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Acknowledgments

I am indebted to I. F. Stone, John Toland, George Seligman, and the staffs of various institutions of learning and record that made the difficult task of declassification possible. Among these are the administrators of the manuscripts rooms of the Library of Congress, Georgetown University in Washington, D.C., and the Franklin D. Roosevelt Memorial Library at Hyde Park, New York. I am grateful to John Taylor, George Wagner, Kathie Nicastro, William Lewis, Fred Penell, Michael Miller, and James Paulauskas of the National Archives and Records Service in Washington, D.C., and Surland, Maryland; to James Hall of the FBI; to Ralph V. Kopp and Michael O'Connor of the Department of the Treasury; to Jeanne Giamporcaro of the State Department; to the staff of Army Intelligence, Fort Meade, Maryland; to Bradford Snell, whose forthcoming book on General Motors will exhaustively explore its international dealings; and to John Costello, Norman Litell, Josiah E. DuBois, Dr. Beatrice Berle, Henry Morgenthau III, Professor Irwin Gelman, and my indispensable research assistants Howard Davis, Frances Rowsell, and David Anderson; to the inspired guidance and advice of Pierre Sauvage; to the late Drew Pearson, who got wind of the story long ago but only knew part of the facts; to Jeanne Benkopf, my editor and friend, who helped me weave the mass of complicated data into a coherent whole; to Professor Robert Dallek, who read and commented brilliantly on the manuscript; and to the late Joseph Borkin, who gave good advice and supplied the last line of the book.

Preface

It would be comforting to believe that the financial Establishment of the United States and the leaders of American industry were united in a common purpose following the Day of Infamy, the Japanese attack on Pearl Harbor on December 7, 1941. Certainly, the American public was assured that Big Business along with all of the officials of government ceased from the moment the war began to have any dealings whatsoever with the enemy. That assurance sustained the morale of millions of Americans who bore arms in World War II and their kinfolk who stayed at home and suffered the anguish of separation.

But the heartbreaking truth is that a number of financial and industrial figures of World War II and several members of the government served the cause of money before the cause of patriotism. While aiding the United States' war effort, they also aided Nazi Germany's.

I first came across this fact in 1978 when I was declassifying documents in the course of writing a biography that dealt with motion picture star Errol Flynn's Nazi associations. In the National Archives Diplomatic Records Room I found numerous cross-references to prominent figures who, I had always assumed, were entirely committed to the American cause, yet who had been marked down for suspected subversive activities.

I had heard over the years about a general agreement of certain

major figures of American, British, and German commerce to continue their relations and associations after Pearl Harbor. I had also heard that certain figures of the warring governments had arranged to assist in this. But I had never seen any documentary evidence of it. Now, pieces of information began to surface. I started to locate documents and have them declassified under the Freedom of Information Act—a painfully slow and exhausting process that lasted two and a half years. What I found out was very disturbing.

I had been born to a patriotic British family. My father had raised the first battalions of volunteers against Germany in World War I, and had built the Star and Garter Hospital at Richmond, Surrey, for ex-servicemen. He had been knighted by King George V for his services to the Crown and had been a member of Parliament and a Cabinet member. I feel a strong sense of loyalty to Britain, as well as to my adopted country, the United States of America. Moreover, I am part Jewish. Auschwitz is a word stamped on my heart forever.

It thus came as a severe shock to learn that several of the greatest American corporate leaders were in league with Nazi corporations before and after Pearl Harbor, including I. G. Farben, the colossal Nazi industrial trust that created Auschwitz. Those leaders interlocked through an association I have dubbed The Fraternity. Each of these business leaders was entangled with the others through interlocking directorates or financial sources. All were represented internationally by the National City Bank or by the Chase National Bank and by the Nazi attorney Gerhardt Westrick and Dr. Heinrich Albert. All had connections to that crucial Nazi economist, Emil Puhl, of Hitler's Reichsbank and the Bank for International Settlements.

The (ycouns were linked by an ideology: the ideology of Business as Usual. Bound by identical reactionary ideas, the members sought a common future in fascist domination, regardless of which world leader might further that ambition.

Several members not only sought a continuing alliance of interests for the duration of World War II but supported the idea of a negotiated peace with Germany that would bar any reorganization of Europe along liberal lines. It would leave as its residue a police state that would place The Fraternity in postwar possession of financial, industrial, and political autonomy. When it was clear that Germany was losing the war the businessmen became notably more "loyal."

Then, when war was over, the survivors pushed into Germany, protected their assets, restored Nazi friends to high office, helped provoke the Cold War, and insured the permanent future of The Fraternity.

From the outset I realized that in researching the subject I would have to carve through an ice cream mountain of public relations. I searched in vain through books about the corporations and their histories to find any reference to questionable activities in World War II. It was clear that the authors of those volumes, granted the cooperation of the businesses concerned, predictably backed off from disclosing anything that would be revealing. To this day the bulk of Americans do not suspect The Fraternity. The government smothered everything, during and even (inexcusably) after the war. What would have happened if millions of American and British people, struggling with coupons and lines at the gas stations, had learned that in 1942 Standard Oil of New Jersey managers shipped the enemy's fuel through neutral Switzerland and that the enemy was shipping Allied fuel? Suppose the public had discovered that the Chase Bank in Nazi-occupied Paris after Pearl Harbor was doing millions of dollars' worth of business with the enemy with the full knowledge of the head office in Manhattan? Or that Ford trucks were being built for the German occupation troops in France with authorization from Dearborn, Michigan? Or that Colonel Sosthenes Behn, the head of the international American telephone conglomerate ITT, flew from New York to Madrid to Berné during the war to help improve Hitler's communications systems and improve the robot bombs that devastated London? Or that ITT built the Focke-Wulfs that dropped bombs on British and American troops? Or that crucial ball bearings were shipped to Nazi-associated customers in Latin America with the collusion of the vice-chairman of the U.S. War Production Board in partnership with Göring's cousin in Philadelphia when American forces were desperately short of them? Or that such arrangements were known about in Washington and either sanctioned or deliberately ignored?

For the government did sanction such dubious transactions—both before and after Pearl Harbor. A presidential edict, issued six days after December 7, 1941, actually set up the legislation whereby licensing arrangements for trading with the enemy could officially be granted. Often during the years after Pearl Harbor the government

permitted such trading. For example, ITT was allowed to continue its relations with the Axis and Japan until 1945, even though that conglomerate was regarded as an official instrument of United States Intelligence. No attempt was made to prevent Ford from retaining its interests for the Germans in Occupied France, nor were the Chase Bank or the Morgan Bank expressly forbidden to keep open their branches in Occupied Paris. It is indicated that the Reichsbank and Nazi Ministry of Economics made promises to certain U.S. corporate leaders that their properties would not be injured after the Fuhrer was victorious. Thus, the bosses of the multinationals as we know them today had a six-spot on every side of the dice cube. Whichever side won the war, the powers that really ran nations would not be adversely affected.

And it is important to consider the size of American investments in Nazi Germany at the time of Pearl Harbor. These amounted to an estimated total of \$475 million. Standard Oil of New Jersey had \$120 million invested there; General Motors had \$35 million; ITT had \$30 million; and Ford had \$17.5 million. Though it would have been more patriotic to have allowed Nazi Germany to confiscate these companies for the duration—to nationalize them or to absorb them into Hermann Göring's industrial empire—it was clearly more practical to insure them protection from seizure by allowing them to remain in special holding companies, the money accumulating until war's end. It is interesting that whereas there is no evidence of any serious attempt by Roosevelt to impeach the guilty in the United States, there is evidence that Hitler strove to punish certain German Fraternity associates on the grounds of treason to the Nazi state. Indeed, in the case of ITT, perhaps the most flagrant of the corporations in its outright dealings with the enemy, Hitler and his postmaster general, the venerable Wilhelm Otnesorge, strove to impound the German end of the business. But even they were powerless in such a situation: the Gestapo leader of counterintelligence, Walter Schellenberg, was a prominent director and shareholder of ITT by arrangement with New York—and even Hitler dared not cross the Gestapo.

As for Roosevelt, the Sphinx still keeps his secrets. That supreme politician held all of the forces of collusion and betrayal in balance, publicly praising those executives whom he knew to be questionable. Before Pearl Harbor, he allowed such egregious executives as James

D. Mooney of General Motors and William Rhodes Davis of the Davis Oil Company to enjoy pleasant tête-à-têtes with Hitler and Göring, while maintaining a careful record of what they were doing. During the war, J. Edgar Hoover, Adolf A. Berle, Henry Morgenthau, and Harold Ickes kept the President fully advised of all internal and external transgressions. With great skill, he never let the executives concerned know that he was on to them. By using the corporate leaders for his own war purposes as dollar-a-year men, keeping an eye on them and allowing them to indulge, under license or not, in their international dealings, he at once made winning the war a certainty and kept the public from knowing what it should not know.

Because of the secrecy with which the matter has been blanketed, researching it presented me with a nightmare that preceded the greater nightmare of discovery. I embarked upon a voyage that resembled nothing so much as a descent into poisoned waters in a diving bell.

Why did even the loyal figures of the American government allow these transactions to continue after Pearl Harbor? A logical deduction would be that not to have done so would have involved public disclosure: the procedure of legally disconnecting these alliances under the antitrust laws would have resulted in a public scandal that would have drastically affected public morale, caused widespread strikes, and perhaps provoked mutinies in the armed services. Moreover, as some corporate executives were never tired of reminding the government, their trial and imprisonment would have made it impossible for the corporate boards to help the American war effort. Therefore, the government was powerless to intervene. After 1945, the Cold War, which the executives had done so much to provoke, made it even more necessary that the truth of The Fraternity agreements should not be revealed.

I began with the conveniently multinational Bank for International Settlements in Basle, Switzerland. The activities of this anomalous institution in wartime are contained in Treasury Secretary Henry Morgenthau's official diaries at the Roosevelt Memorial Library at Hyde Park, New York. Other details are contained in reports by the estimable Lauchlin Currie, of Roosevelt's White House Economics Staff, whom I interviewed at length by telephone at his home in Bogotá, Colombia, to which city he had been banished, his citizenship stripped from him in 1956 for exposing American-Nazi connections.

Another source lay in reports by the late Orvis Schmidt of Treasury Foreign Funds Control. German records were a useful source; Emil Puhl, vice-president and real power of the Reichsbank, a most crucial figure in The Francity's dealings, had sent reports to his nominal superior, Dr. Wilther Funk, from Switzerland to Berlin late in the war.

I turned to the matter of the Rockefeller-controlled Chase National Bank, which had conducted its business for the Nazi High Command in Paris until the war's end. Evidently realizing that future historians might want to examine the highly secret Chase Bank files, Morgenthau had left subtle cross-references at Hyde Park that could lead future investigators to Treasury itself. I asked Ralph V. Korp of Treasury for access to the sealed Chase boxes, which had been under lock and key since 1945. Under the Freedom of Information Act, Mr. Korp obtained permission from his superiors to unseal the boxes and to declassify the large number of documents contained therein.

From the Chase Bank it was a natural progression to Standard Oil of New Jersey, the chief jewel in the crown of the Rockefeller empire. Records of Standard's dealings with the Axis were contained in the Records Rooms of the Diplomatic Branch of the National Archives and were specially declassified. There, too, I found records of Sterling Products, General Aniline and Film, and William Rhodes Davis, whose FBI files were also most revealing. Documents on ITT and RCA were classified. After waiting out the better part of the year, I was able to obtain them from the National Archives. Classified SKF Industries files are held in the Suitland, Maryland, annex of the Archives. General Motors matters are covered in the James D. Mooney public access collection of Georgetown University, Washington, D.C. The unpublished post-Pearl Harbor diaries of Harold Ickes were invaluable; they are to be found in the manuscript room of the Library of Congress.

The most elusive files were those on Ford in Occupied France. I could find no reference to them in the Treasury documentary listings. I knew that a Treasury team had investigated the company. I wondered if any member of the team could be alive.

Something joined my memory. I remembered that a book entitled *The Devil's Chemists* had appeared after World War II, written by Josiah DuBois, an attorney who had been part of the Treasury team

at Nuremberg. The book was a harrowing account of the trial of the executives of I.G. Farben, the Nazi industrial trust, that showed Farben's links to Wall Street.

I reread the book's pages, looking for a clue. In it DuBois mentioned that he came from Camden, New Jersey. I decided to call information in the Camden area because I had a theory that, embittered by his experience in Germany and Washington, DuBois might have returned to live there after the war. It was only a hunch, but it paid off. In fact, it turned out that DuBois had gone back to his family law firm in Camden. I wrote to him, asking if he had records of the Ford matter. I figured that these might have been so important that he would have been given personal custody of them; that Secretary Morgenthau might not even have risked leaving them at Treasury.

DuBois replied that he believed he still had the documents, including the letters of Edsel Ford to his managers in Nazi-occupied France after Pearl Harbor, authorizing improvements in automobile and truck supplies to the Germans. After several weeks, DuBois wrote to say that he had searched his attic to no avail. The documents were missing. However, he would keep looking.

He was admitted to a hospital where he underwent major surgery. Although enfeebled, he returned to the attic and began searching again. Compelled by a desire to disclose the truth, he pursued his task whenever he could find the strength. At last, when he was about to give up hope, he uncovered the documents.

However, he explained that the main file was so incendiary that he would not send it by mail or even by messenger—I was at liberty to examine it in his office. I was faced with a new dilemma. Since I was expecting delivery of an important set of documents, I couldn't risk an absence from my house for a prolonged journey to the East. I said I would call him back.

I knew that Rutgers University was close to DuBois's offices. I called the Law department and asked for a student researcher. Within an hour I received a call from a young man who needed work. I contacted DuBois's secretary and arranged for the student to copy the documents on the premises. He did so; I sent an air courier to his home to pick them up. As I read the documents, the last details of the puzzle fell into place.

I have tried to write this book as dispassionately as possible, without attempting a moral commentary, and without, of course, intending implication of present corporations and their executive boards. It will be claimed that the people in this book, since they are dead, cannot answer and therefore should not be criticized. To that I would reply: Millions died in World War II. They, too, cannot answer.

GENERAL LICENSE UNDER SECTION 3(a)
OF THE TRADING WITH THE ENEMY ACT

By virtue of and pursuant to the authority vested in me by sections 3 and 5 of The Trading with the Enemy Act as amended, and by virtue of all other authority vested in me, I, Franklin D. Roosevelt, President of the United States of America, do prescribe the following:

A general license is hereby granted, licensing any transaction or act proscribed by section 3(a) of The Trading with the Enemy Act, as amended, provided, however, that such transaction or act is authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses or otherwise, pursuant to the Executive Order No. 8389, as amended.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

December 13, 1941

H. MORGENTHAU, JR.

Secretary of the Treasury

FRANCIS BIDDLE

Attorney General of the United States

**TRADING
WITH
THE ENEMY.**

An Exposé of The
Nazi-American Money Plot
1933-1949

1

A Bank for All Reasons

On a bright May morning in 1944, while young Americans were dying on the Italian beachheads, Thomas Harrington McKimtrick, American president of the Nazi-controlled Bank for International Settlements in Basle, Switzerland, arrived at his office to preside over a fourth annual meeting in time of war. This polished American gentleman sat down with his German, Japanese, Italian, British, and American executive staff to discuss such important matters as the \$378 million in gold that had been sent to the Bank by the Nazi government after Pearl Harbor for use by its leaders after the war. Gold that had been looted from the national banks of Austria, Holland, Belgium, and Czechoslovakia, or melted down from the Reichsbank holdings of the teeth fillings, spectacle frames, cigarette cases and lighters, and wedding rings of the murdered Jews.

The Bank for International Settlements was a joint creation in 1930 of the world's central banks, including the Federal Reserve Bank of New York. Its existence was inspired by Hjalmar Horace Greeley Schacht, Nazi Minister of Economics and president of the Reichsbank, part of whose early upbringing was in Brooklyn, and who had powerful Wall Street connections. He was seconded by the all-important banker Ernst Puhl, who continued under the regime of Schacht's successor, Dr. Walther Funk.

Sensing Adolf Hitler's lust for war and conquest, Schacht, even

before Hitler rose to power in the Reichstag, pushed for an institution that would retain channels of communication and collusion between the world's financial leaders even in the event of an international conflict. It was written into the Bank's charter, concurred in by the respective governments, that the BIS should be immune from seizure, closure, or censure, whether or not its owners were at war. These owners included the Morgan-affiliated First National Bank of New York (among whose directors were Harold S. Vanderbilt and Wendell Willkie), the Bank of England, the Reichsbank, the Bank of Italy, the Bank of France, and other central banks. Established under the Morgan banker Owen D. Young's so-called Young Plan, the BIS's ostensible purpose was to provide the Allies with reparations to be paid by Germany for World War I. The Bank soon turned out to be the instrument of an opposite function. It was to be a money funnel for American and British funds to flow into Hitler's coffers and to help Hitler build up his war machine.

The BIS was completely under Hitler's control by the outbreak of World War II. Among the directors under Thomas H. McKittrick were Hermann Schmitz, head of the colossal Nazi industrial trust I.G. Farben, Baron Kurt von Schröder, head of the J. H. Stein Bank of Cologne and a leading officer and financier of the Gestapo; Dr. Walther Funk of the Reichsbank, and, of course, Emil Puhl. These last two figures were Hitler's personal appointees to the board.

The BIS's first president was the smooth old Rockefeller banker, Gates W. McGarrath, formerly of the Chase National Bank and the Federal Reserve Bank, who retired in 1933. His successor was the forty-three-year-old Leon Fraser, a colorful former newspaper reporter on the muckraking New York *World*, a street-corner soapbox orator, straw-hat company director, and performer in drag in stage comedies. Fraser had little or no background in finance or economics, but he had numerous contacts in high business circles and a passionate dedication to the world of money that acknowledged no loyalties or frontiers. In the first two years of Hitler's assumption of power, Fraser was influential in financing the Nazis through the BIS. When he took over the position of president of the First National Bank at its Manhattan headquarters in 1935, he continued to exercise a subtle influence over the BIS's activities that continued until the 1940s.

Other directors of the Bank added to the powerful financial group.

Vincenzo Azzolini was the accomplished governor of the Bank of Italy. Yves Bréart de Boisanger was the ruthlessly ambitious governor of the Bank of France; Alexandre Galopin of the Belgian banking fraternity was to be murdered in 1944 by the Underground as a Nazi collaborator.

The BIS became a *bête noire* of U.S. Secretary of the Treasury Henry Morgenthau, a deliberate, thorough, slow-speaking Jewish farmer who, despite his origins of wealth, mistrusted big money and power. A model of integrity obsessed with work, Morgenthau considered it his duty to expose corruption wherever he found it. Tall and a trifle ungainly, with a balding high-domed head, a high-pitched, intense voice, small, probing eyes, pince-nez, and a nervous, hesitant smile, Morgenthau was the son of Woodrow Wilson's ambassador to Turkey in World War I. He learned early in life that the land was his answer to the quest for a decent life in a corrupt society. He became obsessed with farming and, at the age of twenty-two, in 1913, borrowed money from his father to buy a thousand acres at East Fishkill, Dutchess County, New York, in the Hudson Valley, where he became Franklin D. Roosevelt's neighbor. During World War I he and Roosevelt formed an intimate friendship. Elitior Morgenthau became very close to her near namesake, Eleanor Roosevelt. While Roosevelt soared in the political stratosphere, Morgenthau remained rooted in his property. In the early 1920s he published a newspaper called *The American Agriculturist* that pushed for government credits for farmers. When Roosevelt became governor of New York in 1928, he appointed Morgenthau chairman of the Agricultural Advisory Commission. Morgenthau showed great flair and a passionate commitment to the cause of the sharecropper.

Legend has it that on a freezing winter day in 1933, FDR and Morgenthau met and talked on the borderline of their two farms. Morgenthau is supposed to have said to Roosevelt, "Life is getting slow around here." And FDR replied, "Henry, how would you like to be Secretary of the Treasury?"

What he lacked in knowledge of economics, Morgenthau rapidly made up in his Jeffersonian principles and role as keeper of the public conscience. Close to a thousand volumes of his official diaries in the Roosevelt Memorial Library at Hyde Park give a vivid portrait of his inspired conducting of his high office. He was aided by an able staff,

which he ran with benign but military precision. His most trusted aide was his Assistant Secretary, Harry Dexter White. Unlike Morgenthau, White came from humble origins. Jewish also, he was the child of penniless Russian immigrant parents who were consumed with a hatred of the czarist regime. White's early life was a struggle; this short, energetic, keen-faced man fought to help his father's hardware business succeed, finally forging a career as an economist with the aid of a Harvard scholarship and a professorship at Lawrence College, Wisconsin. He was opinionated and self-confident to a degree. Although he was frequently accused of being a communist sympathizer, he was in fact simply an old-fashioned liberal driven by his ancestral memories of Russian imperialism.

It is unfortunate that Morgenthau did not appoint White as his representative at BIS meetings, but White was too valuable in Washington. Instead, Morgenthau sent the more questionable Merle Cochran to investigate the BIS. Cochran was on loan to Treasury from the State Department; he represented the State Department's sophisticated neutralism before (and during) the war. Cochran became Secretary of the American Embassy in Paris, working directly under Roosevelt's friend the duplicitous, Talleyrand-like Ambassador William Bullitt. Cochran spent most of his time in Basle conveying to both Morgenthau and Cordell Hull details of what the BIS was up to. Very much opposed to White—indeed, violently so—Cochran was sympathetic with the BIS and to the Nazis, as his various memoranda made clear. Morgenthau took Cochran's political judgments with a degree of skepticism, but continued to use him over White's objections because he knew the Germans would trust Cochran and confide much in him. Day after day, Cochran lunched with Schmitz, Schröder, Funk, Emil Puhl, and the other Germans on the BIS board, obtaining a clear picture of the BIS's plans for the future.

In March 1938, when the Nazis marched into Vienna, much of the gold of Austria was looted and packed into vaults controlled by the Bank for International Settlements. The Nazi board members forsook any discussion of the transaction at the BIS summit meetings in Basle. Cochran, in his memoranda to Morgenthau, failed to score this outrageous act of theft. The gold flowed into the Reichsbank under Funk, in the special charge of Reichsbank vice-president and BIS director, Emil Puhl. On March 14, 1939, Cochran wrote to Morgen-

thau, "I have known Puhl for several years, and he is a veteran and efficient officer." He also praised Walther Funk.

His timing was not good. One day later, Hitler followed his forces into Prague. The storm troops arrested the directors of the Czech National Bank and held them at gunpoint, demanding that they yield up the \$48 million gold reserve that represented the national treasure of that beleaguered country. The Czech directors nervously announced that they had already shifted the gold to the BIS with instructions that it be forwarded to the Bank of England. This was an act of great naïveté. Montagu Norman, the eccentric, Vandyke-bearded governor of the Bank of England, who liked to travel the world disguised as Professor Skinner in a black opera cloak, was a rabid supporter of Hitler.

On orders from their German captors, the Czech directors asked the Dutch BIS president, J. W. Beyen, to return the gold to Basle. Beyen held an anxious discussion with BIS general manager Roger Auboin of the Bank of France. The result was that Beyen called London and instructed Norman to return the gold. Norman instantly obliged. The gold flowed into Berlin for use in buying essential strategic materials toward a future war.

There the matter might have been buried had it not been for a young, very bright, and idealistic London journalist and economist named Paul Einzig, who had been tipped off to the transaction by a contact at the Bank of England. He published the story in the *Financial News*. The story caused a sensation in London. Einzig held a hasty meeting with maverick Labour Member of Parliament George Strauss. Strauss through Einzig began investigating the matter.

