsch, and his right-hand man Otto Steinbrinck (a former naval hero who later broke with his employer), Flick in 1926 and later acted as a secret trustee for the Reich in a delicate matter. Upon the Reich's request he acquired control of the combined Koenigs- and Laura Mining Company, the Bismarck Mining and other important firms in Upper Silesia, the much-debated German province most of which had been lost to Poland but which the Reich tried to keep under its influence.<sup>32</sup>

In order to camouflage this transaction from the Polish Government, the shares were held directly by a Swiss company and later by an American company established by the "Harriman Group."<sup>33</sup> The construction was exceedingly complicated but Flick, and through him the Reich, maintained their property rights. In 1929 Flick, desiring to concentrate his resources upon his main aims, sold his Silesian interests to the United Steel Works, which he was about to control via Gelsenkirchen. The Reich still had about 80 per cent of these shares. In 1931 and 1932 the credits required to support these enterprises were either given by the Reich or, at least, guaranteed by it. But the fact that the Reich practically owned these companies was not allowed to become known in Poland, since it violated the letter as well as the spirit of the Versailles Treaty and would have furnished the Poles an excellent pretext for seizing this property, as in fact they later did. This being so, Flick, by threatening the Reich with selling his steel interests to the French, virtually committed an act of political blackmail. The Gelsenkirchen affair was the first in a chain of similar politico-financial maneuvers which led, via the taking over by Flick of the Petchek brown-coal

<sup>31</sup> Early in 1914, the French armament firm Schneider-Creusot made the French public believe that the German firm of Krupp intended to buy the Russian Putilov works which, being the main armament plant of Tsarist Russia who was France's ally, had been allowed to share many French industrial secrets, and which had been under Schneider's control. The story was later proved to have been planted, in order to urge the French state to subsidize Schneider. See Francis Delaisi, *L'Affaire Poutiloff* (Paris, 1914), and George W. F. Hallgarten, *Imperialism vor 1914* (Munich, 1951), II, 356 ff.

<sup>32</sup> Flick's testimony, Flick Trial, pp. 3164 ff.; Conrad Kaletsch's testimony, pp. 7502 ff.; Steinbrinck's testimony, pp. 5082 ff.

<sup>33</sup> *Ibid.* The Preliminary Memorandum Brief contains the copy of the contract between the Flick group and the Harriman group ("Die Gruppe Harriman"), signed by Irving Rossi, February 15, 1929.

empire at the time of the Nazis' seizure of Prague, to his ousting, after Hitler's march into France, of the French industrialist Théodore Laurent from the Rombas steel works and which ended in his being sent to prison by the Nuremberg court.

Still the news of the transaction when it broke caused such a stir that Flick and his friends were met with a crisis which was almost worse than the one from which they had just escaped. There was an uproar in the Reichstag, and demands for clarification of the deal were raised on all sides. While the critics spoke of corruption and requested public investigation, most industrialists, with the exception of the few that shared in the deal, showed consternation and bewilderment, and feared the approach of general socialization.<sup>34</sup> The west German papers immediately demanded that the shares be brought back into private hands.<sup>35</sup> Voicing the general excitement, Paul Reusch, the chief executive of the Haniel business interests, requested publicly that the principle of free economy be defended at any price, and that the Reich, instead of fostering a kind of state capitalism, should withdraw from its controlling position in the Gelsenkirchen. Reusch's statement was publicly endorsed by Fritz Springorum, the representative of the Hoesch interests, on behalf of the industrial "Long Name Federation"<sup>36</sup> of which he was chairman. Early in July, the inner circle of the Ruhr magnates, known as the "Ruhrlade," attempted to repurchase the shares from the Reich but was too much burdened with debts to succeed.<sup>37</sup>

To protect himself against these attacks, especially from the outraged leftist parties, the disturbed Flick spent liberally from the ample supply of money he had just received from the Reich.<sup>38</sup> That the Bruening

<sup>34</sup> *Frankfurter Zeitung*, July 28, 1932. The preliminary agreement, concluded in March, was replaced, May 31-June 1, by a final agreement between Flick and the Reich. The double date symbolizes the fact that both the outgoing Bruening government which had initiated and concluded the deal and the incoming Von Papen cabinet approved of it. According to testimony in the Flick trial (p. 3630) the Reich, through the bank of Hardy, paid a flat sum of 25 million reichsmarks, and took over 65 million reichsmark debts of the Flick group, 26.2 of which were contracted in the name of the Gelsenkirchen. Flick immediately used the money he received for acquiring the firm of Rheinisch Brown Coal which was controlled by Gelsenkirchen. He thus initiated the dismemberment of Gelsenkirchen which was later completed under Hitler and which deprived the Reich of the fruit of the transaction, though it did not fare too badly, because of the international boom.