Henry Morgenthau telephoned Sir John Simon, British Chancellor of the Exchequer, on a Sunday night in an effort to determine what was going on. Merle Cochran had telegraphed him with a characteristic whitewash of the BIS and an outright dismissal of Einzig's charges that the BIS was a Nazi outfit. Sir John said icily on the transatlantic wire, "I'm in the country, Mr. Secretary. We are enjoying our dinner. It is not our custom to do business by telephone."

"Well, Sir John," Morgenthau replied, "we've been doing business by telephone over here for almost forty years!"

Sir John Simon continued to dodge Morgenthau's questions. On May 15, George Strauss asked Prime Minister Neville Chamberlain,

"Is it true, sir, that the national treasure of Czechoslovakia is being given to Germany?" "It is not," the Prime Minister replied. Chamberlain was a major shareholder in Imperial Chemical Industries, partner of I. G. Farben whose Hermann Schmitz was on the board of the BIS. Chamberlain's reply threw the Commons into an uproar. Einzig refused to let go. He was convinced that Norman had transferred the money illegally in collusion with Sir John Simon. Simon, in answer to a question from Strauss, denied any knowledge of the matter.

Next day, Einzig tackled Sir Henry Strakosch, a prominent political figure. Strakosch refused to disclose the details of the conversation he had had with Simon. But Strakosch finally cracked and admitted that Simon had discussed the transfer of the Czech gold.

Einzig was jubilant. He called Strauss with the news. Strauss put a further question to Sir John Simon in a debate on May 26. Once again, Simon hedged. Winston Churchill was the leader of a violent onslaught on the unfortunate Chancellor of the Exchequer.

Morgenthau demanded to know more. Cochran's letter from Basle dated May 9 and received May 17 brushed over the issue once more. Cochran wrote.

There is an entirely cordial atmosphere at Basle: most of the central bankers have known each other for many years, and these reunions are enjoyable as well as profitable to them. I have had talks with all of them. The wish was expressed by some of them that their respective statesmen might quit hurling invectives at each other, get together on a fishing trip with President Roosevelt or to the World's Fair, overcome their various prejudices and complexes, and enter into a mood that would make comparatively simple the solution of many of the present political problems.

This picture of good cheer scarcely convinced Morgenthau. On May 31, Associated Press reported from Switzerland that transactions were completed between the BIS and the Bank of England and the Czech gold was now firmly in Berlin.

During World War II, Einzig, who had never forgotten the Czech gold affair, ran into J. W. Beyen in London and asked him if he would now admit what had taken place. Beyen said smoothly, "It is

all technical. The gold never left London." Einzig was amazed. He wrote an apology to Beyen in his book of memoirs, *In the Center of Things*.

The truth was that the gold had not had to leave London in order to be available in Berlin. The arrangement between the BIS and its member banks was that transactions were not normally made by shipping money—dangerous and difficult when the shipments would show up in customs manifests—but simply by adjusting the gold deposit accounts. Thus, all Montagu Norman had to do was to authorize Beyen to deduct \$40 million from the Bank of England's holdings in Basle and replace the same amount from the Czech National Bank holdings in London.

By 1939, the BIS had invested millions in Germany, while Kurt von Schröder and Emil Puhl deposited large sums in looted gold in the Bank. The BIS was an instrument of Hitler, but its continuing existence was approved by Great Britain even after that country went to war with Germany, and the British director Sir Otto Niemeyer, and chairman Montagu Norman, remained in office throughout the war.

In the middle of the Czech gold controversy, Thomas Harrington McKintick was appointed president of the Bank, with Emil Meyer of the Swiss National Bank as chairman. White-haired, pink-checked, smooth and soft-spoken, McKintick was a perfect front man for The Fraternity, an associate of the Morgans and an able member of the Wall Street establishment. Born in St. Louis, he went to Harvard, where he edited the *Crimson*, graduating as bachelor of arts in 1911. He worked his way up to become chairman of the British-American Chamber of Commerce, which numbered among its members several Nazi sympathizers. He was a director of Lee, Higginson and Co., and made substantial loans to Germany. He was fluent in German, French, and Italian. Though he spent all of his career inland, he wrote learned papers on the life and habits of seabirds. His wife, Marjorie, and his four pretty daughters, one of whom was at Vassar and a liberal enemy of the BIS, were popular on both sides of the Atlantic.

Early in 1940, McKintick traveled to Berlin and held a meeting at the Reichsbank with Kurt von Schröder of the BIS and the Gestapo. They discussed doing business with each other's countries if war between them should come.

Morgenthau grew more aggravated by McKittick and the BIS as the war in Europe continued, but did not insist he be withdrawn. He was forced to rely upon Treasury Secret Service reports rather than upon Cochran for information on the BIS's doings. He learned that in June 1940, Belgian BIS director Alexandre Galopin had intercepted \$228 million in gold sent by the Belgian government to the Bank of France and had shifted it to Dakar in North Africa and thence the Reichsbank and Ernst Puhl.

The Bank of Belgium's exiled representatives in New York sued the Bank of France, represented by New York State Senator Frederic Coudert, to recover their gold. Ironically, they were represented by John Foster Dulles, whose law firm, Sullivan and Cromwell, had represented I.G. Farben. The Supreme Court ruled in favor of the Bank of Belgium, ordering the Bank of France to pay out from its holdings in the Federal Reserve Bank.

But when Hitler occupied all of France in November 1942, State Senator Coudert stepped in with the excuse that since Germany had absorbed the Bank of France, that bank no longer had any power of appeal against the verdict. He pretended that contact with France was no longer possible, while fully aware of the fact that he himself was still retained by the Bank of France. He claimed that only a Bank of France representative could allow the release of funds from the Federal Reserve Bank. As a result, the gold remained in Nazi hands.

On May 27, 1941, Secretary of State Cordell Hull, at Morgenthau's suggestion, telegraphed U.S. Ambassador John G. Winant in London, asking for a report on the continuing relationship between the BIS and the British government. It infuriated Morgenthau that Britain remained a member of a Nazi-controlled financial institution: Montagu Norman and Sir Otto Niemeyer of the Bank of England were still firmly on the board. Winant had lunch with Niemeyer. He gave an approving report of the meeting on June 1.

Niemeyer had said that the BIS, "guaranteed immunity from constraint in time of war," was still "legal and intact." He admitted that Britain retained an interest in the Bank through McKittick twenty-one months after war had broken out. He said that he was in touch with the Bank through the British Treasury and that British Censorship examined all of the mail by his own wish. Asked about the issue of the Czechoslovakian gold, Niemeyer admitted, "Yes, it had a bad

public press. However, that was due to the mishandling of the question in Parliament." He further admitted that the government of Great Britain was still a client of the Bank and had accepted a dividend from it. The dividend, it scarcely needs adding, came largely from Nazi sources. Niemeyer said that he believed the British should continue the association for the duration as well as lend the Bank their tacit approval. "If only for the reason that a useful role in post-war settlements might later have an effect."

Niemeyer went on, "It would be of no use at this time to raise difficult legal questions with respect to the relationship of the various countries over-run by the Germans. . . . McKittick should stay in Switzerland because he is . . . guardian of the Bank against any danger that might occur. . . . McKittick might want to get in touch with the American Minister in Switzerland and explain his problem to him."

On July 13, 1941, Ivar Rooth, governor of the Bank of Sweden, wrote to his friend Merle Cochran—who had returned to Washington—about the latest general meeting of the Bank and the luncheon at the Basle restaurant Les Trois Rois afterward. He said that it was agreed at lunch that McKittick should soon travel to the United States to explain BIS's position to "your American friends . . . [in the] very correct and neutral way." Rooth continued, "I hope that our friends abroad will understand the political necessity of committing the Germans to send a division to Finland by railway through Sweden."

On February 5, 1942, almost two months after Pearl Harbor, the Reichsbank and the German and Italian governments approved the orders that permitted Thomas H. McKittick to remain in charge of the BIS until the end of the war. One document of authorization included the significant statement, "McKittick's opinions are safely known to us." McKittick gratefully arranged a loan of several million Swiss gold francs to the Nazi government of Poland and the collaborative government of Hungary. Most of the board's members traveled freely across frontiers throughout the war for meetings in Paris, Berlin, Rome, or (though this was denied) Basle. Hjalmar Schacht spent much of the war in Geneva and Basle pulling strings behind the scenes. However, Hitler correctly suspected him of intriguing for the overthrow of the present regime in favor of The Frater-

nity and imprisoned him late in the war. From Pearl Harbor on, the BIS remained listed in Rand McNally's directory as Correspondent Bank for the Federal Reserve Bank in Washington.

In London, Labour Member of Parliament George Strauss kept hammering away at the BIS. In May 1942 he challenged Sir John Simon's successor, Chancellor of the Exchequer Sir Kingsley Wood, on the matter. Wood replied, "This country has various rights and interests in the BIS under our international trust agreements between the various governments. It would not be in our best interest to sever connections with the Bank."

George Strauss and other Labour members of Parliament insisted upon knowing why the Bank's dividend was still being divided equally in wartime among the British, German, Japanese, and American banks. It was not until 1944 that they discovered Germany was receiving most of the dividends.

On September 7, 1942, Thomas H. McKintick issued the Bank's first annual report after Pearl Harbor. He went through the bizarre procedure of addressing an empty room with the report to be able to say to Washington that none of the Axis directors was present. In fact, all of the Axis directors received the report soon afterward and the mixed executive staff of warring nations discussed it through the rest of the day. The report was purely Nazi in content. It assumed an immediate peace in Germany's favor and a distribution of American gold to stabilize the currencies of the United States and Europe. This was a line peddled by every German leader starting with Schacht. When Strauss told the House of Commons on October 12 that the report had delighted Hitler and Göring, Sir Kingsley asserted that he had not seen it. Strauss went on, "It is clear some form of collaboration between the Nazis and the Allies exists and that appeasement still lives in time of war."

In the summer of 1942, Pierre Pucheu, French Cabinet member and director of the privately owned Worms Bank in Nazi-occupied Paris, had a meeting at the BIS with Yves Bréant de Boisanger. Pucheu told Boisanger that plans were afoot for General Dwight D. Eisenhower to invade North Africa. He had obtained this information through a friend of Robert Murphy, U.S. State Department representative in Vichy. Boisanger contacted Kurt von Schröder. Immediately, Schröder and other German bankers, along with their French

correspondents, transferred 9 billion gold francs via the BIS to Algiers. Anticipating German defeat, they were seeking a killing in dollar exchange. The collaborationists boosted their holdings from \$350 to \$525 million almost overnight. The deal was made with the collusion of Thomas H. McKintick, Hermann Schmitz, Emil Puhl, and the Japanese directors of the BIS. Another collaborator in the scheme was one of the Vatican's espionage group who leaked the secret to others in the Hitler High Command—according to a statement made under oath by Otto Aberz to American officials on June 21, 1946.

In the spring of 1943, McKintick, ignoring the normal restrictions of war, undertook a remarkable journey. Despite the fact he was neither Italian nor diplomat and that Italy was at war with the United States, he was issued an Italian diplomatic visa to travel by train and auto to Rome. At the border he was met by Himmler's special police, who gave him safe conduct. McKintick proceeded to Lisbon, whence he traveled with immunity from U-boats by Swedish ship to the United States. In Manhattan in April he had meetings with Leon Fraser, his old friend and BIS predecessor, and with the heads of the Federal Reserve Bank. Then McKintick traveled to Berlin on a U.S. passport to provide Emil Puhl of the Reichsbank with secret intelligence on financial problems and high-level attitudes in the United States.

On March 26, 1943, liberal Congressman Jerry Voorhis of California entered a resolution in the House of Representatives calling for an investigation of the BIS, including "the reasons why an American retains the position as president of this Bank being used to further the designs and purposes of Axis powers." Randolph Paul, Treasury counsel, sent up the resolution to Henry Morgenthau on April 1, 1943, saying, "I think you will be interested in reading the attached copy of [it]." Morgenthau was interested, but he made one of his few mistakes and did nothing. The matter was not even considered by Congress.

Washington State Congressman John M. Coffee objected and introduced a similar resolution in January 1944. He shouted, angrily, "The Nazi government has 85 million Swiss gold francs on deposit in the BIS. The majority of the board is made up of Nazi officials. Yet American money is being deposited in the Bank."

Coffee pointed out that the American and British shareholders were receiving dividends from Nazi Germany and Japan and that the Ger-

mans and Japanese were receiving dividends from America. The resolution was tabled.

There the matter might have lain had it not been for an energetic Norwegian economist of part-German origin named Wilhelm Keilhau. He was infuriated by Washington's continuing refusal to break with the Bank and its acceptance of a flagrant financial alliance with its country's enemies.

Keilhau introduced a resolution at the International Monetary Conference at Bretton Woods, New Hampshire, on July 10, 1944. He called for the BIS to be dissolved "at the earliest possible moment." However, pressure was brought to bear on him to withdraw a second resolution, and he was forced to yield. The second resolution called for an investigation into the books and records of the Bank during the war. Had such an investigation taken place, the Nazi-American connection would undoubtedly have been exposed.

Bankers Winthrop Aldrich and Edward E. (Ned) Brown of the American delegation and the Chase and First National banks tried feebly to veto Keilhau's resolution. They were supported by the Dutch delegation and by J. W. Beyen of Holland, the former president of BIS and negotiator of the Czech gold transference, despite the fact that Holland's looted gold had gone to the BIS. Leon Fraser of the First National Bank of New York stood with them. So, alas, did the British delegation, strongly supported by Anthony Eden and the Foreign Office. After initial support, the distinguished economist Lord Keynes was swayed into confirming the British official opposition calling for a postponement of the Bank's dissolution until postwar—when the establishment of an international monetary fund would be completed. Keynes's wife, the former Lydia Lopokova, the great star of the Diaghilev Ballet who had made her debut opposite Nijinsky, was a member of a wealthy czarist family who influenced her husband toward delaying the BIS's dissolution and a tabling of all discussion of looted gold—according to Harry Dexter White.

Dean Acheson, representing the State Department in the American delegation, was firmly in Winthrop Aldrich's camp as a former Standard Oil lawyer, smoothly using delaying tactics as the master of compromise he was. The minutes of the meetings between Morgenthau, Edward E. Brown, Acheson, and other members of the delegation on July 18-19, 1944, at the Mount Washington Hotel at Bretton

Woods show Acheson arguing for retention of the BIS until after the war. He used the spurious argument that if McKintick resigned and the Bank was declared illegal by the United States government, all of the gold holdings in it owned by American shareholders would go direct to Berlin, via a Nazi president. Acheson must surely have known that the gold was already deposited for the Axis via the BIS partner, the Swiss National Bank, which shared the same chairman. Acheson also argued that the Bank would help restore Germany post-war. That at least was true.

Senator Charles W. Tobey of New Hampshire emerges with great credit from the minutes of the meetings at the Mount Washington. At the July 18 meeting he said, savagely, to the company in general, "What you're doing by your silence and inaction is aiding and abetting the enemy." Morgenthau agreed. Acheson, rattled, said that the BIS must go on as "a matter of foreign policy." At least there was a degree of honesty in that. Morgenthau felt that the BIS "should be disbanded because to disband it would be good propaganda for the United States."

There were jocular moments during the discussion on July 19. Dr. Mabel Newcomer of Vassar said that she "would not dissolve the Bank." Morgenthau asked her cheerfully whether McKintick's daughter was one of her students. She replied in the affirmative. Morgenthau said, "She has informed my daughter that she is against the Bank." Dr. Newcomer replied, "She didn't inform me, except that she wanted her father to come home—so she might favor the dissolution!"

Everyone laughed. Morgenthau said, "She is very cute. She has read this article in *PM* about it, and she said [referring to an attack on the BIS in that liberal publication] 'I think *PM* is right and father is wrong.' " Morgenthau threw back his head and laughed again. "That is what Vassar does to those girls!"

Under pressures from Senator Tobey and from Harry Dexter White, Morgenthau stated that Leon Fraser, McKintick, and Beyen all had sympathies "that run there." In other words, in the direction of Germany. He said,

I think in the eyes of the Germans, they would consider this as the kind of thing which can go on, and it holds out to them a hope, particularly

to people like Dr. Schacht and Dr. Funk, that the same [associations] will continue [between America and Germany] after the war. It strengthens the position of people like Mr. Leon Fraser and some very important people like Mr. Winthrop Aldrich, who have openly opposed this dissolution.

Dean Acheson, fighting hard with Edward E. Brown at his side, said he "would have to take the matter up with Cordell Hull." He was sure Hull would want the BIS retained since Hull had approved its existence up till now. Morgenthau promised to call Hull, who had become acutely embarrassed by press criticism. After four years of tacitly approving the BIS, Hull told Morgenthau he called for its dissolution. Morgenthau telephoned him and said, "What about McKintick?" Hull replied icily, "Let him read about it in the papers!" Later, he repeated angrily to Acheson, "Let him read about it in the papers!"

Acheson went to see the British delegation on July 20. Closely connected to high-level politicians in England, he was well regarded in Whitehall. Lord Keynes felt that the BIS might be too quickly abolished if Acheson were beaten by the Morgenthau faction. Although Keynes was advanced in years and had a heart condition, he and his wife abruptly left a British summit meeting and, finding the elevator jammed with conferencees, ran up three flights of stairs and knocked on the Morgenthaus' door. Elinor Morgenthau was astonished to see the normally imperturbable British economist trembling, red-faced, and sweating with rage.

Keynes repeated, as calmly as he could, that what he was upset about was that he felt that the BIS should be kept going until a new world bank and an international monetary fund were set up. Lady Keynes also urged Morgenthau to let the Bank go on. Finally, Keynes, seeing that Morgenthau was under pressure to dissolve the BIS, shifted his ground and took the position that Britain was in the forefront of those who wanted the BIS to go—but only in good time. Morgenthau insisted the BIS must go "as soon as possible." At midnight an exhausted Keynes said he would go along with the decision.

Keynes returned to his rooms and contacted his fellow delegates from the Foreign Office. The result of this late-night meeting was that he largely compromised his original agreement and at 2 A.M. sent

a letter by hand to the Morgenthaus' suite again calling for the BIS to go on for the duration.

Next day, over the objections of Edward E. Brown and the great irritation of Dean Acheson, Morgenthau's delegation approved the disposal of the BIS.

Immediately after the liquidation of the BIS was voted, McKintick did everything possible to combat it. He sent letters to Morgenthau and the Chancellor of the Exchequer, Sir John Anderson, in London. He stated that when the war ended, huge sums would have to be paid to Germany by the Allies and the BIS would have to siphon these through. There was no mention of the millions owed by Germany to the Allies and the conquered nations. Harry Dexter White sent a memorandum to Morgenthau dated March 22, 1945, saying, "McKintick's letters are part of an obvious effort to stake out a claim for the BIS in the postwar world. As such, they are, in effect, a challenge to Bretton Woods. . . . The other signatories to the Bretton Woods Act should be advised of the BIS action, should be reminded that we are not answering the letters."

The same day, Treasury's indispensable Orvis A. Schmidt held a meeting with McKintick in Basle. His comment on McKintick's remarks was sharp: "I was surprised that a voluntary recital intended as a defense of the BIS could be such an indictment of that institution." When Schmidt asked McKintick why the Germans had been willing to allow the BIS to be run as it had and had continued to make payments to the BIS, McKintick replied, "In order to understand, one must first understand the strength of the confidence and trust that the central bankers had had in each other and the strength of their determination to play the game squarely. Secondly, one must realize that in the complicated German financial setup, certain men who have their central bankers' point of view are in very strategic positions and can influence the conduct of the German Government with respect to these matters."

McKintick went on to say that there was a little group of financiers who had felt from the beginning that Germany would lose the war; that after defeat they might emerge to shape Germany's destiny. That they would "maintain their contacts and trust with other important banking elements so that they would be in a stronger position in the

postwar period to negotiate loans for reconstruction of Germany."

McKittrick declined to name all save one of the little group, taking particular care to hide the name of Kurt von Schröder. Since he had to name someone, he selected Emil Puhl. Nevertheless, he pretended that Puhl "does not share the Nazi point of view." Orvis Schmidt was not deceived by this. He knew perfectly well that it was Puhl who had authorized the looting of Allied gold and its transfer to Switzerland and who had been talking to McKittrick the day before in Basle about that very subject.

Schmidt closed in. He asked McKittrick whether he knew what had happened to the Belgian gold deposited in the Bank of France. McKittrick replied: "I know where it is. I will tell you. But it is extremely important that word does not leak out. It is in the vaults of the Reichsbank." Evidently he realized he had said too much; that he had let slip his own role in the transaction. He added hastily: "I'm sure it will be in Berlin when you get there. Puhl is holding it for return to the Belgians after the war." This barefaced lie scarcely impressed Schmidt. The gold was already in Switzerland.

McKittrick did not end there. He admitted that the Germans had sent gold to the BIS and said, "When the war is over you'll find it all carefully segregated and documented. Anything that's been looted can be identified. When gold was offered to us, I thought it would be better to take it and hold it rather than to refuse it and let the Germans keep it for other uses."

McKittrick continued, "I'm so sorry I can't ask you to take a look at the books and records of the Bank. When you do see them at the end of the war, you will appreciate and approve of the role that I and the BIS have played during the war." They were, of course, never released.

Orvis Schmidt went on to see the executives of the Swiss National Bank, which maintained its partnership in the BIS and shared the same chairman, Ernst Weber. Schmidt raised the question of the looted gold: the \$378 million in gold of Belgium, Czechoslovakia, Holland, and other occupied countries, including the treasure of the Jews. He knew that by a technicality the BIS no longer siphoned the gold through directly but sent it to its associated earmarked account at the Swiss National Bank.

The Swiss National Bank officials told Schmidt that in order to be sure they were not obtaining looted gold, they had requested a member of the Reichsbank, whom they "regarded to be trustworthy," to certify that each parcel of gold that they purchased had not been looted. Schmidt asked who that person might be. He was not surprised when the directors of the Swiss National Bank informed him that that personage was none other than Emil Puhl, who had just left ahead of his arrival. At the Nuremberg Trials in May 1946, Walther Funk, still listed as a BIS director, testified that Puhl had American connections and had been offered a major post at Chase in New York shortly before Pearl Harbor. Funk admitted that Puhl was in charge of gold shipments. He admitted receiving the gold reserve of the Czech National Bank and the Belgian gold, and he added, "It was very difficult to pay [in foreign exchange] in gold. . . . Only in Switzerland could we still do business through changing gold into foreign currency." Funk said that Puhl had informed him in 1942 that the Gestapo had deposited gold coins, and other gold, from the concentration camps, in the Reichsbank. Puhl had been in charge of this. Jewels, monies, spectacle frames, watches, cigarette cases, and gold dentures had flowed into the Reichsbank, supplied by Puhl from Heinrich Himmler's resources. They were melted down into gold bars; he did not add how many bars were marked for shipment to Switzerland. Each gold bar weighed 20 kilograms. An affidavit was read to Funk, signed by Puhl, confirming the facts. Puhl stated that Funk had made arrangements with Himmler to receive the gold.

Funk unsuccessfully sought to disclaim responsibility for the scheme. He dismissed Puhl's charges that the gold was plowed into a revolving fund. Faced with a film showing as many as seventy-seven shipments of gold teeth, wedding rings, and other loot at one time, he stuck to his story. At one stage he said that the loot was brought to the Reichsbank by mistake! His lies became so absurd that they were laughable. When prosecutor Thomas E. Dodd said to him, "There was blood on this gold, was there not, and you knew this since 1942?" Funk replied weakly, "I did not understand."

On May 15, 1946, Puhl took the witness stand. Puhl claimed that he had objected to the shipments as "inconvenient" and "uncomfortable"—a curious description. He admitted that his "objections"

were 'subordinated to the broader consideration of assisting the SS, all the more—and this must be emphasized—because these things were for the account of the Reich.'"

The prosecuting counsel read items from a report that included the statement, "One of the first hints of the sources of [the gold] occurred when it was noticed that a packet of bills was stamped with a rubber stamp, 'Lublin.' This occurred some time early in 1943. Another hint came when some items bore the stamp, 'Auschwitz.' We all knew that these places were the sites of concentration camps. It was in the tenth delivery, in November 1942, that dental gold appeared. The quantity of the dental gold became unusually great."

In October 1945 the Senate Committee on Military Affairs produced further evidence of Puhl's activities. His letters to Funk from Switzerland in March 1945 were read out. They showed his desperate and successful efforts to overcome the effects of the mission that month headed by Lauchlin Currie and Orris Schmidt. Puhl had constantly hammered away at McKinnick and the Swiss National Bank in order to secure the flow of the looted gold of Europe. McKinnick, brutally exposed by the Bretton Woods Conference's Norwegian delegation, had—the letters showed—panicked, seeking to avoid direct receipt of the gold. Instead, the Swiss National Bank, as BIS shareholder, would take it into its vaults. But in order to camouflage the receipt of it, since the Swiss National Bank had promised the Americans they would not receive it, the Swiss National Bank had disguised it as payments to the American Red Cross and the German legations in Switzerland. There was a starkly ironical humor in this. General Robert C. Davis, head of the New York chapter of the American Red Cross, was also chairman of the part-Nazi network Transradio. As late as 1943, the German Legation in Bern was buying Standard Oil for its heating and automobiles, which were supplied and repaid by U.S. subsidiaries. Tons of gold, thus laundered, poured into the Swiss National Bank in those last months of the war.

In 1948, under great pressure from Treasury, the Bank for International Settlements was compelled to hand over a mere \$4 million in looted gold to the Allies.

Despite the fact that the evidence of the Puhl-McKinnick conspiracy was overwhelming, McKinnick was given an important post by the Rockettellers and Winthrop Aldrich: vice-president of the Chase

National Bank, a position he occupied successfully for several years after the war. In 1950 he invited Emil Puhl to the United States as his honored guest. And the Bank for International Settlements, despite the Bretton Woods Resolution, was not dissolved.

2

The Chase Nazi Account

It was only appropriate that Thomas Harrington McKimick should have been so amply rewarded by Winthrop Aldrich, John D. Rockefeller's brother-in-law, because Joseph J. Larkin, one of Aldrich's most trusted vice-presidents, in charge of European affairs, figured prominently in The Fraternity.

The Rockefeller's Chase National Bank (later the Chase Manhattan) was the richest and most powerful financial institution in the United States at the time of Pearl Harbor. The Rockefellers owned Standard Oil of New Jersey, the German accounts of which were siphoned through their own bank, the Chase, as well as through the independent National City Bank of New York, which also handled Standard, Sterling Products, General Amiline and Film, SKF, and ITT, whose chief, Soesterhus Behn, was a director of the N.C.B. Two executives of Standard Oil's German subsidiary were Karl Lindemann and Emil Helfferich, prominent figures in Himmler's Circle of Friends of the Gestapo—its chief financiers—and close friends and colleagues of the BIS's Baron von Schröder.

Larkin kept the Chase Bank open not only in the neutral countries of Europe and South America but in Nazi-occupied Paris throughout World War II. After Pearl Harbor, Chase's Paris branch provided financial arrangements for the German embassy and German businesses in Paris, under the "guidance" of Emil Puhl's right-hand man

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at the Reichsbank, Hans-Joachim Casser, and with the full acceptance of New York.

In common with most members of The Fraternity, Winthrop Aldrich was politically schizophrenic, capable of playing both ends against the middle in the interests of Big Money. On the one hand he was a most generous supporter of Great Britain in her beleaguered state, raising millions for British war relief in a campaign that in 1942 earned him audiences at 10 Downing Street and Buckingham Palace. Yet with great duplicity he turned a blind eye to Larkin's continuances of the Chase interests and banking headquarters in Occupied Paris.

Joseph J. Larkin resembled Aldrich in his immaculate tailoring, perfect manners, austere deportment, and in his dedication to The Fraternity. A distinguished member of a Roman Catholic family, he had received the Order of the Grand Cross of the Knights of Malta from Pope Pius XI in 1928. He was an ardent supporter of General Franco and, by natural extension, Hitler. Morgenthau first suspected him as a fascist sympathizer in October 1936, when Fernando de los Rios, the ambassador of Loyalist Spain, dedicated to Franco's defeat, went to see Larkin to open an account of \$4 million. The account was to be used to raise local assistance for the Spanish government, including the Lincoln Brigade. Larkin said firmly that the \$4 million account would not be allowed.

Larkin went a step further in the service of fascism. When the Loyalist government deposited a similar amount in the Chase Bank in Paris, Larkin was furious with the subordinate who accepted the account. He immediately contacted the Loyalist emissary in Paris and had him withdraw the deposit. Simultaneously, with the encouragement of Schacht, Larkin took on the Franco account and the Reichsbank account, though the Reichsbank was under the personal control of Hitler. In 1942, introducing a book entitled *Parvenus for Hitler* by Günther Reimann, the lawyer Czekmore Fath wrote:

Since the middle thirties, whenever a German business group wanted to make an agreement with any business concern beyond the borders of Germany, it was required first to submit a full text of the proposed agreement to the Reichsbank. The Reichsbank rejected or rewrote until the agreement met its approval. The Reichsbank approved no agree-

ment which did not fit into the plans of the Nazi State and carry that state another step toward its goal of world domination. In other words, any American firm which reached an agreement or dealt with a German firm . . . was dealing . . . with Hitler himself.*

As war approached, the links between the Rockefellers and the Nazi government became more and more firm. In 1936 the J. Henry Schröder Bank of New York had entered into a partnership with the Rockefellers, Schröder, Rockefeller and Company. Investment Bankers, was formed as part of an overall company that *Time* magazine disclosed as being "the economic booster of the Rome-Berlin Axis." The partners in Schröder, Rockefeller and Company included Avery Rockefeller, nephew of John D., Baron Bruno von Schröder in London, and Kurt von Schröder of the BIS and the Gestapo in Cologne. Avery Rockefeller owned 42 percent of Schröder, Rockefeller, and Baron Bruno and his Nazi cousin 47 percent. Their lawyers were John Foster Dulles and Allen Dulles of Sullivan and Cromwell. Allen Dulles (later of the Office of Strategic Services) was on the board of Schröder. Further connections linked the Paris branch of Chase to Schröder as well as the pro-Nazi Worms Bank and Standard Oil of New Jersey in France. Standard Oil's Paris representatives were directors of the Banque de Paris et des Pays-Bas, which had intricate connections to the Nazis and to Chase.

Six months before the war broke out in Europe, Joseph J. Larkin brought off his most audacious scheme in the Nazi interest, acting in collusion with the Schröder Bank. Aldrich and the Schröders secured no less than \$25 million American for the use of Germany's expanding war economy and accompanied it with a detailed record (supplied direct to the Chase Bank in Berlin for forwarding to the Nazi government) of the assets and background of ten thousand Nazi sympathizers in the United States. The negotiations were engineered with the help of Dr. Walther Funk and Emil Puhl.

In essence, the Nazi government through the Chase National Bank offered Nazis in America the opportunity to buy marks with dollars at a discount. The arrangement was open only to those who wished to return to Germany and would use the marks in the interest of the Nazis. Before any transaction could be made, such persons had to

* Through, of course, the indispensable Emil Puhl.

convince the Nazi embassy in Washington that they were bona fide supporters of German policy. They were told in pamphlets sent out by the Chase National Bank in Manhattan that Germany could offer glorious opportunities to them and that marks would provide a hedge against inflation and would have much increased value after victory in the expected war.

As a result, there was a rush on marks. On February 15, 1939, there was a summit meeting at the Chase in New York of representatives of both Chase and Schröder banks on what was known as the Rückwanderer (Reimmigrant) scheme. Alfred W. Barth was the personal representative of Windthrop Aldrich and Joseph J. Larkin, while E. H. Meili of J. Henry Schröder represented that side of the association. At the meeting the members discussed a proposal that the Reichsbank should send a special representative to the Nazi consulate in New York, which served as the headquarters of the Gestapo and had its accounts at the Chase. The American group decided that they should not take such a risk because their importing such a person might reveal to the American public that they were supporting Nazis. The minutes show that it was decided to "let well enough alone" and to conduct future business on behalf of Berlin through

the employment of numerous agents and sub-agents who operate through the country. These agents and sub-agents in cooperation with their respective principals, ourselves, can go a long way towards educating Germans in exile and those sympathetic to the Nazi cause through extensive newspaper advertising campaigns, radio broadcasts, as well as through literature, etc.

It is unanimously felt that it would be to the greatest advantage of everyone concerned if . . . Berlin would instruct the various consulates in the United States that all inquiries about . . . transactions should be referred to ourselves, whose name should be supplied not only to the various consular offices in the U.S. but also to those who inquire at the consulates in respect to the procedure.

The bankers agreed that special attention should be focused on shopkeepers, factory workers, and others with little money but great potential for Germany. They should be able-bodied young men and women of pure Aryan stock. Above all, the present meeting must never come to the attention of the American government. The minutes of the meeting state:

The ensuing publicity and the agitation that has been furthered in certain quarters of this country [against similar schemes] might possibly compel our Department of State to enforce a clearing system between Germany and America, under which monies due to American citizens such as inheritances, etc., would have to be cleared. The results are too obvious: firstly, no benefits are likely to accrue to Germany; secondly, the final outcome might prove disadvantageous from Germany's standpoint.

Thus, the Chase directors and the barons von Schröder were afraid that if Morgenthau discovered the true facts, the U. S. government might take measures detrimental to the German government. It was an act of total collaboration with the Nazis.

In May 1940 a prominent diamond merchant in New York City, Leonard Smit, began smuggling commercial and industrial diamonds to Nazi Germany through Panama. Smit's company was theoretically Dutch, which placed it under the provenance of the Nazis, but its stock was in fact owned by the International Trading Company, which was located in Guernsey in the Channel Islands. President Roosevelt had issued a freezing order precluding the shipment of monies to Europe, especially if these might seem to be to the advantage of the Axis. A few days after the Smit account was frozen, Chase officials unblocked the funds at Smit's request. The funds flowed out to Panama, allowing diamonds to be sent through the Canal Zone to Berlin.

On June 17, 1940, when France was collapsing, Morgenthau via Roosevelt again blocked the French account to prevent money going to the enemy. Within hours of the blocking, somebody at Chase authorized the South American branches of the Banque Française et Italienne pour l'Amérique du Sud to transfer more than \$1 million from New York to special accounts in the Argentine and Uruguay. The Banque was 50 percent owned by the Banque de Paris et des Pays-Bas (a Chase and Standard affiliate), and 50 percent owned by the Mussolini-controlled Banca Commerciale Italiana. In South America, these banks were working partly for the Axis. Larkin continued to permit free withdrawals from the special accounts even though he knew perfectly well that such accounts were cloaks for Banque Française et Italienne funds.

On June 23, 1941, J. Edgar Hoover wrote to Morgenthau: "During

the monitoring of foreign funds at the Chase Bank, FBI discovered various payments to oil companies in the United States. There are indications that the Standard Oil Company of New Jersey has been receiving money from German oil sales by order of the Reichsbank."

Throughout 1941, *The German-American Commerce Association Bulletin*, a pro-Nazi publication, repeatedly disclosed connections between the Chase Bank and Emil Puhl at the Reichsbank; it revealed that the Reichsbank maintained its account at the Chase. It also maintained an account at the National City Bank when the Reichsbank was personally under the directorship of Hitler. Any transactions between Winthrop Aldrich and Dr. Walther Funk had to be approved by Hitler in person.

Meanwhile, the Germans were permitted to retain accounts at Chase banks throughout neutral Europe. Reports on these accounts were shipped through Madrid and Lisbon by special couriers. The U. S. ambassador to Spain held up many of the shipments of accounts, reporting to the Department of State on trading with Germany.

With the advent of Pearl Harbor, most American firms in Paris closed down for the not surprising reason that their nation was now at war with Nazi Germany. Unfortunately, Joseph J. Larkin and Emil Puhl's right-hand man, Hans-Joachim Caesar, both authorized the retention of the Chase Bank in the Nazi-occupied city for the duration. Otto Aberg, the smooth ambassador to Paris and comptroller of German interests in that city, specifically requested that the Chase manager in Paris, Carlos Niedermann, not close his doors to German business. Such a request was pointless since Emil Puhl and the Chase had already entered into an arrangement that the bank would not close.

The Chase Bank in Paris was the focus of substantial financing of the Nazi embassy's activities throughout World War II with the full knowledge of New York. In order to assure the Germans of its loyalty to the Nazi cause, Carlos Niedermann in Paris and Albert Bertrand and his colleagues in the Vichy branch of Chase at Chateaufort-sur-Cher were strenuous in enforcing restrictions against Jewish property, even going so far as to refuse to release funds belonging to Jews because they anticipated a Nazi decree with retroactive provisions prohibiting such release. When this matter was drawn to the attention of the New York office by an angry Harry Dexter White in May

1942, Larkin refused to act, since to do so "might react against our interests as we are dealing, not with a theory, but with a situation."

The German administrator Hans-Joachim Caesar reinstated the Chase officials who were suspended as a result of complaints in the Nazi hierarchy. On June 5, 1942, Albert Bertrand wrote Larkin that Niedermann was collaborating still further with the Nazis: on June 16, Bertrand revealed that Niedermann was making arrangements to centralize in the Paris office all deposits, securities, and general records of the branches in France. In September 1942 more deposits were placed. By May 1943, they had virtually doubled. German-controlled funds of some 15 million francs flowed in so that Chase could meet its operating expenses. Chase acted as an intermediary for banks in Brazil and Chile in transmitting to Berlin instructions, transfers, orders, statements, and account details at a time when Brazil was at war with Germany. Brazilian censorship prohibited such communications, and the branches were on Allied blacklists.

Simultaneously, Bertrand transferred securities and large sums of money from Vichy to Germany and German-occupied countries abroad via Emil Puhl with Larkin's approval throughout 1942.

The Chase also handled transactions for the Nazi Banco Alemán Transatlántico, which was, according to a Uruguayan Embassy report dated August 18, 1943, "No mere financial institution. It was in actuality treasurer or comptroller of the Nazi Party in South America. It received local party contributions, supervised and occasionally directed party expenditures, received party funds from Germany under various guises and juggled the deposits . . . all under the guidance of the German Legations." It was in fact a branch of the Deutsche Überseische Bank of Berlin.

Most Nazi businesses in South America handled their affairs through the Banco Alemán. Thus, the German legations throughout Latin America possessed channels for distribution and receipt of Nazi funds. The Paris Chase received large amounts of money from Nazi sources through the medium of the Bank.

Most important of all, the Chase, with the full knowledge of Larkin, handled the accounts of Otto Abetz, German ambassador to Paris, and the embassy itself.

It is interesting to consider what, among other things, Abetz and the German Embassy dealt with during the war. They poured millions

of francs into various French companies that were collaborating with the Nazis. On August 13, 1942, 5.5 million francs were passed through in one day to help finance the military government and the Gestapo High Command. This money helped to pay for radio propaganda and a campaign of terror against the French people, including beatings, torture, and brutal murder. Abetz paid 250,000 francs a month to fascist editors and publishers in order to run their vicious anti-Semitic newspapers. He financed the terrorist army known as the Mouvement Synthétique Révolutionnaire, which flushed out anti-Nazi cells in Paris and saw to it they were liquidated. In addition, Abetz used embassy funds to trade in Jewish art treasures, including tapes, paintings, and ornaments, for the benefit of Göring, who wanted to get his hands on every French artifact possible.

The Chase board in New York could not claim that it was unfamiliar with these activities on the ground that communication with Occupied France was impossible. The purpose of retaining diplomatic relations with Vichy was that the U.S. government could determine what was going on in Occupied France. A constant flow of letters, telegrams, and phone calls between Paris and the Vichy branch of Chase in Châteaufort-sur-Cher kept Albert Bertrand informed, and in return he kept New York informed: Washington was advised by Larkin. Despite some criticism by Nazi comptroller Hans-Joachim Caesar, Vichy had under French law the power to close the Paris branch at any minute if New York so instructed. No such instructions were ever received.

When the local branch of the New York Guaranty Trust Bank refused to deal with the Nazis, Niedermann unsuccessfully urged its managers to agree to the demands. In a report marked 1942 (no month or date), Albert Bertrand wrote to Larkin from Vichy, "The present basis of our relationship with the authorities of Germany is as satisfactory as the modus vivendi worked out with German authorities by Morgan's.* We anxiously sought and actually obtained substantial deposits of German funds . . . which funds were invested by Chase in French treasury banks to produce additional income." Reports to New York during the war gave repeated statements by Nazi bank comptroller H-J Caesar of the high esteem in which the German

*The Morgan Bank also stayed open in Paris throughout the war, with New York's knowledge.

authorities held Chase and even had minutes of meetings between the Chase people and Caesar. In one response from New York, date and signator not given in the secret Treasury report recently declassified, an American officer of the bank in Manhattan described Chase as "Caesar's beloved child." All of this was known to the U.S. Embassy in Vichy, and to Washington. But nothing was done.

A Treasury report in Morgenthau's files dated December 20, 1944, reveals that Carlos Niedermann was an outright collaborator with the Nazi government; that Larkin knew this but took no steps to remove him; that Larkin viewed Niedermann's good relations with the Germans as an excellent means of preserving, unimpaired, the position of the bank in France; that the Nazis took exceptional measures to provide sources of revenue for the bank; that they desired to be friends with the American banks "because they expected that these banks would be useful after the war as an instrument of German policy in the United States"; and that the Chase zealously maintained, with authorization from New York, the account of the German Embassy under Otto Abetz in Paris, "as every little thing helps to maintain excellent relations between Chase and the German authorities."

Meanwhile, on December 24, 1943, Winthrop Aldrich, the Chase, Leonard J. Smit, and his company were indicted for violations of the freezing order on shipments to foreign nationals in the matter of the diamond accounts and Smit and his company paid fines of over \$100,000; Smit went to prison for five years. In the midst of the indictments, Aldrich was often closeleaved with the President, discussing his activities on behalf of Allied war relief.

Attorney General Francis Biddle was miserably slow in dealing with the indictment and bringing the Chase to trial. It was only through Morgenthau and his team of Treasury agents that the matter was brought up at all.

In a note from Harry Dexter White to Morgenthau dated January 24, 1945, White warned that if the Department of Justice "continued in its delaying tactics," the case "would have no meaning." He blamed Biddle for being swayed by "pressures from Chase." Simultaneously, now that Paris had fallen to the Allies, Morgenthau sent a team into Paris to investigate the Chase records. The team discovered a new and shocking fact. It found that at the time of the fall of Paris in June 1940, S. P. Bailey, U.S. citizen and manager of the Paris

office, had announced to Larkin that he would "immediately liquidate the branch in the interests of patriotism." Larkin had thereupon revoked Bailey's powers and conferred authority on the known Nazi collaborators who continued in office.

It also turned out that Larkin's staff were sending instructions to the bank direct until six months after Pearl Harbor and that they refused to exercise their right to veto on any transactions from that moment and remained in possession of monthly reports. They even took a step further by having American accounts at Chase in Paris blocked while the Nazi accounts remained open. There are records of Carlos Niedermann and his colleagues being in direct touch with Emil Puhl's office at the Reichsbank, offering to be "at your disposal to continue to undertake the execution of banking affairs in France for your friends as well as for yourselves."

In 1945, as soon as he got wind of Treasury's full-scale inquiry, Aldrich rushed Joseph J. Larkin there to fire Niedermann immediately and clean the nest. He issued statements to the U.S. government that there was "no connection" between Paris and Chase after the United States entered the war. Larkin's so-called job "to get to the bottom of the situation and make the necessary adjustments in personnel" was clearly just a way of covering the fact.

In a telegram marked "Secret" and dated January 12, 1945, the U.S. Embassy in Paris advised Cordell Hull and Henry Morgenthau of a meeting with Larkin. Larkin had done his best to save Aldrich. Greatly agitated, he had told the ambassador,

Aldrich and the board are very much concerned about the situation. The investigation. . . . I must emphasize that the managing personnel left in Paris were not officers of the Chase Bank. . . .

Chase New York wants the Chase Bank here open for the use of the Army. My mission is semi-official. I have been temporarily billeted by the Army. I promise my full cooperation with you. The Bank's interests and the government's are identical. Both desire to maintain American prestige in France.

And then he added a revealing piece of information: "The British government had a good attitude toward British banks abroad. British banks in Paris did big business during the Occupation."

The fact that Britain had also collaborated with Nazi Germany on an official level was scarcely encouraging to the embattled Secretary of the Treasury. However, there is no evidence that he did anything whatsoever about Larkin.

A curious event followed. Aldrich dispatched Alfred W. Barth, the prime negotiator in the transactions of Leonard Smit and the Rückwanderer scheme, to Europe to clean up any further "misunderstandings" about the role of the Chase in dealing with the enemy. A flurry of memoranda went to and from every department of State and Treasury in 1945 as to whether Barth should be allowed to travel to neutral countries. Apparently one of his purposes was to "uncover secreted German assets." Morgenthau and White tried without success to stop the mission. Barth proceeded to Spain.

On April 17, 1945, the Chase National Bank of New York—Aldrich being excused (and Larkin not named)—was placed on trial in federal court on charges of having violated the Trading with the Enemy Act in connection with its handling of the Smit diamond accounts. In his opening statement, U.S. Attorney John F. X. McGohery charged the bank with having failed to freeze the accounts. Defense Attorney John T. Cahill placed before the jurors a substantial volume crammed with documents purporting to deal with the alleged violations of the regulations. Cahill said, "Operations under freezing orders are complicated. Much more so even than operations under your family rationing books. They are, unfortunately, as involved as operations under the Federal Income Tax Law, and it would be as impracticable for all members of the bank staff to become expert in them as it would for such a group to master all the intricacies of income tax legislation."

In other words, he was saying that the unfreezing of the accounts was due to natural incompetence.

Be that as it may, Cahill overlooked the fact that Smit had already pleaded guilty to trading with the enemy and had paid \$110,000 in fines and was serving a jail sentence. Also, that such commitments at the time could scarcely have been unknown to certain officials in the bank.

The trial was complicated and technical. James E. Healey, Jr., vice-president of the Chase National in charge of its Panama branches, testified he had believed that the freeze order was not applicable to

the transfer of funds from abroad to the Chase Bank branch in Panama. Fred C. Winty, another vice-president, testified that nothing official had come to his attention to indicate there was anything wrong with the unblocking of the account. Other officers testified that they had never received orders from the Federal Reserve Bank to block any accounts.