<sup>35</sup> *Frankfurter Zeitung*, July 6 and July 23, 1932.

<sup>36</sup> See above, p. 228.

<sup>37</sup> *Frankfurter Zeitung*, July 28, 1932.

<sup>38</sup> Flick's testimony, Flick Trial, pp. 3171 ff.; Steinbrinck's testimony, pp. 3644 ff.



Cabinet which concluded the deal received 450,000 reichsmarks of this money<sup>39</sup> for the Hindenburg re-election fund, shows how far things had gone. Unable to hold their own in the big depression, the big concerns and their ally, the Reich bureaucracy, saved their economical and political existence by helping themselves to the taxpayers' money. After Bruening's resignation at the end of May, Flick supported the Von Papen cabinet, since he believed, as did most producers, that Von Papen would tame the Nazis, and would allow Junkers and business to govern the Reich unrestrictedly.<sup>40</sup> In view of the fact, however, that Von Papen controlled only a small minority in the Reichstag, neither Flick nor the other steel producers involved in the deal could hope to stave off the leftist onslaught unless they had some Nazi support.

The Nazis were not slow in recognizing the opportunity thus offered to them. Using a tactical weapon taken from the political arsenal of democracy, they in June sent Hermann Goering to Flick, as a member of the Reichstag performing the duty of investigating the Gelsenkirchen deal.<sup>41</sup> The choice of their messenger, from the viewpoint of their interests, was fortunate. Goering, the worshiper and copyist of the wealthy and the noble born, fat, jovial, not lacking humor and equipped with a keen intellect, was exactly the right person to grant Nazi protection to Thyssen, Kirdorf, and Flick. While Flick had been repelled by the personality of Hitler, he and Goering appear to have agreed from the very start.<sup>42</sup>

<sup>39</sup> Flick's testimony, Flick Trial, pp. 3609 ff.

<sup>40</sup> In making one of his contributions to the Von Papen election fund, in November 1932, Flick wrote to Hugenberg: "I am giving you this money so that in the coming elections the bourgeoisie can consolidate itself against National Socialists and prevent the National Socialist movement from taking a radical turn sooner or later" (Flick Trial, p. 3171). That the bulk of the heavy industry, with the exception of the United Steel group, backed Von Papen is shown by the testimony of Ludwig Grauert, the Nazi-connected representative of the employer organization in the Ruhr, who says he was severely criticized by this organization for having spent 100,000 reichsmarks for Nazi election purposes, since heavy industry, led by the Ruhrlade, had decided that no funds were to be given to the N.S.D.A.P., but only to the Von Papen cabinet. (This testimony, given in a hearing on S.S. organizations in Nuremberg, July 1, 1946, is quoted in Preliminary Memorandum Brief, p. 11; above, bibliographical footnote, p. 220).

<sup>41</sup> Steinbrinck's testimony, Flick Trial, p. 5069; Flick's testimony, p. 3185. The date of the Goering-Flick conversations in the Gelsenkirchen matter which Steinbrinck says took place in "May or June," must have been June, since this was the month when the affair broke. The fact that the conversations lasted several days and that not only Goering (as the public testimony of the defendants shows) but also Hitler approved of the deal is mentioned in the opening statement of the Prosecution (Flick Trial, p. 52) on the basis of affidavits given by the defendants.

<sup>42</sup> A good summary of the relations between Flick and Goering is contained in a Brief of the Prosecution on Defense Claims of Coercion, dated November 29, 1947, pp. 15 ff., to which I was given access.

After several days of discussions, both Goering and Hitler approved of the Gelsenkirchen transaction. According to Flick, one of the Nazis' main reasons for doing so was the great interest they took in the person and the work of Emil Kirdorf,<sup>43</sup> the founding father of the company, who at the time of the transaction was still one of the two chairmen of its board of trustees, the other being Albert Voegler, the director general of United Steel and chairman of the board of Flick's Charlottenhütte. The Nazis' interest in Kirdorf and his friends was, of course, not purely sentimental. In granting protection to the leading German steel combine the Nazis could count on financial and political rewards. From the very moment when Gelsenkirchen was taken over by the Reich, the leading men of United Steel were more interested than ever before in securing the seizure of power by a party that would prevent the Reich's control of these shares from being used in a socialist sense, and which, by the general political line it followed would grant the big steel cartel economic recovery. While neither Voegler nor Kirdorf nor even Thyssen, who had different plans, seemed to have disapproved of a transaction which saved the entire combine from bankruptcy, all of them had good reasons to wish that the Reich control of the steel industry it involved be terminated as soon as possible. Even Flick, while he had sold Gelsenkirchen, as the holding company of the combine, still retained sufficient interest in sections of it, such as United Steel, to join Voegler, Kirdorf, and Thyssen in this general line of policy. Thus, the ties between the leading sector of the steel industry and the Nazis, in the summer of 1932, became still stronger than before.<sup>44</sup>

After the Gelsenkirchen deal and the Osthilfe scandal that parallels it, Hitler had precious trump cards in his hands, in spite of all efforts of the Von Papen-Von Schleicher cabinet to use him while keeping him out of power, and in spite of the many political disappointments he

<sup>43</sup> Flick's testimony, Flick Trial, pp. 3200 f.

<sup>44</sup> Flick's right-hand man Otto Steinbrinck, in his testimony in the Flick Trial, p. 5078, stated this fact explicitly. Pointing out that, around that time, he was in close contact with Keppler and Kranefuss, who advised Hitler in economic questions, he continued: "In 1932, at the end of 1932, and in the beginning of 1933 we were faced with a few very important transactions: the sale of the majority of the Rhenish Soft Coal and the exchange for Harpener shares, the concentration of the Vereinigte Stahlwerke and the remaining solution and dissolution of all Vereinigte Stahl. All these transactions seemed only possible if we could make sure that on the part of the economical political party agency, i.e., of Keppler, who at the same time was the economic adviser to the Fuehrer, no difficulties arose."

That this co-operation did not exclude the continuation of existing differences between

suffered during that year. All he needed to do was to convince both Junkers and captains of industry, that he was better than his reputation, and willing to serve their interests. "I thought at that time," relates Fritz Thyssen, "that Hitler's taking office as chancellor was merely a transitional stage leading to the reintroduction of the German monarchy. In September 1932 I invited a number of gentlemen to my house in order to put their questions to Hitler. Hitler answered all questions put to him to the utmost satisfaction of all present. On that occasion he said in distinct and unambiguous tones that he was merely the pace-maker of the monarchy." Kirdorf and Voegler, Thyssen continues, were present at this meeting, and Hitler's monarchist attitude of those days brought his party a large following among industrial leaders. "I also wish to recall," Thyssen terminates this passage, "that in the Fall of 1932, Goering paid a whole week's visit to ex-Kaiser Wilhelm II at Doorn."<sup>45</sup> The fact that Hitler and Goering were, in addition, invited to dine with the German ex-crown prince confirmed the industrialists' opinions about his final aims.

#### IV

The interest the United Steel group took in his cause enabled Hitler to overcome the party crisis of the fall of 1932, when the Nazis almost succumbed to the Von Papen policy of exhausting them by a series of expensive election campaigns. The party crisis even increased the aid the Nazis received from the steel group, since it coincided with a development that made them indispensable to the steel men. Down to

the Nazi supporters among the businessmen and the bulk of the party is shown by the inner discussions in the newly established Circle of Friends which took place simultaneously (Keppler's affidavit, exhibit 679 of the Flick Trial record; *see further*, Flick Trial, pp. 4426 ff. [testimony of banker Curt von Schroeder] and pp. 5076 ff. [Steinbrinck's testimony] as well as interrogations of Schroeder, reproduced in Preliminary Memorandum Brief, mentioned in the introductory footnote). The assembled businessmen haughtily ridiculed the average Nazis' "half-baked" socialist ideas, defended the business ethics of the German monopolies, and voiced protest against the kind of controlled economy later attempted by Hitler and his henchmen. Their attitude later enabled Himmler to wean the Circle away from Hitler and to bring it under his personal control. If the Circle had any political importance, it lay more in the activity of some of its members, such as Von Schroeder, than in its work as a group.

<sup>45</sup> Thyssen, p. 110.