Meanwhile, as the trial went on, Winthrop Aldrich, who was not actually prosecuted in the trial, protested wherever he could be heard that the trial was "absurd" and "based on a technicality." On May 5, 1945, at 3:55 P.M., the jury, after twelve hours of deliberation on three weeks of complicated testimony, acquitted the bank. Aldrich expressed his extreme satisfaction in an interview with *The New York Times*. The matter of the proven dealings of Chase that conclusively established wartime connections with the enemy, including the continuing activities of the Chase Bank in Paris, were neither made public nor were even made the subjects of Senate or Congressional investigation. Once more, the ranks of government closed around the Fraternity. And in 1946, Joseph J. Larkin appointed Albert Bertrand, collaborationist head of the Chase in Vichy, to the board of the Chase in Paris.

The Secrets of Standard Oil

In 1941, Standard Oil of New Jersey was the largest petroleum corporation in the world. Its bank was Chase, its owners the Rockefeller family. Its chairman, Walter C. Teagle, and its president, William S. Farish, marched Joseph J. Larkin's extensive connections with the Nazi government.

Six foot three inches tall, and weighing over two hundred and fifty pounds, Walter C. Teagle was so large a man that it was said that when he stood up from his seat on the subway, it was to make room for two women. He smoked Havana cigars through a famous amber holder. He spoke with measured deliberation, fixing his fellow conversationalists with a frightening, unblinking, and powerful stare.

Teagle came from a prominent Cleveland family just below the millionaire class. He early showed a dominant will, expressed in a thunderous voice, a humorless intensity, and a rugged disrespect for those who questioned his judgment. He was known as a dominant presence at Cornell. Kept out of football by an injury, he worked off his colossal energy in school debates, which he invariably won hands down. Entering the Standard Oil empire under the wing of John D. Rockefeller I, he rose rapidly through his Horatio Alger concern for work and his strong international sense; he drew many foreign countries and their leaders into the Standard Oil web. He weathered scandal after scandal in which Standard stood charged with monopolistic and other illegal practices.

From the 1920s on Teagle showed a marked admiration for Germany's enterprise in overcoming the destructive terms of the Versailles Treaty. His lumbering stride, booming tones, and clouds of cigar smoke became widely and affectionately known in the circles that helped support the rising Nazi party. He early established a friendship with the dour and stubby Hermann Schmitz, of I.G. Farben, entertaining him frequently for lunch at the Cloud Room in the Chrysler Building, Teagle's favorite Manhattan haunt of the late 1920s and the 1930s. Teagle also was friendly with the pro-Nazi Sir Henri Deterding of Royal Dutch-Shell, who agreed with his views about capitalist domination of Europe and the ultimate need to destroy Russia.

Teagle, Schmitz, and Deterding shared a passion for grouse shooting and game hunting; they vied with each other as wing shots. Teagle's love of hunting deer and wild birds was to earn him the admiration of Reichsmarschall Hermann Göring.

Teagle was close to Henry Ford. He first met him in the early 1900s when he wanted to make a deal for oil with a new Detroit auto assembly shop. He walked into the shop, saw how miserably run-down it was, and decided that he would have difficulty in collecting for the gasoline contract. But he took a chance on the thin, gaunt proprietor and went ahead. Many years later the two men met again and formed a friendship. Ford looked at him sharply and said, "We've met before." Teagle remembered at once. "Sure," Teagle said, "I sold you your first gasoline contract. You were stripping down a Winton chassis." Ford replied, "I was. And I was so hard up, I didn't even own the goddam thing!"

Because of his commercial and personal association with Hermann Schmitz, and his awareness that he must protect Standard's interest in Nazi Germany, Teagle made many visits to Berlin and the Standard tanks and tank cars in Germany throughout the 1930s. He became director of American I.G. Chemical Corp., the giant chemicals firm that was a subsidiary of I.G. Farben. He invested heavily in American I.G. and American I.G. invested heavily in Standard. He sat on the I.G. board with Fraternity brothers Edsel Ford and William E. Weiss, chairman of Sterling Products.

Following the rise of Hitler to power, Teagle and Hermann Schmitz jointly gave a special assignment to Ivy Lee, the notorious New York

publicity man, who had for some years worked for the Rocketfellers. They engaged Lee for the specific purpose of economic espionage. He was to supply I.G. Farben, and through it the Nazi government, with intelligence on the American reaction to such matters as the German armament program, Germany's treatment of the Church, and the organization of the Gestapo. He was also to keep the American public bamboozled by papering over the more evil aspects of Hitler's regime. For this, Lee was paid first \$3,000 then \$4,000 annually, the money paid to him through the Bank for International Settlements in the name of I.G. Chemie. The contract was for obvious reasons kept oral and the money was transferred in cash. No entries were made in the books of the employing companies or in those of Ivy Lee himself. After a short period Lee's salary was increased to \$25,000 per year and he began distributing inflammatory Nazi propaganda in the United States on behalf of I.G. Farben, including virulent attacks on the Jews and the Versailles Treaty.

In February 1938 the Securities and Exchange Commission held a meeting to investigate Nazi ownership of American I.G. through a Swiss subsidiary. The commissioners grilled Teagle on the ownership of the Swiss company. He pretended that he did not know the owners were I.G. Farben and the Nazi government. The commissioners tried to make him admit that at least American I.G. was "controlled by 'European' interests." Teagle replied dodgily, "Well, I think that would be a safe assumption." Asked who voted for him as a proxy at Swiss meetings, again he asserted that he didn't know. He also neglected to mention that Schmitz and the Nazi government owned thousands of shares in American I.G.

Teagle was sufficiently embarrassed by the hearing to resign from the American I.G. board, but he retained his connections with the company. He remained in partnership with Farben in the matter of tetraethyl lead, an additive used in aviation gasoline. Göring's air force couldn't fly without it. Only Standard, Du Pont, and General Motors had the rights to it. Teagle helped to organize a sale of the precious substance to Schmitz, who in 1938 traveled to London and "bought" 500 tons from Ethyl, the British Standard subsidiary. Next year, Schmitz and his partners returned to London and obtained \$15 million worth. The result was that Hitler's air force was rendered capable of bombing London, the city that had provided the supplies.

Also, by supplying Japan with tetraethyl, Teagle helped make it possible for the Japanese to wage World War II.

There was a further irony. The British Royal Air Force had to pay royalties to Nazi Germany through Ethyl-Standard for the gasoline used to fly Göring's bombers that were attacking London. The payments were held in Germany by Farben's private banks for Standard until the end of the war.

Following the embarrassment of the Securities and Exchange Commission hearing, Teagle took more and more of a backseat and handed over his front office to his partner and close friend, William Stamps Farish. Farish was somewhat different in character from Teagle. Tall, bald from youth, bespectacled, given to publishing homilies and pious patriotic articles in the pages of *American Magazine*, he had a reserved, almost scholarly manner that barely concealed a flaring temper and a fierce self-protectiveness that made him seem guilty in controversies over Standard when he was not necessarily so. He was so emotionally locked into the company that he was indivisible from it. He never understood a rule of power: to keep calm and polite when the opposition is angry and threatening. He could not resist striking back at anyone who criticized him, sometimes with a rather feeble attempt at physical violence. He shared with Teagle a mania for salmon fishing, dog training, bird-dogging, quail shooting, and fox hunts. Like Teagle, he devoted as much as eighteen hours a day to office affairs, immense journeys by ship and train, and board meetings that sometimes went on into the small hours of the morning. Both had the capacity of senior executives to exhaust everyone but themselves with their certainties. They allowed little area for discussion and brooked nothing save approval.

Farish, like Teagle, was mesmerized by Germany and spent much time with Hermann Schmitz. With Teagle's approval he staffed the Standard Oil tankers with Nazi crews. When war broke out in Europe, he ran into trouble with British intelligence, which boarded some of his vessels outside territorial waters on the Atlantic and Pacific seaboard and seized Nazi agents who were passengers. When the British began interrogating Nazi crews on the Hitler-Standard connection, Farish fired the Germans en masse and changed the registration of the entire fleet to Panamanian to avoid British seizure or search. His vessels carried oil to Tenerife in the Canary Islands, where

they refueled and siphoned oil to German tankers for shipment to Hamburg. They also fueled U-boats even after the American government declared such shipments morally indefensible and while Roosevelt was fighting an undeclared war in the Atlantic. Standard tankers supplied the self-same submarines which later sank American ships. By a humorous twist of fate, one of the ships the U-boats sank was the *S.S. Walter Teagle*.

It was important for the Nazis to convert the oil in the Canaries to aviation gasoline for the Luftwaffe. Once again, Farish proved helpful. As early as 1936 his associate Harry D. Collier of California Standard had built units for conversion in the Canaries. Simultaneously, Teagle had built a refinery in Hamburg that produced 15,000 tons of aviation gasoline for Göring every week.

With war in Europe, General Aniline and Film, successor to American I.G., stood in danger of being taken over by the U.S. government. Teagle and Farish's friend, the Rockefeller associate Sosthenes Behn of ITT, was narrowly stopped from buying the corporation, thus rendering it "American" and not subject to seizure. Henry Morgenthau prevented the deal. For once, The Fraternity was frustrated. Teagle and Farish could not buy GAF themselves, as it would have too clearly betrayed their association with the Nazis.

By 1939, Americans were dangerously short of rubber. The armed services were hard put to complete wheels for planes, tanks, and armored cars. At this time Standard Oil had made a deal with Hitler whereby he would obtain certain kinds of Standard artificial rubber and America would get nothing. This deal continued until after Pearl Harbor.

When war broke out, Frank A. Howard, one of the more dynamic vice-presidents of Standard (also on the board of Chase), flew to Europe with Farish's authorization. In London he held an urgent meeting with U.S. Ambassador Joseph P. Kennedy, who allegedly wanted to negotiate a separate peace that would bring the European war to an immediate end. Kennedy enthusiastically approved Howard's meeting with Farben's representative Fritz Ringer. The meeting was set up in Holland. Howard flew to The Hague on September 22, 1939, supplied with a special Royal Air Force bomber for the occasion.

At the Hague meeting, held in the Standard Oil offices, Howard

and Ringer talked for many hours about their plans for the future. Ringer handed over a thick bundle of German patents that were locked into Standard agreements so that they would not be seized in wartime. The two men drew up an agreement that specified they would remain in business together, "whether or not the United States came into the war." Another clause in the agreement known as the Hague Memorandum guaranteed that the moment war was over, I.G. Farben would get back its patents. Howard returned to London and Kennedy arranged for the patents to be flown by American diplomatic bag to Ambassador William Bullitt in Paris, who forwarded them on by special courier to Farish in New York.

As the war continued in Europe before America's entry, Germany grew more and more desperate for oil. Her domestic supplies were minimal. But for many years Teagle and Farish had exploited the resources of Rumania, setting up extensive oil exploration in the Ploiesti fields and netting millions from Germany in the process. I.G. Farben financed the notorious Rumanian Iron Guard, a fascist military organization led by General Ion Antonescu. Hermann Schmitz, through Antonescu and in league with Standard, held an exercising control over the oil fields. On March 5, 1941, Göring arranged a special private performance of *Madame Butterfly* by the Austrian State Opera at the Belvedere Palace in Vienna in Antonescu's honor. After the performance, Göring sat down for an urgent discussion with Antonescu on securing the use of the Standard Oil fields if Germany and America should go to war. Antonescu conferred with Schmitz and Standard executives in Bucharest. The result of the meeting was that Göring paid \$11 million in bonds for the use of the oil, whether or not America came into the war.

Farish now proceeded to make another deal with Göring. Hungary was second only to Rumania as an oil source for the Nazi war machine. Teagle had started drilling there in 1934.

In July 1941, Farish and Frank Howard filed an application with Treasury for a license to sell its Hungarian subsidiary to I.G. Farben. Farben would, the application said, pay \$5.5 million in Swedish, Swiss, and Latin American currencies, \$13.5 million in gold to be delivered at Lisbon, Portugal, and later shipped to the United States; and it would supply a promissory note for \$5 million by I.G. "to be paid three months after the war ended." This note was to be secured

by the blocked assets of General Avilino and Film in America. Treasury refused the application, whereupon Farish asked if the full amount could be paid in gold at Lisbon. That suggestion also was rejected. Farish protested bitterly.

The British blockade ran the length of the Americas upon the Atlantic seaboard, stopping shipments to Nazi Germany wherever possible. Given the problem, how could Farish go on supplying Göring and Hermann Goering with oil in time of war? He soon found the solution. He sent large amounts of petroleum to Russia and thence by Trans-Siberian Railroad to Berlin long after Roosevelt's moral embargo. He shipped to Vichy North Africa. In May 1940, British authorities captured a French tanker in U.S. territorial waters that was sailing to Casablanca with 16,000 tons of Standard oil, allegedly for reshipment to Hitler. Cordell Hull demanded the British government yield up the tanker. Restricted by maritime law, the British agreed. The tanker sailed on to Africa, followed by six more.

Farish fueled the Nazi-controlled L.A.T.I. airline from Rome to Rio via Madrid, Lisbon, and Dakar. The airline flew spies, patents, and diamonds for foreign currency. Only Standard could make this shipment possible. Only Standard had the high-octane gasoline that enabled the lumbering clippers to make the 1,680-mile hop across the Atlantic.

A hard-working young man, William La Varre of the Department of Commerce, set about uncovering Standard's deals with this Nazi airline. He knew L.A.T.I. was the means by which the Nazis evaded the British blockade. The airline was not subject to boarding and search. Spies traveled by L.A.T.I. between the United States, Germany, and Italy by way of Brazil.

In addition to spies, the planes flew, in 1941, 2,365 kilos of books containing Nazi propaganda, legal and illegal drugs addressed to Sterling Products, Reichsbank money for the National City Bank in New York, wartime horror pictures prepared by Dr. Joseph Goebbels to frighten Latin Americans out of a world conflict. There were electrical materials and gold and silver jewelry for sale to Brazil. American companies in South America shipped the Nazis thousands of kilos of mica and platinum, which existed in quantity only in Brazil, and which were strategic war materials for Germany. Semiprecious

stones were bought cheaply, shipped to Germany, cut in Belgium in slave camps, and shipped back to Brazil for sale.

In order to supply the airline, Farish changed more of his vessels from German to Panamanian registry. Now they were granted immunity under the Panamanian flag by James V. Forrestal, Under Secretary of the Navy, vice-president of General Avilino and Film, and Fraternity member. But U.S. intelligence constantly checked on the members of the Gestapo, the Abwehr, and the Farben spy network N.W.7, who used the airline. Early in 1941, Adolf Berle of the State Department insisted that Cordell Hull stop these shipments. Hull talked to William Farish. He told him he was going to apply export control to the shipments.

Farish was forced to reach a compromise. He would supply L.A.T.I. and the other Nazi airline, Condor, through Standard's Brazilian subsidiary with permission from the American ambassador in Rio. The ambassador gave permission and the airlines continued to fly. It was not until just before Pearl Harbor that La Varre and Berle realized what Farish was doing: By making the deal through the Brazilian company, he was not subject to blacklisting. Thus, the shipments continued until after Pearl Harbor when the Brazilian government stepped in and closed down the airlines. Farish totally ignored his government's request to be loyal. Germany and money came first.

On March 31, 1941, Sumner Welles of the State Department stepped into the picture with a detailed report on refueling stations in Mexico and Central and South America that were suspected of furnishing oil to Italian or German merchant vessels now in port. Among those suspected of fueling enemy ships were Standard Oil of New Jersey and California. There is no record of any action being taken on this matter.

On May 5, the U.S. Legation at Managua, Nicaragua, reported that Standard Oil subsidiaries were distributing *Epoca*, a publication filled with pro-Nazi propaganda. John J. Muccio, of the U.S. Consulate, made an investigation and found that Standard was distributing this inflammatory publication all over the world. By a peculiar irony, Nelson Rockefeller was at that moment in his post of Coordinator of Inter-American Affairs, seeking to insure the loyalty to United States interests of all of the governments of Latin America.

On July 17, 1941, Nelson Rockefeller had joined with Dean Acheson, Morgenthau, Francis Biddle, and Secretary of Commerce Jesse Jones to fulfill a presidential order to prepare what was known as the Proclaimed List of enemy-associated corporations with which it was illegal to trade in time of European war. Acheson was appointed chairman of the interdepartmental committee in charge of the group of Cabinet members. Six months later, in a lengthy memorandum to Milo R. Perkins, executive director of the Economic Defense Board, on January 5, 1942, Acheson laid down the conditions of the Proclaimed List. Rockefeller's claim that he was unfamiliar with the details of Standard Oil practices on behalf of the Axis before and after Pearl Harbor is difficult to believe given the fact that he himself sat on the Proclaimed List committee.

In his official capacity, Nelson Rockefeller was in the peculiar position of having to ask the managers of his South American companies how many Germans they employed, despite the fact that his company and official records both contained the information. He was one thing as coordinator and quite something else as Standard Oil executive. In July 1941, Standard, with his knowledge, authorized the continuance of the lease of its headquarters in Caracas, Venezuela, from a Proclaimed List national, Gustav Zingg, because it would be legally very difficult to terminate the lease. The Coordinator of Inter-American Affairs, with billions at his disposal, leased from a Nazi collaborator for the duration because of a technical issue of a leasing arrangement. More surprising still, a doctor who was in constant touch with Nazis in Caracas, and was on a suspect list, was permitted to remain a member of the medical department of Standard Oil of Venezuela.

On July 15, 1941, Major Charles A. Burrows of Military Intelligence reported to the War Department that Standard Oil was shipping oil from Aruba in the Dutch West Indies to Tenerife in the Canary Islands. The report continued:

[Standard] is . . . diverting about 20 percent of this fuel oil to the present German Government. About six of the ships operating on this route are reputed to be manned mainly by Nazi officers. Seamen have reported to the informant that they have seen submarines in the immediate vicinity of the Canary Islands and have learned that the subma-

lines are refueling there. The informant also stated that the Standard Oil Company has not lost any ships to date by torpedoing as have other American companies whose ships operate to other ports.

On July 22, 1941, there was a meeting of several Treasury officials with Acheson on the subject of oil shipments to Tangier, including those of Standard Oil. Tangier was an open port that was leaking supplies to the Nazis. The meeting was inconclusive. Among the subjects discussed was the possible sale by Standard Oil of its Berlin property. There was no real pressure on the corporation to dispose of that office.

On October 28, 1941, Cordell Hull sent a peculiar letter to Treasury's Edward H. Foley, Jr., who was acting in Morgenthau's absence on vacation. Hull asked Foley whether "Standard Oil Company (New Jersey) may, through its subsidiaries in the other American republics, sell or deliver petroleum or petroleum products, to have other dealings with" persons whose names appeared on the blacklist of Nazi collaborators! Incredibly, he even asked whether Standard Oil might, through its subsidiary, Standard Oil of Brazil, sell petroleum to Nazi Condor, largely from Aruba. The reply was almost as surprising. Foley said that such transactions fell under Executive Order 8389 and "such transactions, irrespective of whether they are provided for by contract, should not be engaged in *except as specifically authorized by the Secretary of Treasury under Executive Order 8389.*"* What Foley was pointing out was that it would be quite possible to trade with Nazi associates with Treasury's specific approval.

This arrangement did not change with Pearl Harbor. Acting in collusion, Treasury and State continued to issue licenses permitting Standard Oil and other corporations to trade with enemy collaborators in time of war.

Over three weeks after Pearl Harbor, on December 31, 1941, Warren E. Hoagland of Standard wrote to Green H. Hackworth, legal advisor to the Department of State, asking which foreign countries and their residents and corporations should be considered as allies of the enemy. In reply, Hackworth informed him that the Department

* Author's italics.

had "not issued a list of enemy or allied enemy countries." Hackworth's note, dated January 6, 1942, contains a touch of unconscious humor: "The Congress of the United States has, you doubtless are aware, declared that a state of war exists between the governments of Japan, Germany and Italy and the Government and people of the United States." The letter goes on to refer Hoagland to the presidential license dated December 13, 1941 permitting transactions prohibited by the Trading with the Enemy Act, provided such trading was authorized by the Treasury.

Immediately after Pearl Harbor, Harold Ickes, Secretary of the Interior and Petroleum Administrator and Coordinator for National Defense and War, began to close in on Farish because of his dealings with Nazi Germany. Farish, who already had savage enemies in Morgenthau and Harry Dexter White, had an even more formidable foe in Ickes.

Ickes was popularly known as the Old Curmudgeon; an inspired if irritating gadfly who was almost certainly the most unpopular celebrity of his day in America. A tense, dark, sharp-eyed, impatient man, he deliberately put his worst foot forward on every possible occasion in the hope of provoking widespread fury and the maximum amount of publicity. He began life with a hatred of the privileged; he was the second of seven children of an impoverished Pennsylvania sharecropping family and spent his childhood sweeping and dusting, washing dishes, kneading dough, basting beef, and flipping flapjacks. He was pinch-hit nursemaid, woodchopper, fire builder, and chicken executioner. In 1890, working as a clerk in his uncle's Chicago drugstore, he was so sickened by the rich with their coachmen, footmen, and high-stepping horses that he mixed scidlitz powders so they would explode in the faces of hated wealthy customers. He became a journalist, writing muckraker articles in Chicago that helped run political gangs out of town. He sharply attacked what he called the "turbulent, grasping, selfish men" personified by Farish and Teagle. His greatest moment was when Roosevelt offered him the post of Secretary of the Interior with the words "Mr. Ickes, you and I have been speaking the same language for the past twenty years. I have come to the conclusion that the man I want is you."

Fiercely committed to Roosevelt, Ickes spent much of the war years with his legs knotted together under a battle-scarred desk from his

reporting days, banging away at his ancient typewriter and producing reams of nude letters, newspaper column squibs, interoffice memoranda, and diary entries saving the trusts led by the Rockefeller's. He would frequently break off from waiting or cross-pollinating his prized dahlia collection to pick up a phone and shower the hated Secretary of Commerce Jesse H. Jones or Walter C. Teagle with a blistering rain of invective. He became known as Roosevelt's conscience. He maddened Roosevelt by his refusal to compromise; his "cumbrous honesty"—as Heywood Brown called it—which led him to disrupt the delicate relationship Roosevelt had established with the Standard Oil leaders to turn them to his own uses.

Ickes constantly complained to Roosevelt that Teagle and Farish were prominent on various government boards including the War Petroleum Board and that American car owners were forming gas lines while the Germans and Japanese had all the gas they needed. Roosevelt was furious.

On June 22, 1941, Roosevelt sent Ickes a rude and peremptory letter on the matter of his restricting oil. He pinned his ears back once and for all by instructing him to release the shipments by arrangement with Cordell Hull. That same day Ickes wrote in his diary (a statement that was censored out of the published version) that for two years now the President had broken promise after promise to him and that he had even begun to lie to him unashamedly. He added that he had often wondered if he could not be of greater assistance to the people on the outside by telling the truth, rather than staying inside, helping to deceive. He was referring to the fact that Roosevelt and Hull were lying to the public about the extent of exports to belligerent powers.

More and more in 1941, Ickes was cut down by pressure from Standard Oil on the State Department. In June, State set up a Caribbean division without even consulting him. This allowed shipments to Axis-influenced neutral countries from Standard and other wells in Venezuela for transshipment via the refineries in Aruba.

Three and a half weeks after Pearl Harbor, Ickes really had his fingers chopped off. Without telling him, Roosevelt set up a committee under the Economic Warfare Council (later the Board of Economic Warfare), which was to handle all duties and responsibilities in the matter of exporting petroleum products. To Ickes's horror,

William S. Farish's right-hand man, Max Thornburg, was appointed Foreign Petroleum Coordinator, with Farish and Harry D. Collier on the board. Thornburg, a smart executive, received \$8,000 a year from the State Department for his job—and \$15,000 a year from Standard.