November most producers, including even many of those who hoped for Nazi support, endorsed the cabinet of Von Papen who represented both Junkers and industrialists, and who tried to use the Nazis merely as a Frankenstein, in order to terrify the leftists in the Reichstag. Fortunately for the Nazis, the chancellor, since the fall of 1932, no longer had the support of the Reichswehr minister, General von Schleicher, whose intrigues early in the spring, had brought his cabinet into power. In November, Von Papen resigned and Von Schleicher took over the chancellorship. Unlike Von Papen, the general was more concerned with finding a mass basis for the increase of the army than with maintaining shaky class privileges.<sup>46</sup> With grave anxiety Junkers and heavy industry witnessed the efforts made by Von Schleicher to come to an understanding with union labor and with the left wing of the Nazis, and to draft an antidepression program which in every respect contradicted their wishes. While both Von Papen and Von Schleicher were agreed that the depression should be fought by public spending and an armament program, the general, distrustful of the military ambitions of leading Nazis, would have been happy if granted the backing of the Socialists in the Reichstag.<sup>47</sup> This outcome would have deprived both Junkers and industry of the profits they hoped to reap from militarization, not to mention the danger many of them incurred by a Reichstag investigation of the Osthilfe matter or by a socialization of heavy industry based upon the Reich's ownership of the Gelsenkirchen shares. Thus Hitler, in the very last moment, when his party, weakened by three big election campaigns within eight months, was facing both bankruptcy and a catastrophic loss of votes, obtained the long-expected chance of presenting himself as the savior of society. He even was saved from financial distress by the very same circles that he was expected to save politically.

Still, heavy industry was far from giving the Nazis its unanimous and unqualified support. The independent producers, while deeply concerned over the Von Schleicher trend, feared the economic dictatorship of the men around United Steel much too strongly to fall in with

<sup>46</sup> One of the best sources of information on the policy of General von Schleicher is still the book by Kurt Caro and Walter Ochme, *Schleicher's Aufstieg* (Berlin, 1932). See also Hans R. Berendorff, *General Zwischen Ost und West* (Hamburg, 1951).

<sup>47</sup> According to press reports and diaries of that time, the German Sozialdemokratie, led by the trade unions since the Reichstag dissolution of September 1932, openly prepared for remilitarization by supporting institutions such as the Reichsamt für Jugendertüchtigung, and was ready for Von Schleicher's offers.

their political wishes. Walter Funk's trip through the Ruhr late in 1932 to collect money for the party, became a dismal failure, the only major contribution being an amount of 20 to 30,000 reichsmarks given to him by Steinbrinck for Flick.<sup>48</sup> Hardly more lucky than Funk in his efforts to help the Nazis was Otto Prince zu Salm-Horstmar, one of the old wirepullers of German economic imperialism<sup>49</sup> who in the middle of October urged Gustav Krupp to sign an appeal—as it appears in favor of Nazi admission to the government—which had been decided on the day before by a small committee.<sup>50</sup> After the November elections in which the Nazi vote sank to 33.1 per cent of the total votes as compared to 37.4 per cent in the elections of July 31, Curt von Schroeder, banker of the United Steel group, Albert Voegler, United Steel director, and Dr. Hjalmar Schacht approached the leading industrial circles with the request to sign a petition in which President von Hindenburg was urged to make Hitler chancellor.<sup>51</sup> The response they found outside the circle of the United Steel group was not encouraging. Paul Reusch and Fritz Springorum of the Hoesch steel group informed Voegler that they agreed with the petition but did not desire to add their signatures.<sup>52</sup> The same answer was given by the directors Kiep and Cuno, of the Hamburg-American Steamship Line.<sup>53</sup> Dr. Schacht's report to Hitler on the progress of the campaign was couched in most careful terms. "Permit me to congratulate you on the firm stand you took," he wrote immediately after the elections. "I have no doubt that the present development of things can only lead to your becoming chancellor. It seems as if our attempt to collect a number of signatures from business circles for this purpose was not altogether in vain, although I believe

<sup>48</sup> Steinbrinck's testimony, Flick Trial, p. 5056.

<sup>49</sup> Extract of letter from Salm-Horstmar to Krupp, October 12, 1932, reproduced in Preliminary Memorandum Brief, p. 31. The author of the letter, a former president of the Flottenverein (Navy league) of the Kaiser period, is known from a now rather famous letter, first published in the appendix of the late Eckart Kehr's brilliant study, *Schlachtflottenbau und Parteipolitik* (Berlin, 1930), in which Salm asked the Imperial Government to speed up the building of the imperial fleet, a policy which would have a beneficial influence on the situation of the stock exchange which is pictured as suffering from a depression. (It was the slump of 1901.)

<sup>50</sup> Gustav Krupp replied by a letter of October 12 (quoted at the same place) that "it really is impossible for me for a number of reasons to sign the appeal."

<sup>51</sup> The draft of the circular letter to Hindenburg, found in Schroeder's files, was submitted to the International Military Tribunal in Nuremberg in the case against Goering and others, and was marked exhibit #837.

<sup>52</sup> Letter from Voegler to Schroeder, November 21, 1932, quoted in Preliminary Memorandum Brief, p. 30.

<sup>53</sup> Letter from Keppler to Schroeder, November 13, 1932, *ibid.*

that heavy industry will hardly participate, for it rightfully bears its name 'heavy industry' on account of its indecisiveness."<sup>54</sup>

The Goebbels diaries of those weeks show most clearly how both the morale and the financial situation of the party, under these conditions, sank to an unheard-of low, and how the party was threatened with a split.<sup>55</sup> Fortunately for Hitler, the moderate wing of big business which backed Von Papen was hardly less interested in preventing a complete downfall of the party than were the Nazi enthusiasts around the United Steel works. Threatened with the Von Schleicher solution which involved a likely blow to both Junkers and big business as a whole, the Von Papen group, centered in the Herrenklub circle, was prepared to listen to compromise proposals made by its nazified colleagues. This is the background for the famous meeting between Von Papen and Hitler of January 4, 1933, in the house of the Cologne banker, Curt von Schroeder, the business associate and confidant of Voegler, Kirdorf, Thyssen, and Flick. "The general aim of the industrialists at that time," Von Schroeder later told allied interrogators who questioned him about his arranging this meeting, "was to see a strong leader come to power in Germany who could form a government which would long remain in power. When on the 6th of November 1932, the NSDAP suffered its first set-back and had thus passed its peak-point, the support of German heavy industry became a matter of particular urgency."<sup>56</sup>

About his personal interest in bringing about a political turn which would help to make United Steel a going concern and prevent the socialization of the German steel industry, Von Schroeder in his various testimonies did not talk. The general picture, however, is obvious enough. Immediately after the Hitler-Von Papen meeting, which before the end of the month resulted in Von Hindenburg's appointing Hitler as Reich Chancellor, with Von Papen as vice-chancellor, a consortium of industrialists, headed by Voegler and Springorum and including many members of the Circle of Friends, gave Von Schroeder's bank, J. H. Stein, one million reichsmarks for distribution among the S.S.

<sup>54</sup> Schacht to Hitler, November 12, 1932 (exhibit #773 of the International Military Tribunal).

<sup>55</sup> A very good account of the desperate situation of the party during these weeks, based in Goebbels' diaries and other sources, is given by Heiden, p. 305. Still, Heiden when he wrote his book could not yet see the economic problems involved in the way we see them now, on the basis of documentary evidence.

<sup>56</sup> Military Tribunal, case #10, The United States of America against Alfred Krupp et al., (Nuremberg, 1947), p. 690, testimony of Curt von Schroeder. Von Schroeder was a key witness in a number of war-crimes trials.

The consortium also saw to it, that the Nazi party's most urgent election debts were paid.<sup>57</sup> Thyssen, to be sure, remained uninformed about the Cologne meeting<sup>58</sup> but he had good reason to be happy about its outcome. To open his pro-Nazi activity Hermann Goering at that time called him up and told him that the communists planned his assassination.<sup>59</sup> For German industry as a whole, the meeting of Cologne had far-reaching consequences which even outweighed the settling of the Gelsenkirchen matter<sup>60</sup> as such.