Ickes was so maddened by this sign of alleged corruption and collusion that he called Vice-President Henry Wallace at home on January 4, 1942, demanding to know why Wallace, as Economic Warfare Council chairman, could tolerate such an arrangement. Ickes charged Thornburg with being ambitious, not overscrupulous, capable of being disloyal; he insisted to Wallace that Thornburg had schemed for the appointment and even presented Roosevelt with the letter authorizing his appointment, standing over the President while it was signed. He said this indicated the degree of influence Standard had at the White House. Wallace did not reply.

Throughout the early months of 1942, Ickes kept hammering away at Wallace to have Thornburg dismissed. Frustrated in his efforts, he charged Wallace with "trampling on his enemies and betraying his friends." His hatred for Wallace matched his hatred for Thornburg. With his stubborn sense of integrity he simply did not understand that in order to win the war, Roosevelt and Wallace had to get into bed with the oil companies.

As a result of his needling, Ickes was forbidden by Roosevelt and Wallace to attend meetings held by Thornburg and Teagle to which agencies of the government involved in oil were invited. Ickes was under constant threat from Roosevelt not to interfere with anything that happened. He was tempted to resign and indeed drafted his resignation on several occasions but finally decided to dig in and fight the Establishment. Through his spies he unraveled the fact that Secretary of Commerce Jesse Jones and Bill Farish were interlocked in business interests in Texas. And at last he found an ally who had the courage to confront the President and the pro-Standard chief in Washington head on: Thurman Arnold.

Arnold was a man after Ickes's own heart. He was a grass-roots all-American publicity hound who had worked his way up to become head of the Antitrust Division of the Department of Justice. A heavy-weight like Walter Teagle and Farish, he could face these men eye-ball-to-eye-ball. Shock-haired, ruddy-checked, with immense shoulders, he would argue or laugh over a dirty joke with equal vehemence,

spewing out a stream of witty, filthy words through a heavily chewed cigar. He was described as looking like a small-town storekeeper and talking like a storm trooper. He was a tough home-stader, former mayor of Laramie, Wyoming, and a cattle-country lawyer of the old school. Like Ickes and Morgenthau, he hated the Big Guys. He was a bitter enemy of corruption. After only a few months in office he cleaned up the building industry, bringing in 74 indictments against 985 defendants. He was accompanied everywhere by his beloved dog, Duffy Arnold. He was so boastful that at one White House banquet, he said to fellow trustbuster Norman Littell, "You know, I'm the most famous Arnold that ever lived." "How about Benedict?" Littell's wife quipped.

During the first weeks after Pearl Harbor, Arnold drove his 1930 La Salle automobile with its shaky rear end through the streets of Washington to a series of meetings with Ickes at Ickes's house. As a result of these meetings Arnold obtained permission from the nervous and weak Attorney General Francis Biddle to hold a meeting with Farish in the matter of the synthetic rubber restrictions that favored Germany still and drastically inconvenienced American motorists and the Army, Navy, and Air Force.

On February 27, 1942, Arnold, with documents stuffed under his arms, followed by his loyal team of secretaries and aides, strode into the lion's den of Standard at 30 Rockefeller Plaza. Just behind him were Secretary of the Navy Franklin Knox and Secretary of the Army Henry L. Stimson. William S. Farish was there to greet them. In the boardroom Arnold sharply laid down his charges while the others looked hard at him. He spelled it out that he had the goods on Standard: that by continuing to favor Hitler in rubber deals and patent arrangements, the Rockefeller's, Teagle, and Farish had acted against the interests of the American government. Chewing his cigar to pulp as he turned over the documents, Arnold coolly suggested a fine of \$1.5 million and a consent decree whereby Standard would turn over for the duration all the patents Frank Howard had picked up in Holland.

Farish rejected the proposal on the spot. He pointed out that Standard, which was fueling a high percentage of the Army, Navy, and Air Force, was making it possible for America to win the war. Where would America be without it? This was blackmail, and Arnold was

forced into a defensive position. He conferred hastily with Stimson and Knox. The result was that he asked Farish to what Standard would agree. After all, there had to be at least a token punishment. Farish said with icy contempt that he would pay \$50,000, to be divided equally among so long a list of executives and corporations that each would wind up paying no more than \$600. Arnold, Stimson, and Knox soon realized they had no power to compare with that of Standard. They did manage to reduce the number of defendants to ten. Farish paid \$1,000, or a quarter of one week's salary, for having betrayed America.

Standard underwent a process of law in the criminal courts of Newark, New Jersey. This was a technicality in order to satisfy public opinion. The charges of criminal conspiracy with the enemy were dropped in return for Standard releasing its patents and paying the modest fine. Ickes wrote in his diary on April 5 that when the light was thrown on a situation like this, it made it easier to understand why some of the great and powerful in the country were Nazi-minded and were confident of their ability to get along with Hitler. After all, he added, they had been doing business with Hitler right along. They understood each other's language and their aims were common. A complete exposure, he added, would have a very good effect on the United States.

Arnold agreed. Although he had crumbled at the meeting at Rockefeller Plaza, he had another recourse by which he could drag Standard through the mud. He and Ickes had a sturdy ally in Harry S. Truman, an enemy of Jesse Jones. The Senator from Missouri was in charge of the Truman defense committee, dedicated to exposing treasonable arrangements. With great enthusiasm G. V. Ickes, Harry embarked on a series of hearings in March 1942, in order to disclose the truth about Standard.

On March 26, Arnold appeared before Truman in an exceptionally buoyant mood in order to lay in front of the committee his specific charges against the oil company. He had dug up a great deal of dirt. He produced documents showing that Standard and Farben in Germany had literally carved up the world markets, with oil and chemical monopolies established all over the map. He flourished papers showing that Farish had refused to send vital patent information to

Canada because Germany and Canada were at war. He showed how Farish had flagrantly disregarded Lend-Lease and good neighbor policies in his connivance with Hitler. He zeroed in on the subject of synthetic rubber, pointing out that it had been denied to the U.S. Navy, and that Farish and Howard had deliberately sidetracked a Navy representative from seeing the processes. He charged that cables showed Standard's arrangements with Japan that were to continue throughout any conflict or break in trade. Leaving the Senate chamber on March 28, surrounded by lots of reporters and photographers, Truman was asked, "Is this treason?" He replied in the affirmative.

Farish completely lost his head. Instead of riding out the storm with cool indifference and waiting for his appearance before the committee, he held press conferences, fired off telegrams from Rockefeller Plaza to the President, issued lengthy and complicated statements on the radio, and told *The New York Times* in a statement prepared by Teagle, who sat up all night to write it, that Arnold's charges had "not a shadow of foundation." Appearing before the committee on March 31, he shouted at Truman and Arnold that he repudiated everything said about Standard "with indignation and resentment" and asserted that he had not in any way been disloyal to the United States. He claimed that the deal with I.G. Farben helped the United States since a number of patents were now in America's possession. He neglected to add that the only reason they were in America's possession was that a criminal court judge had ordered them to be.

On April 2 a flushed and irritable Truman Arnold came to Ickes's office from a further hearing in which Farish had repeated his denials, and told him, "The Standard Oil guys have committed perjury. I know it. I have reported it. Will they be indicted?" He already knew the answer. They would not be indicted. Arnold went on to denounce Secretary Jesse H. Jones to Ickes for complicity with Standard in the whole matter.

Roosevelt was very unhappy with the hearings. Publicly exposing Teagle and Farish was not helping him use them for America's purposes. He had had enough of Arnold as the hearings concluded. He kicked him upstairs to the U.S. Court of Appeals. Ickes wrote in his diary on April 5 that Arnold had been more or less gagged. The War and Navy departments insured that Roosevelt suspended any fur-

their anti-trust actions against the corporations for the duration. They couldn't (as the Rockefeller Plaza meeting had made clear) run an Army and Navy without Standard.

Teagle was so aggravated and distressed by the attacks of the Truman Committee and Arnold that he sent Roosevelt a letter trying to explain his position and tendering his resignation as chief of the National War Labor Board. On April 2, 1942, Roosevelt wrote to him, "My Dear Mr. Teagle: I have your letter of March 23rd about resigning from the National War Labor Board. I hope you will not do so as your work on the Board has been, and I know will prove to be, of great service to the country. Your connection with the suit against the Standard Oil Company does not in my opinion (and I have discussed this with the Attorney General) afford a reason for your withdrawing from the Board." But in September, Teagle, shattered by the further disclosures of the subsequent Bone Committee, again offered his resignation and Roosevelt this time accepted it with the carefully put together statement, "I do want you to know how much I appreciate the long months of hard work which you have put in . . . and the sincere and very valuable contribution you have made to the war effort."

Farish remained on the War Petroleum Board. On April 3, 1942, Ickes called Roosevelt in the Oval Office. He protested against Farish's being in that position, but Roosevelt instructed him not to ask Farish to resign. That same day Ickes called John D. Rockefeller II at home in Tarrytown. Despite Roosevelt's statement Ickes decided to risk his job and ask Rockefeller to dismiss Farish from the post on the theory that Rockefeller would want to clean his own nest and escape the drastically unfavorable publicity caused by the hearings. He began by telling Rockefeller that he knew of the relationship between Standard and I. G. Farben. Rockefeller was silent. Ickes went on, saying that public opinion would force him to take action; that he was not recommending that Rockefeller get rid of Farish but telling him in advance that an embarrassing situation might develop with further hearings that would force Farish to go.

Rockefeller said that he had the utmost confidence in Farish and Teagle; that he believed in their honesty, their sincerity, and their patriotism. Rockefeller alleged that he took no active part in the affairs of Standard and knew nothing of what was going on, despite

the existence of Schröder, Rockefeller, Inc. He added that he was going to stand by these two men unless further facts convinced him they were in the wrong. But he did not expect to discover that they had been in the wrong. The Rockefellers, he said, always stood by their friends; perhaps that was the reason why the Rockefellers had so many friends.

Ickes said he didn't want to make snap judgments, but in a situation like this, where the administration was concerned, one had to pay some attention to public opinion. He added that he had the people to consider, that the people be persuaded that the government was not covering up or protecting any individual to the detriment of the war effort. Unfortunately, as Ickes very well knew, that was exactly what the government was doing.

The following day Truman came to lunch with Ickes. Truman said that Ickes ought to fire Farish immediately from the War Petroleum Board. Ickes didn't have the nerve to tell Truman that the President had protected Farish. Instead he blamed the newspapers for putting an effective lid on the stinking pot with the utmost celerity and dexterity. He told Truman that he had never seen a better job of underplaying the news, except for the first stories that came off the presses. He added that within his experience there had never been a more complete justification of the charge that big business and advertisers had tremendous influence with the press. He added, in his diary for April 11, that there was no use in butting his head against a stone wall.

Truman told the Secretary of the Interior he was drastically against the monopolies. He condemned the dollar-a-year men who were featherbedding their own industries at the government's expense. He promised to do what he could with further inquiries.

Ickes was not content. He prodded Senator Homer J. Bone into the Patents Committee, which began hearings in the Senate on May 1. Bone shared the jealousy of Ickes, Arnold, and Truman when it came to the question of Standard. On May 2, Arnold's keenest friend in the Anti-trust, young Irving Lipkowitz, shoved up still more dirt. He could prove that Standard had deliberately retarded production of the vital war material acetic acid in favor of the Nazis. He charged Standard with being "I. G. Farben's Charlie McCarthy in the chemicals field." Lipkowitz was followed by Senator Robert M. La Fol-

Jalee, Jr., who denounced Teagle and Farish for issuing "as despicable a piece of public relations work by a giant corporation as I have ever seen." He went on: "The Standard officials not only did not have guns enough to come before this Committee today where they could be sworn and cross-examined, but they left the officials who made their denials anonymous." He said that Standard and Farish "adopted that age-old rule of debate, 'when you are weak on facts, give 'em hell.'"

On May 6, John R. Jacobs, Jr., of the Attorney General's department, testified that Standard had interfered with the American explosives industry by blocking the use of a method of producing synthetic ammonia. As a result of its deals with Farben, the United States had been unable to get the use of this vital process even after Pearl Harbor. Also, the United States had been restricted in techniques of producing hydrogen from natural gas and from obtaining paraffin, a product used for airplane lubrication at high altitudes. Jacobs produced a document showing that on September 1, 1939, the day Germany invaded Poland, Standard cabled Farben offering \$20,000 for its 20 percent interest in a Standard subsidiary handling the patents they shared between them. Jacobs showed a Standard memo that read, "Of course what we have in mind is protecting this minority interest of I.G. in the event of war between ourselves and Germany as it would certainly be very undesirable to have this 20 percent Standard-I.G. pass to an alien property custodian of the U.S. who might sell it to an unfriendly interest."

Jacobs revealed that it had been arranged that Farben in Germany should file applications in France and England for various oil developments in Standard's name during the war. Senator Bone was so shocked by this disclosure that he called it "astounding" and said, "If the war does nothing else, it ought to clean up a system like this." On May 7, Farish hailed the committee with a furious telegram. He denied that he had avoided appearing and said that he had sought to appear to clear the record but had been refused permission. The telegram was several hundred words long and was so complicated as to be virtually unreadable. As usual, Farish was simply trying to confuse and bamboozle the committee, which was in fact perfectly prepared to have him appear. It was quite obvious that he preferred

to shelter behind intricate and expensive telegrams rather than face the committee in person.

The hearings resumed on August 7. Texas oil operator C. R. Starnes appeared to testify that Standard had blocked him at every turn in his efforts to produce synthetic rubber after Pearl Harbor. Farish fired off another telegram to Bone, saying he was at a loss to understand why Bone permitted his committee to be used as a sounding board for "reckless, unsupported accusations." He charged Starnes with uttering "glaring falsehoods and misrepresentations," and he flatly denied that he had restricted Starnes in any way. Flying in the face of Starnes's evidence, he said that "like all Americans, who want to get on with this war, we have hesitated to contribute in any way to prolonged public controversy and name-calling. But the abuses of dramatic procedures which occurred at yesterday's hearing must be promptly and openly branded for what they are, or we shall be in danger of losing the very things this nation is fighting for." He went on:

The most slanderous statements of Mr. Starnes were torn from the press release, and these mutilated copies were actually distributed to the press in your committee room by your own committee counsel. Your counsel can hardly plead that he was unaware of the wild and scurrilous nature of the statements the witness was going to make. The circumstances of the witness's appearance are peculiar. Even though you personally stated that he had appeared on his own initiative, it is a singular coincidence that the testimony of this man was presented on the identical mimeograph set-up as had been the testimony of previous witnesses presented under the committee's sponsorship.

These fulminations set ill with Bone and with Roosevelt's special rubber committee headed by the famous Bernard Baruch, which was holding meetings on park benches in Lafayette Square feeding pigeons while it discussed the rubber crisis. Faddess and in shirt-sleeves in the heat, the Baruch committee wrangled desperately in an effort to overcome the rubber shortage.

On August 12, Richard J. Deaton of the Rubber Reserve Co., a federal agency, angrily denied Starnes's charges. However, since he

was affiliated with Standard and with the Texas Company, his denials could scarcely be said to be objective. John R. Jacobs reappeared in an Army private's uniform (he had been indicted the day before) to bring up yet another disagreeable matter. Standard had also in league with Farber restricted production of methanol, a wood alcohol that was sometimes used as motor fuel.

Finally, on August 20, the various complications were ironed out and Farish and Howard turned up before the committee. Howard argued that Standard was aiding the war effort with oils, synthetics, and other products now used in fighting planes, tanks, cannon, and ships. He added that so far as Standard had learned through examinations of oils, fuels, and rubber taken from Nazi planes that had been shot down, Germany had "not made extensive use" of the exchange information. He did not explain how he had had access to planes that had been shot down or how he had been able to make such determinations from mangled or exploded fuselages.

Creekmore Fath, committee counsel, prodded Farish fiercely about supplying aviation gasoline to the Nazi airlines in Brazil. He started, "With the Lend-Lease program in action, were you following the United States or the Almighty dollar in supplying gasoline to the Latin Line?"

"I was following the Almighty State Department," Farish retorted. "Do you question the motives of the State Department?"

Clashes between Fath, Farish, and Howard were frequent. Farish was subjected to a grueling cross-examination in which Fath frequently accused him of lying. Bone snapped at Farish, "Are you familiar with court procedure in which the plaintiff is heard first?"

Farish snapped back, "Do you mean to compare this inquiry to a court proceeding?"

Bone added, "Standard Oil may be a large outfit but it is not going to misinform the American people while I remain alive. I'm fed up with outfits like yours infuriating that Congress is trying to ride them. God knows we're not. No one is big enough to ride your outfit; you're the biggest corporation in the world."

The effect of the inquiries on the Teagle and Farish families was ultimately shattering. Farish's two sons were in the Army Air Force and must have been told often that Standard was fueling the planes that they were combating. Mrs. Teagle and Mrs. Farish had to cope

with the women's clubs. As for stockholders' meetings, they were uncomfortable to say the least. Sales dropped and customers were angered. In desperation Farish's Big Board hired a top-flight public relations consultant, Earl Newsum, to improve the company's damaged image. John D. Rockefeller questioned Teagle and Farish on the matters, obviously trying to avoid direct entanglement by seeming not to know the details of the German transactions. Press conferences were held in which Farish made glowing announcements of the help that was being given the war effort. All of this failed to heal the trauma caused by the severe ordeal in Washington. Farish literally died in all except the physical sense during the Bone Committee hearings. Almost equally shattered, Teagle seldom attended a board meeting again. He was so deeply wounded that he would sleep for long hours and even showed a diminished interest in hunting. The corridors of Rockefeller Plaza seldom heard his heavy tread. Whatever he might pretend, Truman and Bone and Thurman Arnold had jointly destroyed him.

On November 29, Farish, after spending Thanksgiving with his family in New York, drove up to his hunting lodge, Dievrich Farms, near Millbrook, New York. He spent the day walking through the golden woods surrounding the farm. Those who saw him noticed that his brows were knitted in worry and that he looked pale. Shortly after two o'clock that night, he felt very ill and a doctor came to the house. At two thirty the following morning he called out to his wife in an adjoining room that he had a severe pain in his arm. A few minutes later he was dead of a heart attack. The funeral took place at St. James Episcopal Church in New York on Monday. Another service was held in Houston, where he was buried.

Among the pallbearers were Teagle and the new chairman, Ralph W. Gallagher. Others accompanying the coffin were General Motors' Alfred P. Sloan and the National City Bank's president, William G. Brady, Jr. Frank Howard was also in attendance. Harold Ickes, whose diaries daily excoriated the Standard-Nazi connection, felt compelled to deliver a hypocritical tribute for the occasion, inspired more by propriety than honesty, the Old Curmudgeon lied:

I feel a very real sense of loss in the death of Mr. Farish. He was a member, from the beginning, of our petroleum industry committees and

of the petroleum industry War Council. As such he gave the fullest measure of sincere, able and patriotic service to the manifold program which has been necessary to mobilize oil, first for national defense and then for war. He did so even when the taking of these steps called for a disregard of normal competitive consideration. His place in the petroleum war program will not be easily filled.

Meanwhile, on August 8, 1942, Standard was still busy. The company's West India Oil Company had shipped to the Nazi-associated Cia Argentina Comercial de Pesqueria in Buenos Aires on Treasury licenses. The U.S. Embassy in Argentina and the State Department authorized the transaction, along with members of the Petroleum Board in Washington who were also receiving a salary from Standard.

On August 24, John J. Muccio, First Secretary of the U.S. Embassy in Panama, wrote a letter to Cordell Hull headed "Suspicious correspondence—possible Axis control of fuel patent." The district postal censor had intercepted a letter from Miguel Braun, a Costa Rican inventor, to Frank Howard and H. M. McLarin of Standard, offering for sale a newly invented fuel known as Braunitz that Braun had developed. Braun was secretary and treasurer of Channycro, I. G. Farben's blacklisted New York subsidiary. The responding letter from Howard expressed interest in purchasing the patent and soon after proceeded to negotiate for it.

On August 28, a commercial attaché staff member in Argentina permitted a Standard subsidiary to sell to another Farben subsidiary of Buenos Aires despite the fact that the Argentine subsidiary was blacklisted.

In the fall of 1942 it became clear that Germany was already in desperate need of oil. Because of severe weather, shipment of barges and tank cars was drastically restricted. In Africa, General Bernard Montgomery had smashed the Germans and Italians at El Alamein. The Russians had succeeded in their offensive against the Nazi armies.

Switzerland proved more and more valuable as a neutral country. On the surface leaning in the direction of the Allies, that country was in fact in a permanent state of equivocation, exchanging raw materials in Germany for precision instruments and tools. Germany used Switzerland as a conduit for oil into France, which by mid-November

was completely in German hands. It behooved all loyal American companies to do everything in their power to stop the flow of petroleum from Rumania and Hungary through Switzerland for the trucks and armored cars and tanks. But the crumbling regime of William Farish had no such consideration for patriotism, any more than Edsel Ford had when he approved the supply of trucks for that same enemy.

In Switzerland the headquarters staff of Standard Oil was in constant touch with Rockefeller Plaza. It was not chartered to separate itself independently since it was in neutral territory. At the beginning of November 1942, Henri Hengeler and David Duvoisin, the Standard bosses in Berne, paid an urgent visit to Leland Harrison and Daniel Reagan, respectively minister and commercial attaché of the United States. They asked permission to continue shipping Nazi oil from Rumania, from the oil fields that Standard had sold (or leased) to the Nazis. The oil was to be carried by tank car through Switzerland for use by, among others, the German and Hungarian embassies.

Harrison and Reagan had been given a clear mandate by the State Department on July 10, allowing them to license transactions between American concerns and enemy nationals based on the original Executive Order 8389 permitting such transactions. The procedure was that local members of the diplomatic corps had to apply to both Dean Acheson and Morgenthau for the issuing of such licenses. The meeting between Hengeler and Duvoisin of Swiss Standard and Harrison and Reagan was extremely cordial. While Harrison and Reagan promised to take the matter up in Washington, they suggested that Hengeler and Duvoisin should drop in and see the Swiss political department to see what the local government's attitude might be. The two Standard men went over to the government offices, where they received a characteristically Swiss reply. The officials reminded their visitors that "We shall of course, gentlemen, have to take into consideration our local laws. Article 273 of our Penal Code provides that anyone who sells to an alien with whom he is at war can be sentenced in this country to imprisonment." The officials told Hengeler and Duvoisin that they would proceed as follows. The Standard men must agree not to reveal the names of the enemy companies to which they would be supplying products. Thus, Switzerland would be neatly let off the hook.

Daniel Reagan wrote to Acheson on November 4, urging him to agree to the arrangement for the oil shipment. He said that since the Swiss would not authorize the arrangements that instructions for the shipments should come directly from New York. Reagan wrote:

Standard wants permission to store and transport in Switzerland gasoline and fuel oils imported for the use of the Nazi and Hungarian Legations. Standard will unload at the Swiss railway station from railroads controlled by the Axis. American and British oil companies are dependent upon the enemy for petroleum supplies imported by the Swiss syndicate, Petrola. To irritate the enemy by ordering Standard to discontinue the service performed for enemy legations might give the enemy a pretext for refusing to permit oil of enemy origin to be distributed by American companies. * The U.S. Legation is heated by coal of enemy origin and the legation's automobiles are propelled by enemy gasoline. If Standard discontinues storing and transporting oil and gasoline for enemy legations, the latter can undoubtedly have this service performed by a non-American company. To compel the American concern to cease these transactions with enemy legations . . . might result in reprisals against Standard and other American and British oil companies. The legation accordingly recommends that Standard be licensed to continue this operation.

Reagan also asked for Standard to be given permission to pay a Nazi employee of Standard a monthly payment through a German-Swiss clearing account. Reagan went on to discuss Standard's ownership of the Rhine barge *Esso 4*, which was presently commandeered by Germany. DAPG, the German Standard subsidiary, had continued after Pearl Harbor to pay rental to U.S. Standard for the barge. Also, the Danube barges *Pico I* and *Pico II* were supplying I.G. Farben, Krupp, and other Nazi industrial powers, and DAPG was siphoning payments through to New York. Reagan asked if the payments could continue.

The matter of Jean Inglessi came up. He was an official of the Standard Oil office in Paris under the Nazi occupation. He was also on Swiss Standard's board in Lausanne. Reagan urged that Inglessi be kept on.

* Author's italics.

Furthermore, Reagan urged State to approve the matter of Standard railway tank cars carrying oil through Occupied France to Switzerland. Several of these had been commandeered by the German army. The cars were covered by Swiss war risk insurance. Standard wanted permission to assist the Swiss authorities to obtain reimbursement from the Nazis because the tank cars had been bombed by the British. On December 11, Minister Leland Harrison advised Cordell Hull and the others that the British Legation in Switzerland concurred with the recommended arrangements.

On December 26, 1941, John G. Winant, U.S. Ambassador to Britain, discussed the matter with the Chancellor of the Exchequer, Sir Kingsley Wood. Instead of stopping these transactions at once, Winant and Wood decided that it would eventually be "preferable" if a Swiss company transported oil for the enemy legations but that there was no objection to the procedure continuing and that "It is best not to incur any risk of [offending the enemy] by raising this issue." The note continued, "Embassy concurs with British view that on balance there is no reason for taking action which would at most be only minor irritant to Germans and which might complicate an already difficult situation or lead to unfortunate consequences as regards to future operations of American and British oil companies."

The embassy and the British agreed that the Nazi employee could be paid each month, that payment for the barges should be licensed, and that Jean Inglessi should be allowed to continue in office provided he did not live in Occupied France. Also, the license should be given to permit Standard to communicate with France, via the Chase Bank in Paris, to recover the tank cars or obtain war risk indemnity from the Germans, again through the Chase.

On December 29, Winant's office—he was en route to Washington—advised that all licenses should be granted as requested.

The matter was handed over to Morgenthau, who under severe pressure from State was compelled to authorize almost all of the arrangements but deferred decision on the business of supplying the enemy consulates with oil and allowing Standard to ship that oil. However, he permitted the shipments to continue until the Swiss company could efficiently take over.

On January 28, 1943, Harrison protested the decision on shipment by repeating that "to provoke enemy unnecessarily [was] highly un-

desirable. " But he did promise efforts would be made to have the Swiss company transfer the services. Inglessi must surely be allowed to stay in office even though, Harrison revealed, he was working for Standard in Occupied France.

The result of all this was that Standard continued to fuel the enemy, and the enemy fueled the U.S. Legation and its automobiles, until at least mid-1943.

Other transactions continued. On March 5, 1943, a license was granted permitting Standard in Brazil to pay an enemy corporation for special apparatus. On March 22 an enemy agent on the blacklist was licensed to receive \$3,668 by Standard for legal services in Rio. The licensing went on and on. On April 21, 1943, Duvoisin cabled Zurich confirming the shipment of 16.7 tons of fuel to the Axis. The message was intercepted by censorship and sent most urgently to all branches of intelligence but nothing was done about it.

On June 1, 1943, I. F. Stone of *The Nation* (who knew nothing of the aforementioned secret correspondences which were classified up to 1981) attended the Standard stockholders' luncheon at the Patrons of Husbandry Hall in Flemington, New Jersey. He reported that in an early American setting, Ralph W. Gallagher, successor to Walter Teagle as chairman, sought to reply to the angry stockholders who questioned the I.G. Farben association. Gallagher pulled two rabbits out of a hat: two meek young men who had survived torpedoed Standard Oil tankers that had been sunk (by some miscalculation). One Standard supporter asked the crowd how anyone could question the patriotism of a company that had given the lives of three hundred of its men in the war against the submarine. "At this point," Stone wrote, "your correspondent was taken ill."

James W. Gerard, former ambassador to Germany, spoke in support of the company, saying that he had no knowledge of any such American-German relations. Only a handful of those present knew that he had left Germany and his post there a decade before I.G. Farben was formed.

As a grand finale to a meeting notable for its black humor, Ralph W. Gallagher said unblushingly, "We never had any cartel arrangement with I.G. Farben." At that moment *The Nation's* reliable correspondent again felt unwell.

Only eight days later, in a secret document dated June 9, 1943,

C. F. Savourin of Standard Oil in Venezuela was authorized to continue trading in oil with Gustav Zingg's* company and three other Proclaimed List corporations to the tune of a total of 13,000 kilos a month.

On June 15, Joseph Flack, American chargé d'affaires in Caracas, sent to Hull an astonishing list of "sales made to Proclaimed List nationals." Such monthly lists were sent to Washington throughout the entire war.

State Department memoranda in August 1943 show trading was permitted between a Standard subsidiary and five Proclaimed List nationals in Caracas, Venezuela, that were shipping oil to Aruba for use in Spain.

None of these transactions was ever made public. The details of them remained buried in classified files for over forty years. However, it proved impossible for Ralph Gallagher and Walter Teagle, who remained active behind the scenes, to conceal the fact that shipments of oil continued to fascist Spain throughout World War II, paid for by Franco funds that had been unblocked by the Federal Reserve Bank while Loyalist funds were sent to Nazi Germany from the vaults of the Bank of England, the Bank of France, and the Bank for International Settlements.

The shipments to Spain indirectly assisted the Axis through Spanish transferences to Hamburg. At the same time, there were desperate shortages in the United States, long lines at the gas stations, and even petroleum rationing. While American civilians and the armed services suffered alike from restrictions, more gasoline went to Spain than it did to domestic customers.

The whistle was blown by U.S. Ambassador Carlton J. H. Hayes in Madrid on February 26, 1943, who made a statement that "oil products available in this country of Spain are considerably higher than the present per capita distribution to the people of the Atlantic Seaboard of the United States." Asked by *The New York Times* how this could be explained, a spokesman for Cordell Hull declared blandly that the oil came from the Caribbean and not from the United States and was hauled by Spanish tankers. The evasiveness of the response was typical. The spokesman also neglected to mention that shipments

*Nelson Rockefeller's lesser-in-Caracas.

were going to Vichy and to French West Indian possessions under collaborative influence.

Hayes revealed that the gasoline and petroleum products equaled the full capacity of the Spanish tanker fleet. He neglected to add that much of that fleet proceeded regularly to Germany and helped to fuel Nazis, including their embassies and consulates and military installations, tanks and armored cars as well as Spanish troop transports on the Russian front, fighting against the Soviet Union, which was America's ally.

In addition to oil, 25,000 tons of sulphate of ammonia were shipped to Spain in 1943 along with 10,000 tons of cotton, despite American shortages in both commodities.

The economist Henry Waldman wrote to *The New York Times* on February 26, stating it accurately as it was: "Here we are, a nation actually assisting an enemy in time of war, and not only that, but stating through our Ambassador, that we stand ready to continue and extend such help. . . . Spain is [an enemy] and yet we aid her."

Needled by this and other criticisms, Sumner Welles announced on March 11 that "adequate guarantees have been furnished to satisfy the British and United States governments that none of these quantities of oil will reach Germany or German territory." He evidently chose not to reveal that such guarantees from the mouth of General Franco were useless.

The flow of oil continued. On January 22, 1944, Dean Acheson said that "Oil is allowed to go to Spain as part of the bargaining done with neutral countries to keep them from supplying the enemy with what he wants from them." This statement was made on an NBC broadcast entitled "The State Department Speaks." He was telling only half the story.

The fact that this was so was revealed within less than a week. Despite opposition by Acheson, Harold Ickes overruled everybody and went to see Roosevelt. The result was that the United States suspended oil shipments to Spain. Ickes had accumulated a dossier from his special staff of investigators. The dossier showed that in fact oil was going to Germany; that German agents were operating freely on Spanish territory, and that Franco had just released 400 million pesetas of credit to Germany. This would insure the Germans a flow of all the oil it needed, plus unlimited supplies of wolfram, the ore

from which tungsten, a hard substance capable of penetrating steel, was made.

Of course, all of this was known to the United States State Department long before Ickes took drastic action. Nevertheless, nothing whatsoever was done about it. For a brief period the truth emerged about Spain. Spanish ships were searched at sea, showing that oil, platinum, industrial diamonds, and liver extract, from which the Germans made a tonic for filters, submarine crews, and even shock troops, were coming from Argentina and the Caribbean on Spanish vessels, admitted through the British blockade by American licenses.

On January 28, 1944, the British government cut off oil, gasoline, and other petroleum products to Spain. Franco protested violently. Dean Acheson remained sensibly silent.

It was a brief period of sanity. On May 2, 1944, after only three and a half months of suspension, the oil lobby won a fight to restore shipments and to allow limited wolfram exports to Germany as well. In order to secure this important move, Cordell Hull arranged for General Franco to expel Nazi agents from Spain. Tangier, and the Spanish Zone of North Africa. Although Franco more or less followed these polite requests, he continued to harbor large numbers of Nazis sheltering under diplomatic immunity. There was never any question of breaking off diplomatic relations with Germany: 48,000 tons a month of American oil and 1,100 tons of wolfram began to flow back to the Nazis.

A certain grin amusement could be extracted from an interview with R. T. Haslam, vice-president of Standard, on September 19, 1944, in *The New York Times*. Haslam said that "Germany has succeeded in producing a fine gasoline, the equivalent of our own, but in limited quantities." The remark passed almost unnoticed.

On July 13, 1944, Ralph W. Gallagher of Jersey Standard sued the U.S. government for having seized the synthetic rubber patents handed over to Frank Howard at The Hague. I.G. Farben lawyer August von Knieriem flew in from Germany to testify against Standard. Gallagher's face was a picture when he saw Knieriem enter the courtroom. He knew Knieriem would reveal much of the truth of Standard's dealings with the Nazis.

On November 7, 1945, Judge Charles E. Wyanski gave his verdict. He decided that the government had been entitled to seize the

patents. Gallagher appealed. On September 22, 1947, Judge Charles Clark delivered the final word on the subject. He said, "Standard Oil can be considered an enemy national in view of its relationships with I.G. Farben after the United States and Germany had become active enemies." The appeal was denied.

4

The Mexican Connection

Even the supposed enemies of The Fraternity were connected to it by almost invisible threads. One of Jersey Standard's most powerful rivals in the field of petroleum supplies to Germany, William Rhodes Davis's Davis Oil Company, was connected to Göring and Himmler. Davis was linked to Hermann Schmitz and I.G. Farben through the Americans Werner and Karl von Clemm, New York diamond merchants (who were first cousins to Nazi Foreign Minister Joachim von Ribbentrop by marriage), and through the National City Bank.

The von Clemms were fanatical devotees of Germany, even though both had become American residents in 1932. They used a device typical in Nazi circles: a device copied, ironically, from the Rothschilds. One brother stayed in Berlin, the other remained in New York. They were connected to the Schröder banks through interlocking directorships, and on the board of a company that helped finance General Motors in Germany along with I.G. Farben.

In 1931 they financed the Gestapo with funds supplementing those supplied by Schröder's Stein Bank. Yet another Fraternity link was their involvement with the First National Bank of Boston, an associate of the Bank for International Settlements. They conceived the idea of unblocking First National's blocked German marks to build a vast oil refinery for Göring's air force and for Farben and Eurotank near Hamburg, with Karl von Clemm in charge. This oil refinery

would bypass the terms of the Versailles Convention and supply Göring's so-called Black Luftwaffe, which was secretly being prepared for world conquest.

In order to secure the oil for the refinery, the von Clemm brothers had to find an American who would aid and abet them. The choice was easy. From 1926 to 1932, Werner von Clemm had financially sustained a largely unsuccessful oil prospector and confidence trickster named William Rhodes Davis.

Davis was on the face of it unprepossessing. He was short, not much over five feet, with a solid-gold left front molar and a badly bowed left leg that contained a silver plate put there after he was injured in a train wreck in 1918. His head was too large for his body, and his face sported a broken nose. Yet despite his lack of good looks he had the one indispensable quality needed for success. He had the gift of gab. He was capable of talking anyone into the ground. He spoke in superlatives. He never took no for an answer, and he would shaft anyone when the chips were down.

Davis was born in Montgomery, Alabama, in 1889. Poorly educated, he left school at sixteen and jumped a freight car. A kindly porter gave him a job as candy butcher, selling chocolate and ice cream from a tray. Railroad crazy, he graduated to brakeman, fireman, and engineer in the Southwestern states until the collision put him out of commission. Emerging from the hospital with a gimpy leg, he used his plight to his own advantage by working as a comedian on the Keith vaudeville circuit, making audiences laugh as he wiggled his distorted member in a dance. When his popularity ran out, he shipped off on tramp steamers as stoker, fireman, and engineer.

Back in the United States, he dabbled in the oil business but consistently went broke. He was under frequent investigation for a variety of swindles. People were fascinated, even hypnotized, by him; but disillusionment would always set in, followed by the inevitable lawsuit. He sold dry wells, manipulated stocks, and set up and collapsed small companies, carrying the shareholders with him.

In 1926 he was penniless. The von Clemm twins stepped into the picture in 1933. Their support of him saved him from ruin and imprisonment. As a result of this he became deeply committed to Nazism. He was fascinated by the opulence of a Germany heavily financed

by American bank loans, the handsome, healthy men in black uniforms, the pretty blond women. It all seemed a far cry from the breadlines and pinched faces of America in the Depression.

After the deal with the German government over Eurotank, Davis saw the way to make his fortune at last. He owned a few wells through the von Clemms' good graces. With German money he could certainly start putting.

He traveled to Berlin in 1935. He had to have the personal approval of Hitler before he could go ahead. He arrived at the Adlon Hotel, where Karl von Clemm arranged a reception for him to meet Hermann Schnitz of Farben, Kurt von Schröder, and other German members of The Fraternity. He was welcome at once when he gave the group the Nazi salute as he entered the room.

Next morning, two Gestapo officers delegated by Himmler arrived at the door of his suite. They carried with them a letter from the Führer. The former brakeman and candy butcher was overwhelmed. He could not believe he had received so signal an honor. The letter asked him to meet with Finance Minister Hjalmar Schacht at the Reichsbank. When he arrived, Schacht seemed cold and uninterested and brushed the whole matter aside. Schacht already had deals going with Walter Teagle and Sir Henri Deterding of Shell. What did he want with this small fry?

Furious, Davis returned to the Adlon empty-handed. He wrote to Hitler, insisting upon better treatment. Hitler replied immediately in person, asking him to return to the Reichsbank the following morning for another meeting.

Davis arrived in the boardroom at 11 A.M. As FBI records show, Schacht smiled faintly in a corner, obviously in no mood to talk. But a door flew open and thirty directors of the bank appeared, to greet Davis with warm handshakes. Hitler strode in. Everyone jumped to attention and gave the Nazi salute. Hitler said, "Gentlemen, I have reviewed Mr. Davis's proposition and it sounds feasible. I want the bank to finance it." Then he walked out.

It was clear to Davis that the directors of I.G. Farben, along with Kurt von Schröder, had exercised influence over the Führer.

Davis traveled to England, where he resumed an earlier business relationship with Lord Inverforth's oil company. He obtained major concessions in Ireland and Mexico. He traded Mexican oil for Ger-

man machinery when it proved impossible to export marks. Eurotank was built. By 1935, Davis was shipping thousands of barrels of oil a week from his wells in Texas and eastern Mexico.

Davis knew Senator Joseph F. Guffey of Pennsylvania, whose friend Pittsburgh oilman Walter A. Jones had major contacts in Washington. Through Guffey and Jones, Davis met with John L. Lewis, the labor leader of the CIO. Davis worked hard on Lewis, convincing him that national socialism was preferable to democracy and that the German worker far exceeded in health, good humor and muscular prowess the American equivalent. In 1936, Davis tried to influence Roosevelt by pouring money into the election campaign. From then on he was always able to telephone the Oval Office.

In 1937 he saw a major opportunity in Mexico. He was convinced President Lázaro Cárdenas would nationalize the oil fields. He foresaw a way to corner all the oil in Mexico. In February 1938 he started bribing high-ranking officials in the Mexican government. He made a close friend of Nazi Vice-Consul Gerard Meier in Cuernavaca, who was allegedly encouraging Cárdenas to invade and repossess California, Texas, Arizona, and New Mexico.

Davis obtained the Mexican government's cooperation. He was promised all the oil in Mexico when Cárdenas expropriated it on March 18, 1938. Cárdenas kept his promise. On April 18, John L. Lewis telephoned Cárdenas's right-hand man Alejandro Carrillo. Lewis told Carrillo that Davis would be making a deal with Germany and Italy immediately and that these two countries were the only two with which it would be safe for Mexico to deal.

Why did America's most famous labor leader support the arming of the Nazi war machine? Because Lewis had major territorial ambitions himself. He dreamed of a Pan-American federation of labor of which he would be the unchallenged leader. Through Davis, and through Cárdenas, he would be able to consolidate the unions north and south of the border. In this he had the total collusion of Vicente Lombardo Toledano, head of the Mexican labor force.

By June 1938, Davis's first tanker was streaming to Germany with thousands of tons of Mexican oil. But by 1939 he was already running into trouble. On May 31 his chief geologist, Nazi Otto Probst, was found murdered in his hotel room in Mexico City. Probst had been strangled by a clothesline that was tied to the head of his bed.

The German Embassy intervened and prevented an autopsy. FBI investigators determined Probst had been poisoned. It turned out he had bribed government officials and stimulated action against communists. It was almost certainly a communist killing.

Communist cells infiltrated Davis's growing oil empire. He used strikebreakers to vanquish the opposition and shipped millions of barrels of oil until after World War II broke out in Europe.

Meanwhile, the von Clemm brothers profited enormously from his success. Göring gave them the German franchise in hops, putting them in virtual control of the beer business.

Along with Davis, they became multimillionaires. In one of his frequent visits to Germany, Davis became close to a bespectacled, bulbous-foreheaded youth named Dr. Joachim G. A. Hertslet. Hertslet worked with Heinrich Wollthat on Göring's economic staff and he also worked on Emil Puhl's staff with Hans-Joachim Caesar. In a series of urgent meetings with Göring, Admiral Erich Raeder, and various army chiefs, these young economists arranged for Davis to fuel the German navy, while Standard Oil fueled the air force. Davis and Joachim Hertslet arranged a German credit of \$50 million to Cárdenas to be used for the reconstruction of the broken-down national railroad system, the building of irrigation and hydroelectric power projects, and the setting up of new oil-field equipment and construction. Hertslet opened the German Import-Export Corporation in Mexico City, which was to aid Mexico in stabilizing its currency. It was Göring's plan to render Mexico a debtor republic that could be relied upon to be an ally in time of war.

In meetings in Mexico City at the end of August 1939, Davis told Hertslet of his concern about what might happen to his oil shipments if Germany was involved in war. The papers were full of forebodings. Davis saw his newfound empire crumbling. Whatever happened, he had to secure permanent peace. He cabled Berlin on September 1, 1939, asking Göring if he could see Roosevelt to stave off the conflict. Needless to say, Göring's reply was enthusiastic. That same day he had sent Electrolux's Axel Wenner-Gren on a similar mission to Roosevelt.

Hitler's attack on Poland and Britain's subsequent declaration of war threw Davis into panic. He had his colleague, the beautiful secretary Erna Wehrle, help him prepare a secret code, to be approved

by Himmler, which would allow him to keep in touch with Hitler and evade British censorship in Bermuda. The code designated Enna as Chrysanthemum, Hitler as Heron, and surprisingly, John L. Lewis as Dung, Roosevelt, Göring, and all other figures had their code names. Next, Davis rushed Herslet to Berlin to insure Göring's complete support in the future. On September 5 he had an urgent conference with Lewis, who called Roosevelt and insisted the President see the anxious oilman.

Roosevelt dared not offend Lewis because of Lewis's power over the work force on the brink of the 1940 election. However, he was afraid of what he called "venery or plot": J. Edgar Hoover and the State Department's Adolf A. Berle had handed him massive dossiers showing Davis's Nazi connections.

Like Ickes and Morgenthau, Berle was a fierce opponent of Nazi Germany. Morgenthau and Ickes were very happy to have him deal directly with the Davis matter. Busy fighting Standard Oil, they needed his assistance badly. Berle worked against Dean Acheson, whom he disliked intensely; the feeling was mutual. Berle was a maverick in the State Department, a thin, fierce, driven man who completely lacked the smooth gift of compromise normally required in Department dealings. Roosevelt trusted him completely. Indeed, he placed Berle over Hoover, preferring to have all of Hoover's reports sit-phonned through Berle and analyzed by him before they reached the desk of Major General Edwin M. ("Pa") Watson, the presidential secretary.

On September 13, Davis called Roosevelt for an appointment. The moment he was off the phone, Roosevelt summoned Berle to the Oval Office. He asked Berle to sit in on the meeting with Davis scheduled for the following afternoon; he was to take minutes and to give him his personal comments as soon as Davis left.

At two o'clock the following day Davis limped into the office with all of his bantam cock's outrageous arrogance. He paced about the room, spouting his line of peace with Hitler and suggesting he should go to see Göring to convey Roosevelt's peace message. He was irritated by Berle's presence in the room. He asked Roosevelt twice if Berle could leave. Roosevelt refused to accede to his request. Davis shrugged and sat down.

While Roosevelt listened through a cloud of cigarette smoke Davis

unraveled a great deal of specious nonsense. Knowing Roosevelt had no time for Hitler, he tried to sell him Göring, promising that Göring would soon take over the German government and saying that Hitler had been "moved away from the main Council." He asked the President's authority to enter into peace talks with Göring on the President's behalf.

Roosevelt replied that he had often been approached to intervene in the European conflict but he could only do so through official channels. He pointed out that he had sent a message just before the war suggesting peace talks but had not received an answer until the war had begun, "which, of course, got no one anywhere."

Roosevelt did not authorize Davis to act on the American government's behalf. Indeed, as soon as Davis left, he ordered Berle to contact J. Edgar Hoover and instruct the FBI chief to report directly to Berle on Davis's movements and contacts. On no account was Hoover to report to the Attorney General Robert H. Jackson or to Cordell Hull.

Davis left the meeting with Roosevelt in a state of drastic unease. Herslet cabled him on Göring's instruction that he and Lewis must influence Roosevelt to suppress any revision of the Neutrality Act. In his cable of September 18 he reminded Davis, who scarcely needed reminding, "selling to belligerent nations means destroying cargo boats."

Davis, afraid of falling out of favor with Göring, cabled Berlin the next day that the President wanted him to negotiate the peace. He pretended that Roosevelt had agreed Germany should keep Danzig, the Polish Corridor, Czechoslovakia, all former provinces ceded to Poland by the Versailles Treaty, and all African and other colonies that Germany had had before 1918. He asserted that Roosevelt had appointed him ambassador without portfolio. He left for Lisbon and Rome on September 20. His plane was forced down by storms in Bermuda. British Intelligence men came to the airport and questioned him closely. He refused to answer them and proceeded to Lisbon.