Hitler's final rise to power became equivalent in the industrial field, to a victory of the steel producers and coal miners—Thyssen, Voegler, the Tengelmanns, Springorum, Knepper, Buskuehl—and of their allies in the insurance business and in the chemical industry such as Kellermann, Von Schnitzler, and Gattineau<sup>61</sup> over the representatives of the big independent family enterprises, such as Krupp, Peter Kloeckner, Paul Reusch, of the Haniel-controlled Gute Hoffnungshütte, Hugo Stinnes, Jr., and Carl Friedrich von Siemens, the head of the famous Siemens electrical firm. It would appear that the old industrial families of the Ruhr feared Hitler's budding totalitarianism much more strongly than did the directors of the anonymous companies who live on big salaries, instead of on individual profits.<sup>62</sup> The house of Krupp, which

<sup>57</sup> The above presentation combines the statement of Heiden (p. 314) that the drive to save the Nazis financially was headed by Voegler and Springorum, and aimed at the paying of election debts with the statement made in a Von Schroeder affidavit in the Flick Trial (exhibit #680) that the Circle of Friends gave the S.S. one million reichsmarks. See further the account of the Cologne meeting in *Nazi Conspiracy and Aggression*, II, 922 ff. Von Papen's own version of the conference with Hitler is given in his interrogation by a United States investigator, *ibid.*, pp. 1453 ff.

<sup>58</sup> Thyssen, p. 109, states that, being looked at askance by Nazi radicals such as Rudolf Hess, he remained uninformed about the Cologne meeting. He adds that Goering, who might have notified him about the event, was not in the plot.

<sup>59</sup> Thyssen, pp. 35 f.

<sup>60</sup> Economically, the Gelsenkirchen matter was settled under Hitler, in accordance with the expectations of heavy industry, by the simple device of dissolving the Gelsenkirchen Company which the Reich had bought so expensively. This freed United Steel from Reich control. Details about this complicated transaction which was preceded by "lengthy negotiations between the companies in question, American creditors, and German ministries" are given in the *Frankfurter Zeitung*, October 27 and 28, 1933.

<sup>61</sup> See Funk's Statement in *Nazi Conspiracy and Aggression*, Suppl. A, pp. 1194 ff. Of the above listed men, Gustav Knepper was on the boards of United Steel, of the Gelsenkirchen, and of several Flick firms; Ernst Buskuehl was director of the Mannesmann tube factories; the three Tengelmanns formed the directorate of the Gelsenkirchen; while Otto Kellermann represented the Nordstern Insurance Co. Gattineau and Von Schnitzler maintained liaison between the Nazis and I-G Farben. The other men mentioned by Funk have been referred to before.

<sup>62</sup> The names of the non-Hitlerian industrialists are given in the statement by Funk, quoted in footnote 61. Siemens is mentioned by Heiden, p. 312. One of the greatest enemies of Hitler among the steel producers was the Catholic Otto Wolff who had a Jewish business partner,

handled its workers in the way of a benevolent despot, felt it could dispense with the help of a "savior" like Hitler, the more so since the Nazi party was permeated with radicals whom Gustav Krupp von Bohlen, the head of the firm, thoroughly despised.<sup>63</sup> Krupp von Bohlen's intrigues against the Nazis, before Hitler came to power, did not prevent him, though, from turning into an ardent super-Nazi once the die had been cast in favor of the brownshirts. Being the head of a firm that depended on good connections with the state, he tried to make Hitler forget the past.<sup>64</sup>

The tactical weakness of the non-Hitlerian wing of German industry in the race for power sealed the fate of the co-operation between labor unions and industry, though even the Nazi sympathizers had misgivings about this issue. One can readily accept Von Papen's statement that he still tried to trick Hitler, as he had done previously, and to prevent a complete reversal of the whole political line.<sup>65</sup> Being unwilling, however, to tolerate a further weakening of the Nazis by a new dissolution of the Reichstag previous to their seizing power, Von Papen and Hugenberg, Junkers and heavy industry, were forced to swallow Hitler hook, line, and sinker, even if the tackle showed still the Reich's old imperial colors black-white-red, while the swastika during those weeks was kept concealed.

As commander of a kind of private army, Hitler, as soon as he had seized power, had no trouble in checking the plans of his would-be tutors, both Junkers and industrialists, and in frustrating all hopes that he would allow the producers to stay masters in their own houses. Hitler's famous meeting with the industrialists in Berlin on February 20, 1933, twelve days before the ill-famed election which he used for stabilizing his power, marked the end of the half-hearted efforts of some producers to escape the threat of totalitarianism. Before a gathering of the most prominent German industrialists and bankers, comprising Schacht, Albert Voegler, Friedrich Flick, Krupp von Bohlen, Georg von Schnitzler, Carl Bosch, and more than a dozen others, Hitler announced it to be his aim to seize totalitarian control over the Reich,

Othmar Strauss. (Some information on Wolff is contained in Flick's testimony in the Flick Trial, pp. 5050 ff.) The non-Hitlerian group was joined by the bulk of the chemical industry which enjoyed a monopoly on the world's markets and which, being more depression proof than the steel men, played a waiting game.—R. R. Sasuly, *J-G* (New York, 1947), p. 66; Heiden, p. 312.