In Rome, Himmler sent several Gestapo men to meet Davis's plane. The oilman had a quick meeting with Mussolini, who proved welcoming. Accompanied by the SS men, he was given a special aerial tour of the German and Polish fronts.

Göring received him at the Air Ministry in Berlin on October 1,

1939. Among those present were Hertslet and Wohltat. Göring opened the conference by expressing his admiration for Davis's efforts in providing petroleum to Germany for almost seven years through Eurotank. He asked for Roosevelt's sentiments and Davis insisted that Roosevelt was pro-German. Göring was understandably surprised. He said that he expected Davis to help secure permanent peace at the conference table, with Hitler and Roosevelt presiding.

J. Edgar Hoover and military intelligence determined that Hertslet would be returning with Davis to the United States. When Davis and Hertslet arrived in Lisbon on their way home, the local consul refused Hertslet a visa. Davis made a tremendous fuss, citing his "friendship" with Roosevelt and shouting that Hertslet was "a director of his European company." The consul cabled Berle in Washington, asking him whether he should shut his eyes to the fact that Hertslet was a high-ranking figure in the Nazi government.

In Washington, Berle had an urgent meeting with Assistant Secretary of State George S. Messersmith. They agreed Hertslet was dangerous. They cabled the consul in Lisbon to refuse Hertslet the visa. Hertslet returned to Berlin to obtain a diplomatic passport.

Back in Washington, Davis checked into the Mayflower Hotel. FBI men had difficulty in bugging his conversations and movements. A post office convention filled the hotel and the G-men were unable to find a single room from which to operate. They had to use corners, closets, fire escapes, and even the roof as bases of their operations. It was only by engaging waiters and maids to help them that they discovered the import of meetings between Davis and his reliable secretary. These indicated commitment to the Nazis whether America came into the war or not—at least on Davis's side.

Davis tried to arrange another meeting with Roosevelt. While he waited for a decision, he changed his tankers to Panamanian registry to slip them through the British blockade to Lisbon, Hamburg, and other ports of Europe. He kept up a constant flow of petroleum and vital materials to Japan, again using Panamanian registry rather than Japanese tankers because British intelligence was boarding Japanese ships at sea and arresting their German crews. Davis entered into collaboration with a former U-boat captain who was one of the harbor staff of Brownsville, Texas, and could aid him in his blockade running.

Meanwhile, the von Clemm brothers were running into trouble. Morgenthau's Treasury agents were in Berlin, dodging the Gestapo to investigate the Davis-von Clemm deals through the Hardy Bank. Karl von Clemm cabled Davis frantically on October 11, 1940, that he saw "execution" coming, and he reminded Davis of his six and a half years of protection of the oilman. What could Davis do? Davis arranged with Göring for von Clemm to be transferred to Rome. Von Clemm and his brother diversified their company into diamond smuggling.

Following the occupation of Belgium and the Netherlands, the banks rushed their large holdings of diamonds into special vaults. But they were compelled to reveal the vaults' whereabouts. The von Clemms made a deal with the German government to obtain a corner in diamonds, importing them to North America to sell for desperately needed dollars with which to finance espionage rings and obtain industrial diamonds. Since the war was going on, these shipments were in direct contravention of the existing laws. So the von Clemms set up a complicated routing for their transactions.

The diamonds were shipped from Brussels and Amsterdam to Rome. They were put aboard the Nazi-controlled L.A.T.I. airline and flown via Lisbon and Dakar to Natal in Brazil and thence to Rio. They came by diplomatic pouch from the German Embassy to the German consulate in New York.

In 1940, with no satisfaction from Roosevelt, Davis turned violently against the President and joined with the Nazis in a desire to destroy him in the elections. John L. Lewis agreed with Davis that Roosevelt must go or the entire oil deal with Hitler might be stopped.

Davis talked with Göring and the result was that Göring actually supplied \$8 million to engineer the President's downfall. The Fraternity members decided to finance Burton K. Wheeler for accession to the White House. The perfect choice of a Nazi faction, Wheeler was ceaseless in his support of Hitler. He used his senatorial franking privileges to distribute Nazi propaganda through the mail. He opposed Lend-Lease, conscription, and aid to Britain in the form of warships and munitions.

The \$8 million arrived in Washington via L.A.T.I. airlines and Pan American Airways. Davis spread the money through accounts in six different banks. His first investment was \$160,000 to buy forty

Pennsylvania delegates at the Chicago Democratic party convention to insure the defeat of his old friend Senator Guffey, who was threatening to expose The Fraternity. The forty Pennsylvania delegates would also vote against Roosevelt. The deal did not work. Guffey won the nomination and so did Roosevelt. Wheeler lacked the common touch and had no chance against the President.

John L. Lewis did his best. He guaranteed ten million votes for Roosevelt's Republican opponent, Wendell Willkie. He gave a radio speech on October 25, denouncing Roosevelt as a warmonger and threatening to retire from the CIO if the President was reelected. But Roosevelt remained in power. While leaving the public in no doubt of his attitude to Hitler, he promised the electorate that no American boy would die on foreign soil. He thus united the isolationist factors and assured himself the election.

Davis overcame the setback by expanding his operation. He set up U-boat refueling bases through the Caribbean and South American coastlines. He split off Eurotank into an independent body under Gilling and Karl von Clemm. His profits indirectly siphoned to him through the Bank for International Settlements via Lisbon and Buenos Aires. But as America drew closer to war, the von Clemm brothers grew more and more worried about their American operation. They had to be prepared for the flow of diamonds and oil to be stopped.

In May 1941, Karl von Clemm warned Werner in a cable encoded AUNT KATE DYING FAST that Hitler was about to declare war on the Soviet Union. When Hitler invaded Russia, Davis's shipments of oil via Vladivostok and the Trans-Siberian Railroad to Berlin abruptly stopped. Hastily, he increased his Compania Veracruzana deals with Japan, and arranged for \$3 million in yen to be transferred to him via the White Russian millionaire Serge Rubinstein to buy foreign exchange and finance oil wells. He also became involved in business deals with Brazil and Argentina.

Davis gave financial support to the No Foreign Wars Committee. This was financed also directly from Berlin. Meanwhile, the von Clemm brothers financed the pro-Nazi America First movement. With Verne Marshall, isolationist editor and supporter of Hitler, Davis and Werner von Clemm became involved with Charles Lindbergh and his "pacifist" campaigns against Roosevelt. On January 2, 1941, Senator Josh Lee, a Democrat from Oklahoma, charged that the formation

of the No Foreign Wars Committee with Davis's backing amounted to "the diabolically cunning betrayal of the American people." He added:

The record of this man Davis shows conclusively the great financial stake he has in a complete Nazi victory in the European war. Much of the gasoline sending showers of fiery death into the defenseless heart of London was sold to the German government by this man Davis. . . . He is still trying to promote a phony peace through the White House to pull Nazi Germany's chestnuts out of the fire. . . . The No Foreign Wars Committee is a timely object lesson in the technique of Nazi infiltration.

The truth of Lee's words could be seen in the fact that the committee included Senator Rush D. Holt of Virginia, who was alleged to be in the direct pay of the Nazi government.

On January 5, at a press conference in his offices on the fifth floor of the RCA Building in Rockefeller Plaza, Davis denied he was financing the committee. He said he would like to appear before the Senate committee that had been formed to investigate his activities. The investigative committee was headed by Senator Burton K. Wheeler!

In an attempt to bolster his case, Davis said he had not shipped oil to Germany after war broke out, knew nothing about what was happening at Eurotank (despite the fact that he had received a letter from Karl von Clemm the day before), and stated he was a direct descendant of the South African empire builder Cecil Rhodes and of Jefferson Davis. The problem was that Cecil Rhodes had had no children and that Jefferson Davis's descendants had been disowning the oil-man for the past twenty years.

By May, Senator Wheeler had "cleared" Davis of all connections with the Nazi government. But this help from a fellow Fraternity figure did not ease Davis's increasing sense of fear that Roosevelt would bring America into the war. On July 26 he appeared briefly on radio to support Wheeler's all-out attack on Lend-Lease. On August 1 he was in Houston when he was stricken with a fatal heart attack in his hotel room.

In his authorized biography, *A Man Called Intrepid*, Sir William

Stephenson claims that Davis did not die from natural causes but was murdered by representatives of British Intelligence. According to the FBI files his demise was simply brought on by the terrible strain of the preceding months as his empire fell apart and his Nazi connections began to cause some of his shareholders to run for the hills.

After his death his secretary, the glamorous Erna Wehde, became chairman of the giant corporation. Werner von Clemm became vice-president. The board was made up of Fraternity aide U.S. Secretary of Commerce Jesse H. Jones, Harry D. Collier of California Standard, and Hamilton Pell, partner of Leo T. Crowley in Standard Gas and Electric. The Fraternity had come full circle once more.

Throughout the early months of 1942, Morgenthau's team built a damning case against the von Clemm brothers. Meanwhile, they hastily sold the Davis Oil Company to Fraternity brothers Serge Rubinstein and Axel Wenner-Gren to insure its continued existence.

Werner von Clemm went on living a life of luxury on his ill-gotten gains. He became a pillar of society in the heart of the fox-hunting country: at Syosset, Long Island. No one who enjoyed his company suspected that this handsome member of the local social set was on the brink of being arrested.

On September 26, 1942, a police car containing Treasury agents rolled up at the door of the von Clemm house. The visitors rang the doorbell. A maid came to the door. The elegant von Clemm was waiting in the living room to receive the visitors. The agents apologized for the inconvenience and politely placed handcuffs on Werner's delicate wrists.

The trial caused a great stir in Syosset. Werner lied and lied, trying to hide the details of the conspiracy. But it was useless. He was sentenced to five years in prison—the only member of The Fraternity to suffer such a sentence. There is a curious footnote to the story. On October 15, 1942, the German government sent an official message through the Swiss authorities to American minister Leland Harrison in Bern. They asked for a full transcript of von Clemm's trial to be sent from Washington to Berlin. It was, of course, supplied.

At war's end, O. John Rogge, Special Assistant to the Attorney General, collected a mass of evidence in Germany to show the Davis-Lewis connection. At a speech at Swarthmore College on October 26, 1946, he told the story of the association. He also showed other

questionable connections, including the activities of Burton K. Wheeler on behalf of the Nazi government. The result was that Attorney General Tom Clark fired Rogge. When the author of this book asked him in 1981 why he had been dismissed, the dying Rogge replied succinctly. "Wheeler," he said, "was closer to President Truman than I was."

Trickery in Texas

A partner of the Rockefeller associate, Standard Oil of California, the tall, fair-haired, and dynamic Torild "Cap" Rieber of the Texas Company was an important link in The Fraternity. Born in Voss, Norway, in 1882, this strapping young Viking became an American citizen at the age of twenty-two. Within weeks, he was master of an oil tanker loading up from Spindletop, Texas. He joined the Texas Company at twenty-three; within twenty years he was chairman; he created a tanker fleet that gave his company enormous international power by 1933. He built the Barco pipeline in Colombia, flying suspension bridges in sections from Texas to the Andes, flinging them across 5,000-foot passes. He linked up with Standard Oil of California in Saudi Arabia and in Bahrain in the Persian Gulf, obtaining a monopoly through under-the-table deals with the local rulers and the Japanese and German interests in those areas.

"Cap" Rieber supplied Franco in the Spanish Civil War, shipping oil from Galveston to Bordeaux in France and thence to Coruna, with orders not to stop for inspection by any man-of-war, including United States gunships. He supplied polymerization techniques to I.G. Farben in the Ruhr and to I.G.-Farben-connected companies in Iran, Saudi Arabia, Egypt, and Syria with the approval of the State Department.

In December 1939 he flew with Göring in a plane piloted by Pan

American Airways pilot Pete Clausen on a personally conducted tour of the main centers of industrial Germany. He sailed his vessels through the British blockade to fuel the U-boats after 1939, and simultaneously sent more to aid Nazi corporations in South America. He told *Life* magazine in 1940, "If the Germans ever catch [any of my ships] carrying oil to the Allies they will have my hearty permission to fire a torpedo into her."

Rieber was among those, like Davis, who had high hopes for Juan Almazán's bid for the Mexican presidency to succeed in favor of the Axis. On February 12, 1940, the American Embassy in Mexico City reported that Texas Oil of Arizona was working in close collusion with affiliated oil groups including the Davis Oil Company in directing the clandestine entry of arms into Mexico. The arms were to support a possible military coup by Almazán in the event of his defeat at the polls. The report said, "Pacific Fruit Express refrigerator cars are each loaded with arms in special wooden boxes so shaped as to fit very conveniently along the sides of the wooden strips or slotted flooring that permits the drainage of the ice water to the drain pipes under the floor of these cars." The report added, "Oil company secret service operatives are ridiculing the Mexican Government for the glass-eyed vigilance on the border, as they call it, that enables them to execute adroit introduction of arms without detection." The report said, "I find that large sums of oil money are being paid out on the border for protection and I also have ascertained that Custom House officials on the American side of the line at Eagle Pass, Texas, have accepted money to facilitate the departure of arms from the U.S.A. through this American port of entry."

In 1940, Rieber worked in close collaboration with the Texas Company's German representative Nikolaus Bensmann, who was a paid spy of Hermann Schnitz's nephew Max Ilgen in Bremen. Bensmann corresponded with Rieber and Rieber's vice-president, R. J. Dearborn, in a complicated cipher that was successfully designed to evade the British censorship office in Bermuda. The cipher was so effective that, as Bensmann wrote to the Abwehr in Hamburg on January 29, 1940, "Even lengthy espionage reports can be transmitted without running the risk of discovery." By the code, Rieber was able to send information to Bensmann about gasoline shipments to the Canary Islands and secret patents being shipped clandestinely to

Berlin. These reports made their way to I.G. Farben's N.W. 7, Intelligence Group, where they were examined by Ilgen. Rieber visited Koonsevelt to discuss the President's attitude toward Germany; intelligence on the meetings was transferred by Bensmann's code to Berlin. Rieber's reports on every aspect of the petroleum industry in the United States rivaled those supplied by General Antine and Elm. Even restricted aircraft-production details were given, in a fifty-eight-page report that should never have left America, prepared with the cooperation of spies in the offices of Secretary of the Interior Harold L. Ickes and Secretary of the Navy James V. Forrestal. The cipher was never broken. But here is a problem. Why were these ciphers allowed to flow through Bermuda? Why were they not stopped? There is no evidence they were forwarded to London for examination.

Rieber obtained British Navicerts or certificates of authorization to send his supplies to Germany through the British blockade after Britain and Germany were at war. He barreled the shipments for nine tankers built for him in Nazi yards and delivered to him under the Norwegian flag with British consent after September 3, 1939. In 1940, Rieber sold all German interests in Texas Company's German patents for \$5 million. He arranged contracts with I.G. Farben in which he supplied plans of all the motors and installations of American Navy yards and Army forts that he provided with gasoline and oil.

Some of Rieber's employees were loyal Americans. They wrote to the State Department and even the President demanding that Rieber be exposed. They alleged that he hired Gestapo agents as lubrication engineers and that emissaries of the German military authority in Norway were staying with Rieber in New York. On August 2, 1940, an employee of Rieber's Bureau Research Laboratory wrote the State Department that Rieber was "a representative of Hitler in this country." The employee added that "the entire executive staff of the Texas Co. is pro-Nazi and openly boasts of it as well as being willing to do all within its power to injure the English and help the Germans." The letter went on:

Two men from Germany are now at the laboratory, neither one being a technical man, and as nearly as we can determine, they are here solely for the purpose of learning all they can about this country so that if an invasion is made, they will have had a chance to send to the

country all of the essential information about industrial plants and areas. They were "economists" in Germany and were assigned to the work in engineering in our laboratory—work they are not equipped to do. One of these men is an outright propagandist for Hitler. Contacting all the people of German extraction in America and holding meetings at his home, preparing the way for the proposed German invasion of this country. He has taken pictures of the entire area, completely mapped the district by photography and is constantly wandering over the district taking pictures of strategic areas.

The visit to New York that year of Nazi Fraternity associate Gerhard Westrick (see Chapter 6) exposed Rieber to such unwanted publicity that several shareholders in the Texas Company demanded that there be a housecleaning and that Rieber must retire for the company's own good.

On August 20 fifteen directors of the corporation walked grimly into the Texas Company boardroom on the twenty-fifth floor of the Chrysler Building. They had to reach a decision on the future. They argued for seven hours, trying to find some way to clean up the board's image after the unwelcome attention Texas Co. had been getting. They knew that the press coverage of the Rieber-Westrick association could cause a catastrophe in business. Walter G. Dunnington, the prominent Manhattan attorney who represented the estate of railroad pioneer James J. Hill, the Texas Company's biggest single stockholder, insisted that Rieber must go. Prominent banker William Steele Gray, Jr., and stockbroker Henry Upham Harris agreed. Texas oilman John H. Lapham and Chicago banker Walter J. Cummings wanted to have Rieber take a vacation until the bad publicity blew over. But Rieber's second-in-command, the smooth, soft-voiced William Sterling Sullivan Rodgers, was eager to take Rieber's place and made no bones about seeking Rieber's dismissal.

Rieber was asked to present his own point of view, which largely consisted of booming delivered sweet nothings. The result was that the board asked for his resignation. However, he continued to exercise influence behind the scenes. The adroit W. S. S. Rodgers took over from Rieber. He linked up with the Rockefeller empire by going into partnership with Harry D. Collier, cheerful chairman of Standard Oil of California, and the former Jersey Standard employee

Jimmy Moffett, Rodgers formed Caltex, which jointly bought up millions of dollars' worth of oil from the Arabian Sea. The banker was James V. Forrestal, of the board of the Nazi General Aniline and Film, who was about to become Under Secretary of the Navy.

Saudi Arabia had intricate economic and political links with Hitler. On June 8, 1939, Khalid Al-Hud Al-Qargani, royal counselor of Ibn Saud, was received by Ribbentrop in Berlin. Ribbentrop expounded to Khalid his general sympathy toward the Arab world and pointed out that Germany and the Arabs were linked by a common foe in the shape of the Jews. Khalid answered that Ibn Saud attached the greatest importance to entering into relations with Germany. Ribbentrop was concerned that Ibn Saud might have a special relationship with the King of England. This had been played up in the press. Khalid set Ribbentrop's mind at ease. He stressed that the king hated the British, who humiliated him in. By contrast, Khalid stated, Ibn Saud was sympathetic toward Mussolini. The conversation ended with salamis and Heil Hitlers.

At 3:15 P.M. on June 17, 1939, Hitler received Khalid Al-Hud at the Berghof. The reception was given worldwide attention. It was agreed throughout Europe that the meeting was a blow to Britain. As a result of it Emil Puhl and Walther Funk's Reichsbank gave Ibn Saud a credit of one and a half million Reichsmarks from Hitler's personal treasury for the purchase of 8,000 rifles, 8 million rounds of ammunition, light anti-aircraft guns, armored cars, a special Mercedes for the king, and the building for a munitions factory. Soon afterward, Emil Puhl arranged a further loan of 6 million marks that was paid in installments for the rest of the war.

These arrangements were in effect on November 28, 1941, when the Grand Mufti of Jerusalem, the leading legalist of the Arab kingdoms and among the bitterest enemies of the Jews, met with the Führer in Berlin. The Grand Mufti, with the authorization of the Arab world, expressed his admiration of Hitler and named the same enemies: the English, the Jews, and the communists. He promised to guarantee assistance in war by acts of sabotage and revolution. He offered to raise the Arab Legion from all available Moslem men of military age. He indicated support for Vichy France. Hitler replied that Germany was locked in a death struggle with two citadels of Jewish power: Great Britain and Soviet Russia. It went without say-

ing that all practical aid would be given to the Arab countries in return for Arab support. The Führer said, enjoining the Mufti to "Lock it in the uttermost depths of your heart," that the Führer would carry on the battle for the total destruction of the Judeo-Communist empire in Europe, that the German armies would soon reach the southern exit of Caucasia, and that as soon as this happened, the Führer would give the Arab world the assurance that his hour of liberation had arrived. He would force open the road to Iran and Iraq and destroy the British world empire.

This crucial meeting took place five months after an arrangement had been entered into by Caltex in collusion with Roosevelt. In June 1941, jolly James Moffett of Caltex went to the President with a proposal. Moffett stated that in order to insure that Ibn Saud remained loyal to American interests (in other words, did not hand Caltex over to Germany or supply General Erwin Rommel with oil) the Treasury must advance \$6 million a year to Ibn Saud. Moffett said this with the knowledge that the \$6 million per annum would not in any way affect Ibn Saud's ongoing relationship with Hitler. Indeed, at the same time Emil Puhl was paying Ibn Saud more than one million marks a year.

Roosevelt agreed to this deal with a Nazi collaborator. He was greatly influenced by Jesse H. Jones, Secretary of Commerce, who by now was part owner of the Davis Oil Company. On July 18, 1941, following a meeting with Moffett, Roosevelt wrote to Jones: "Dear Jesse. Will you tell the British I hope they can take care of the King of Arabia—this is a little far afield for us."

Roosevelt bypassed Congress and entered into an arrangement that was entirely against the rule book. Saudi Arabia was emphatically not a lend-lease country. If it were known that Ibn Saud as Hitler's close ally in Nazi pay was being bribed by the President to protect an oil company, there would have been a major public outcry. Roosevelt ordered Harry L. Hopkins, who was in charge of Lend-Lease, to arrange with Britain for the money to be paid to the king under the table. Lend-Lease to England was to be surreptitiously increased.

The arrangement continued for two years. Not only did money flow to Arab countries but a vast range of products, many of which were in short supply in the United States, and all of these were sent to organizations or individual merchants who were known to have

supported pro-Axis and subversive movements from the late 1930s until then. No screening of any kind was done by the United States' Middle East Supply Center on the reshipment to the Axis of petroleum, mineral oil, fuel products, rubber, and automobiles.

When Bernard Berger, of the Board of Economic Warfare handling the Middle East, brought up complaints on shipments by Caltex's subsidiary Aramco* to the enemy, the State Department and its local consulates put every kind of obstacle in his way. At first their excuse was that the Middle East was British-sponsored territory and that it was up to the British to check the loyalty of enemy consignees. After excruciatingly slow dealings, the State Department agreed that U.S. diplomatic missions in Teheran, Baghdad, Jerusalem, Cairo, and Jidda should agree to the screening, but months after the agreement was made, Berger was complaining (on December 23, 1942) in a memorandum to his superior, H. A. Wilkinson, that "No one has lifted a finger in implementing the proposals." He continued to point out that the failure of the State Department and British Intelligence was responsible for the dangerous Fifth Column run by the Nazis in the Middle East. He urged the appointment of a trade intelligence officer in the headquarters of the American Commission in Cairo. Nothing was done about this.

Berger specifically mentioned the powerful Middle Eastern companies operating in Saudi Arabia, Syria, Iraq, and Iran: the Grand Mufti of Jerusalem; and Hitler. He also named a smuggling ring which, he discovered, was paying for imports through graft used in obtaining export licenses. Berger was only just able to avert an arrangement whereby an unnamed U.S. senator was about to pay a bribe to Henry Wallace to grant commission for licensing. Yet another company, with offices in Istanbul and New York, was also known to be trading with the enemy with State and British cooperation.