<sup>63</sup> Thyssen, pp. 106 ff.

<sup>64</sup> Thyssen, pp. 106 ff.

<sup>65</sup> Von Papen's interrogation, *Nazi Conspiracy and Aggression*, Supplement B, pp. 1459 ff.



to destroy the parliamentary system, to crush all opposition by force, and to restore the power of the Wehrmacht. After he left, Dr. Schacht proposed to the meeting the raising of an election fund of three million reichsmarks. The money was given.<sup>66</sup> Von Schnitzler talked about the matter with Bosch, a southwest German liberal, known for being an opponent of the Nazis. Bosch did not make any remark but just shrugged his shoulders.<sup>67</sup> It was the end of whatever feeble opposition to Hitler had existed in certain industrialists' ranks.

V

Summing up, one might say that the big concerns which supported Hitler's rise to power consisted mainly of those groups which—more or less thanks to their own doing—had been hardest hit by the depression, and thus hoped for the coming of a "savior." Among these groups the big banks, some of which had collapsed in 1931, were conspicuous, since all of them faced the threat of socialization. In the Circle of Friends and other Nazi agencies, this group was represented by men like Friedrich Reinhardt, Emil Meyer, Emil von Stauss and, as their agent, Hjalmar Schacht. The other group, leading in industry, consisted of the United Steel Works circle which has been dealt with here at length. The rest of the big industrial concerns, while welcoming Hitler as an ally against labor, would have preferred to see him being used as a mere tool in the hands of a cabinet controlled by industry and Junkers. Even such ardent Hitler supporters as Thyssen would doubtless have been happier if Hitler, in the long run, had helped them to re-erect the monarchy instead of playing Kaiser himself. When this proved not to be feasible, however, they supported Hitler as the lesser of two evils, eager to make the best of his coming to power, both politically and economically. In this respect, all documentary sources concur, though many gaps remain to be filled, since the Nuremberg

<sup>66</sup> Preliminary Memorandum Brief, pp. 36 ff., quotes several sources about the amount given by the industrialists. According to a statement made by Funk, dated June 28, 1945, which is among these sources, the total contributions amounted to 7 million reichsmarks. The figure of 3 million, given in the text, was furnished by Schacht.

<sup>67</sup> Sasuly, p. 106. According to testimony produced in the trial against I-G Farben (document books Schmitz I and II) Bosch's despair about the fact that Hitler was using his inventions for war purposes became an obsession with him, which caused him to take to drinking and isolated him socially.

trial records which are our best available source of material were assembled for juridical rather than for historical needs.

While Hitler was strongly assisted by the industrialists' funds, one cannot say that industry "made" his movement. A movement of such enormous size as his which in 1932 controlled 230 seats in the Reichstag, is not made by any individual or group. It might be more correct to state that heavy industry by its very existence and social nature caused the movement, or, at least, helped to cause it and once it was given birth tried to use it for the industrialists' purposes. Mechanization and economic concentration, maintenance of monopoly prices and monopoly agreements, with the resulting pressure on small competitors, were the fertile ground on which mass fascism grew. In the period of Locarno and the following years this development was still counterbalanced by boom and employment. But in the depression years after 1929 it became suddenly apparent that the German middle class, in the postwar inflation, had lost the remnants of its economic independence. In Germany, the nation of military Prussia, the declining middle class was too strongly inspired by military and aristocratic ideologies to turn socialist or New Deal or to attack the existing society, with its unsound and obsolete agrarian structure, and its expansion-minded concerns. On the other hand, neither was it conservative. Deeply mistrusting the men in control of the command positions of German economy, it turned desperado and strengthened the power of a leader half a vagabond and half a policeman, half a slave and half a ruler, who, in the manner of a *condottiere*, offered the ruling classes "protection" against criminal punishment and labor troubles and, by a mixture of threats and blackmail, made himself master over both wealthy and poor.

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