In 1943, Forrestal appointed William Bullitt as his special Assistant Secretary. They were joined by Massachusetts Senator David I. Walsh, chairman of the Senate Naval Affairs Committee, an equally extreme isolationist America Firster and supporter of Irish nationalism. These Machiavellians brought pressure to bear in Washington to change the existing arrangements. They told Roosevelt that British

influence was "becoming excessive" in Saudi Arabia and that the present deal should be stopped. Instead, the American government should invest directly in Aramco. Apart from Forrestal's financial involvement, his and Bullitt's motives were clear. Despite the fact that Ibn Saud was still closely interlocked to Hitler, they wanted the American government to aid him against British influence.

The conspirators were afraid that Harold Ickes, who was still fighting protection for the corporations, would object to these arrangements. On February 27, 1943, Bullitt dropped in to see the embattled Secretary of the Interior and tried to shake his morale by saying that State Department critics had "told me the boys took pretty sharp exception to the fact you are showing interest in oil outside of the United States. This is the exclusive function of the Department of State."

Forrestal and Bullitt were constantly in Ickes's office to enlist him in the cause. Unfortunately, he succumbed to their blandishments. The two swayed Ickes into believing that there was a British threat to American interests in Saudi Arabia. They even succeeded in having him talk to the President about the matter. Ickes listened when Bullitt said at a meeting on May 29, 1943, "The British are already laying plans to establish a branch bank in Arabia. I wouldn't put it past the British to have King Ibn Saud assassinated, if necessary, and set up a puppet who will see the oil situation through their eyes." Bullitt went on, "There is a secret agreement between Churchill and the President." (If such an arrangement indeed were envisaged, then it was because Ibn Saud was in league with the Nazis.) The result was that Ickes helped to press through the arrangement for investment in Aramco.

Meanwhile, Roosevelt, without telling Ickes, issued a document authorizing a transfer of Saudi Arabia to the status of a lend-lease country, stating, "I hereby find that the defense of Saudi Arabia is vital to the defense of the United States." But the deal for direct government investment in Aramco fell through.

Instead of giving the United States a rich supply of oil after the deal was made, W.S.S. Rodgers and Harry Collier held America to ransom. Meanwhile, the Nazi involvement in Saudi Arabia became more and more extreme. The State Department and Department of the Interior did not have to rely on Army Intelligence reports from

* Arabian-American Oil Company.

Britain and their own G-2 agents to discover the extent of that involvement. Details of it leaked into such liberal publications as *Asia and the Americas* and *Great Britain and the World*. From these sources, from German Foreign Office document 7151181 (July 22, 1942) and from recently declassified secret reports prepared by British Intelligence on Walter Schellenberg of the Gestapo, it is possible to determine the extent of Nazi influence on Ibn Saud in the middle of the war. The Grand Mufti of Jerusalem was, until the time of Italy's collapse as an Axis partner, living in Rome, working with the agents of Kurt von Schröder's friend and associate Ambassador Franz von Papen in Ankara, Turkey, to send out agents through the Arab states. In Saudi Arabia fanatical Arabs were trained as Nazis at German universities and schools. From a headquarters in a carpet shop in Baghdad, Dr. Fritz Grobha, German minister to Iraq, ran espionage rings, subsidized Arabic newspapers and clubs in the Saudi Arabian capital of Jidda. The German TransOcean News Agency functioned as an espionage and propaganda agency in Jidda. The Nazi spy Woldemar Baron von Oppenheim, until recently in the United States and Syria, was headquartered in Saudi Arabia. Many Nazis flocked in disguised as tourists or technicians. They constructed roads and built factories. They formed German-Arab societies and learned Arab language so as to address crowds and whip them up into a fanatical support of Hitler. Ibn Saud, as always, played both ends against the middle, protesting admiration for Roosevelt and Churchill while authorizing his personal representative Rashid Ali El-Kilani to continue to represent him in Berlin and address the Moslem society there.

Wilhelm Keppeler, founder of the Circle of Friends, friend of ITT's Sosthenes Behn, and under secretary of the German Foreign Office with substantial shareholdings in I.G. Farben, made Saudi Arabia his special provenance. He laced the country with economic agents who spread out as far as Iran and Iraq. By 1944 the United States was seriously short of oil. It cost Aramco ten cents a barrel to bring up oil in Bahrain and twenty cents in Arabia, plus a royalty of fifteen cents to the Sheikh of Bahrain and twenty-one cents to Ibn Saud in addition to the existing bribe. Suddenly, W.S.S. Rodgers of Texas Company and Harry Collier of California Standard informed Ickes that the price to America would be \$1.05 a barrel, take it or leave it. With his back against the wall, Ickes had to accept. Worse, Rodgers

and Collier paid no income tax on the sale because they were registered in the Bahamas. They made \$120 million at the expense of the U.S. government—on an investment of no more than \$1 million.

Ickes tried to buy the oil companies' stock in the interests of national defense and the economic needs of the nation. But he encountered constant resistance from Collier and Rodgers. First Collier would agree, then Rodgers would hold out; then they reversed their positions. They also said that they had doubled Aramco's royalty payments to Ibn Saud. Ickes checked with the Arabian Embassy and found that the statement was a lie; he blamed Forrestal for not having the sales figures checked.

How was this possible? Because Caltex and Aramco still had plants in the State Department.

What grievous situation existed in the State Department that allowed such infiltration? The elements of anti-Semitism and secret sympathy for the Nazis' form of government had been there since the early 1930s. In the Department's uncomfortable, crowded, and antiquated building, there were daily collisions between the embattled liberal faction and the right-wing extremists. Behind the scenes as ambassador-at-large, William Bullitt was the prime schemer in assuring that the extreme right wing in the Department retained a sophisticated neutralism in time of war. He set out to remove the single most powerful force against world fascism: Sumner Welles.

Welles was a strong opponent of The Fraternity's deals with Saudi Arabia and South America. Intelligence reports told him how deeply Hitler had penetrated Saudi Arabia, that Ibn Saud was one with Hitler despite Saudi Arabia's phony breaking off of diplomatic relations with the Axis—a sop to the public—and that much of the investment of the American government in pipelines on behalf of Caltex/Aramco would go straight into enemy hands. He was opposed to the arrangement with Vichy because he believed that in propping up Marshal Henri Petain's regime the United States was allowing its gates to be left wide open to Hitler's commercial, political, and espionage agents.

Welles's personality was cold, authoritative, and detached. Tall, elegant, and flawlessly tailored, he came from the top of the East Coast Establishment. Wealthy in his own right, a career diplomat from the first, he had been at school with Roosevelt at Groton and frequently entertained Franklin and Eleanor in his exquisite house at

Oxon Hill. His wife was socially prominent, and he had a growing family. Despite his strongly liberal stance he was acceptable to the Establishment because he seemed to represent the finest virtues of the ruling class.

Yet he had a weakness. He was a bisexual. At night this pillar of the Washington community would disappear from his house on the excuse of working late at the office and, in disguise, make his way into parks, toilets, and places of assignation and perform intercourse with blacks. He presumably paid for sex because he was afraid that a genuine affair would expose him.

William Bullitt had long heard rumors about Welles. When Welles was ambassador to Cuba, there had been talk of relationships with young Cuban boys, some of them underage. Welles had left the Caribbean under a heavy cloud. Roosevelt had chosen to ignore the stories.

Bullitt had gone to see J. Edgar Hoover in 1940 after his return from Paris and asked him to investigate Welles. Hoover, who was himself alleged to be homosexual, knew all of the secret places where the homosexual community met. He decided to act at once.

On September 16, 1940, a solemn funeral was held in the chamber of the House for the beloved speaker William Bankhead. Two special trains left Washington for Jasper, Alabama, for the burial. On the homebound train were Roosevelt and virtually his entire Cabinet, including Welles.

As the train chugged into the night, two Pullman porters Hoover had hired went into Welles's bedroom. They first flined with him and then blatantly offered themselves for a price of \$100. Welles, who was drunk, seemed to ignore the fact that the President, Attorney General Robert Jackson, Harold Ickes, and practically everybody in the government was in the same car.

Hoover had his men stationed in the adjoining bedroom. Welles's drunken conversation, and the sexual acts that followed it, were noted down.

When the train returned, Hoover's men presented the evidence to him. Bullitt had a meeting with Hoover and went over the report. He took it to Roosevelt in the Oval Office. The President refused to read it but instructed Hoover the next day to obtain more evidence. He

was evidently playing for time, worried about a confrontation with Welles.

Bullitt and Hoover spent the next three years amassing a thick dossier on Welles. "Pa" Watson, secretary to the President, was in charge of the investigation. Bullitt absurdly charged that Welles's wife was having an affair with a Russian spy and that Welles was being blackmailed by communists to leak State secrets to Russia.

On October 24, 1942, Hoover called at the Wardman Park Hotel apartment of Cordell Hull. Hull had asked to see him, saying that he was gravely concerned by stories about the improper actions of Welles. He told him that he knew Hoover had made an investigation and asked whether Hoover would give him the report so that he could evaluate the evidence. Hoover confirmed that he had made the report on behalf of Roosevelt. He suggested that Hull contact another of Roosevelt's secretaries, Marvin McIntyre, to obtain the report. Hull said he would deal with it.

Hull and Hoover kept pressing Roosevelt to look at the file. On April 27, 1943, Senator Owen Brewster of Maine called to see Hoover. He had discovered that Hoover had made the investigation and knew whom the FBI had questioned. Hoover told him that indeed an investigation had been made but that "no conclusions have been reached." Brewster went to see Hull and Biddle and decided to take the matter up with the Truman defense committee to investigate the whole affair. Biddle, evidently alarmed by the potential of such a public inquiry, decided to go to the President.

Faced with the fact that his long cover-up for Welles might be revealed, Roosevelt was forced to bow to pressure from Biddle and his supporters and ask for Welles's resignation. A delighted Bullitt suggested coolly to Roosevelt that perhaps Welles should be sent to Russia as a diplomatic representative. Roosevelt was not impressed. Not only did he disconnect all contact with Welles, he verbally thrashed Bullitt and never spoke to him again. It was the ruination of Welles's career, but Bullitt never recovered from the results of his expose.

The catastrophe wrecked the State Department overnight. Welles's carefully built-up policy of opposing appeasement in time of war was shattered at a blow. The Department fell apart.

The exposure of Welles distracted attention from the fact that Aramco supporter David J. Walsh of Massachusetts was exposed in a similar scandal.

The scandal broke when Naval Intelligence officers and city detectives raided a homosexual brothel in Brooklyn and arrested the proprietor, Gustave Beekman. District Attorney William O'Dwyer and Naval Intelligence officers discovered that the brothel was a nest of Nazi agents. One of those who mingled with those agents was Senator Walsh. In an affidavit made in Raymond Street jail following his arrest, Beekman gave detailed testimony about Walsh. He said that Walsh used to come to his bordello on Sunday afternoons—at least ten times between July 1941 and March 1942. Beekman reported that he saw the senator in close conversation with another customer, described only as "Mister E," who was known as "the Nazi's ace spy in the U.S." Mister E would arrive with sailors and would question them on their ships, their comings and goings and destinations. Mister E was accompanied by a number of Germans who were also acting as espionage agents. The spies specialized in turning soldiers and sailors and determining information from them.

According to Beekman's attorney, Harvey Snelzlin, who is still in practice in New York, Roosevelt decided to use the episode. Since Walsh was restricting supplies of ball bearings, oil, and other strategic products to the Navy in the interests of isolationism, Roosevelt decided to make a deal with Walsh. If he let Walsh off the hook, Walsh must aid the war effort. Walsh agreed instantly. Snelzlin says Roosevelt asked Hoover to have Beekman reverse his testimony. Hoover grilled Beekman cruelly and impersonally with several of his toughest men for several hours around the clock until Beekman cracked and changed his story. Later he tried to change it back on the offer of a substantial check from the *New York Post*, but it was too late. At Beekman's trial under the famous Judge Samuel Lebowitz, Beekman told the truth.

The isolationist clique protested the accusations and demanded that there be a full public exoneration for Walsh. At a stormy meeting of the Senate, Burton K. Wheeler and two other isolationists, Gerald P. Nye and Bennett C. Clark, jumped to their feet and called in concert for a sweeping investigation with a view to punishment of all persons who had conspired to smear Walsh.

Wheeler shouted, "This is a diabolical attempt on the part of certain individuals . . . to smear every member of the Senate who has disagreed with them on matters of foreign policy." Senator Clark urged that Mrs. Dorothy S. Backer, "the old hussy who runs the *New York Post*," should be "brought before the bar of the Senate."

Wheeler attacked Judge Lebowitz: "If I were a Federal judge, I would have him impeached," and, ironically in the context, he called for a cancellation of the financing of the *Post* by the Federal Reserve Bank. Senator Nye urged, "Let this matter not be dropped here. An investigation will reveal a secret society which for two years have [sic] been engaged in gathering such information as would permit the smearing of individual members of the Senate."

The Nation investigated the matter and found that indeed Walsh had been seen in conversation with suspected Nazi spies who lured soldiers and sailors to the "house of degradation" for the purpose of obtaining military secrets. The magazine discovered that the FBI had made Beekman recant his original statement after hours of high-pressure questioning. *The Nation* wrote, "So summary an attempt to bury an unpleasant affair may involve the sidetracking of a full and open investigation of the house in Pacific Street." The editorial added, "We can't afford to encourage [Nazi Fifth Columnists] by covering up the case . . . *The Nation* strongly supports the *Post*'s demand for a full and public inquiry."

It goes without saying that the "full and public inquiry" never took place and that Walsh remained chairman of the Naval Affairs Committee. The following year he was in part responsible for the Aramco swindle.

On October 5, 1942, Judge Samuel Lebowitz sentenced Beekman to five to twenty years in Sing Sing. In March 1947, James Moffett of Caltex, gravely ill and in agony in his hospital bed following a major operation, decided that with death facing him, he should unburden himself of the details of the Aramco affair. He had another motive that was slightly less altruistic: Caltex owed him \$6 million for his rake-off on the deal.

He went to Welles's menesis, Senator Owen Brewster, and asked for a full-scale inquiry into Aramco. He made such a stink in the press that Brewster had to go ahead. Inevitably, since Walsh had been deactivated, Brewster appointed Burton K. Wheeler to investigate

Moffett's charges. Barely audible, Moffett gave a halting address on May 5 in which he outlined the plan. The committee called for Roosevelt's files in the matter. President Truman declined to permit a search of the late President's papers at Hyde Park. On May 7, 1947, the executors of Roosevelt's estate explicitly denied permission for a search, citing a July 16, 1943, directive by the President that all his letters of a sensitive character should be locked up for between ten and fifty years.

On May 25, because of overwhelming public pressure, part of the file showing Moffett's original correspondence with the White House was revealed. But the executors of the Roosevelt estate blocked the bulk of the appropriate documents.

The only ray of light for Moffett in this harrowing ordeal was that Truman was forced by public pressure to remove Wheeler from the special investigative council on June 4.

Moffett was unable to push Aramco to produce the text of the oil concession agreement with Ibn Saud. The council ruled that the request for the document should be quashed "to protect the defendant, the government of Saudi Arabia and the government of the United States from annoyance and embarrassment."

As the facts gradually came to light despite every effort to suppress them, Congress was rent apart by violent debates.

On April 25, 1948, Senator Brewster delivered a broadside to an almost empty and notably indifferent Senate. He described the Aramco action as "an amazing picture of corporate greed when our country was in its most bitter need." Senator William Langer of North Dakota said, "The men who have put over this oil deal ought to be in the penitentiary. These men, who have called upon American boys to go into foreign lands to protect their oil interests, are traitors to America. They ought to surrender their citizenship or have it taken away from them." Brewster and Langer charged that three former Navy Department aides in the Justice Department were at that moment blocking a new investigation into the scandals. The investigation was indeed blocked.

On February 1, 1949, Moffett brought suit in federal court in New York for \$6 million in damages against Callex's Aramco on the ground that he had made the original arrangements between Roosevelt and

Secretary of Commerce Jesse Jones and that he had not been given his promised rake-off.

Jones tried to avoid appearing at the hearing. The matter was so embarrassing to him that he resigned illness. But Moffett had connections. He arranged for a friend of his in the FBI to follow Jones to the Twenty-Nine Club on East Sixty-first Street on the night that Jones was supposed to be having a heart attack. The FBI report read: "The witness Jones played poker on the night of November 16, 1948, until 2 A.M. and in the course of the evening the stakes ranged as high as \$4,000 a hand and on one occasion the said Jones backed a straight in a pot involving approximately \$4,000 against four 4's." The report continued, "No doubt backing a straight against four 4's with \$4,000 in the pot has been the cause of many a heartache, but to my knowledge it never has been recommended as a cure for heart trouble."

Next day, Federal Judge Samuel H. Kaulman said that Mr. Jones must be compelled to appear and that "if Mr. Jones indicated signs of fatigue as a result of his poker game" he could retire from the proceedings for a few moments during the course of the day.

Jones appeared on November 26. Asked for records of the transactions for Aramco, he said jovially, "I don't keep a diary because I don't plan to write a book like Mr. Morgenthau and some others and I kept no Dictaphone in my desk—I'd like to put that into the record, too!" Moffett's attorney, William Power Maloney, who had been the scourge of Nazi agents until Senator Wheeler had him dislodged from the Nazi Sedition Trials of the 1940s, pressed Jones for more details. Jones answered that his memory was "vague of the entire matter" and that he had "even forgotten the name of his secretary" whom Maloney was trying to find as a material witness. Asked about Roosevelt's note suggesting to him that the British should "take care of the King of Arabia," Jones gave a calculated reply. He said, "I scribbled the note during a Cabinet meeting, handed it to the President and asked him to write it down in his own handwriting, so I could let them know it was his decision as well as mine."

Jones claimed he had no legal authority to grant the loan and had had no intention of doing so, but that he wanted to let "a Mr. Moffett and a Mr. Rodgers" who had discussed the loan with him know that

they "could not get any help from the United States Government." This curious example of perjury was presumably intended to absolve Jones of any complicity in the illicit measure. The implication was that Moffett and Rodgers* had gone ahead on their own.

Suddenly, Jones added, "Judge Kaufman, I'd like to ask the bench a question off the record."

The judge told him to go right ahead.

Jones said, "I've been given \$195 by Mr. Maloney and \$225 by the other side to come here in January to testify. I want to know whether I have to return the money because I think I ought to keep it."

Judge Kaufman told Jones, "You will have to return the money if the subpoena is dismissed."

"Oh, don't do that, Judge, don't do that," Jones replied, to loud laughter in court.

It was in this spirit of levity that the entire case was conducted. Inevitably, Aramco came out the winner. Moffett was awarded one million one hundred dollars by the jury in settlement of his claims. But the judgment was set aside by the trial judge.

* W. S. S. Rodgers of the Texas Company.

6

The Telephone Plot

During the early days of 1942, Karl Lindemann, the Rockefeller-Standard Oil representative in Berlin, held a series of urgent meetings with two directors of the American International Telephone and Telegraph Corporation: Walter Scheelenberg, head of the Gestapo's counterintelligence service (SD), and Baron Kurt von Schröder of the BIS and the Stein Bank. The result of these meetings was that Gerhard Westrick, the crippled boss of ITT in Nazi Germany, got aboard an ITT Focke-Wulf bomber and flew to Madrid for a meeting in March with Sosthenes Behn, American ITT chief.

In the sumptuous Royal Suite of Madrid's Ritz Hotel, the tall, sharp-faced Behn and the heavily limping Westrick sat down for lunch to discuss how best they could improve ITT's links with the Gestapo, and its improvement of the whole Nazi system of telephones, teleprinters, aircraft intercoms, submarine and ship phones, electric buoys, alarm systems, radio and radar parts, and fuses for artillery shells, as well as the Focke-Wulf bombers that were taking thousands of American lives.

Sosthenes Behn, whose first name was Greek for "life strength," was born in St. Thomas, the Virgin Islands, on January 30, 1882. His father was Danish and his mother French-Italian. He and his brother Hernand, later his partner, were schooled in Corsica and Paris.

In 1906, Behn and his brother took over a sugar business in Puerto

Rico and snapped up a small and primitive local telephone company by closing in on a mortgage. Realizing the potential of the new-fangled telephone, Behn began to buy up more companies in the Caribbean. He became a U.S. citizen in 1913. In World War I, Behn served in the Signal Corps as chief of staff for General George Russell. He learned a great deal about military communications systems, and his services to France earned him the Légion d'Honneur. Back in the United States, Behn became associated with AT&T, of which Winthrop Aldrich was later a director. In 1920, Behn's work in the field of cables enabled him to set up the ITT with \$6 million paid in capital. Gradually, he spun out a web of communications that ran worldwide. He soon became the telephone king of the world, making deals with AT&T and J. P. Morgan that resulted in his running the entire telephone system of Spain by 1923. His Spanish chairman was the Duke of Alba, later a major supporter of Franco and Hitler. In 1930 Behn obtained the Rumanian telephone industry, to which he later added the Hungarian, German, and Swedish corporations. By 1931 his empire was worth over \$64 million despite the Wall Street crash. He became a director of—invariably—the National City Bank, which financed him along with the Morgans.

Behn was aided by fascist governments, into which he rapidly introduced his system by assuring politicians promising places on his boards. He ran his empire from 67 Broad Street, New York. His office was decorated with Louis XIV antiques, rich carpets, and portraits of Pope Pius XI and various heads of fascist states. He traveled frequently to Germany to confer with his Nazi directors, Kurt von Schröder and Gerhardt Westrick. On August 4, 1933, he and his representative in Germany, Henry Mann of the National City Bank, had a meeting with Hitler that established a political relationship with Germany that continued until the end of World War II. The Führer promised aid and protection always.

Through Mann, Behn was closely connected with Wilhelm Keppler, who formed the Circle of Friends of the Gestapo and introduced him to Schröder and Westrick. Not only did Keppler, Schröder, and Hitler see to it that Behn's German funds and industries were untouched by forfeit or seizure, but Schröder arranged for Emil Puhl at the Reichsbank to pay off ITT's bills.

Behn became an important aid to his friend Hermann Göring. In

1938 he and Schröder obtained 28 percent of the Focke-Wulf company; they greatly improved the deadly bomber squadrons that later attacked London and American ships and troops. When Austria fell in 1938, Behn organized his Austrian company under the management of Schröder and Westrick and aided in the expulsion of Jews. Some Nazis tried to take over the Austrian offices, but Behn again visited Hitler at Berchtesgaden and made sure that ITT would be allowed to continue in business.

In Madrid during the Spanish Civil War, Behn supplied telephones to both sides, gradually shifting over his commitments to Franco when it was obvious that Franco was winning. He spent months in the shell-shattered Madrid headquarters known as the Telefonica, playing both ends against the middle and driving, with immunity given by both sides, to and from the Ritz. He gave lavish parties for both the British and American press, while negotiating through the Bank for International Settlements so that Franco could buy up ITT's Loyalist installations.

When Hitler invaded Poland, Behn and Schröder conferred with the German alien property custodian, H-J Caesar. The result was that the ITT Polish companies were protected from seizure for the duration.

Another protector of Behn's in Germany was ITT's colorful corporation chairman, Gerhardt Westrick. Westrick was a skilled company lawyer, the German counterpart and associate of John Foster Dulles. Westrick's partner until 1938, the equally brilliant Dr. Heinrich Albert, was head of Ford in Germany until 1945. Both were crucially important to The Fraternity.

At the beginning of 1940, Behn decided to have Westrick go to the United States to link up the corporate strands that would remain secure throughout World War II. German Foreign Minister von Ribbentrop was equally concerned that Westrick undertake the mission. Westrick represented in Germany not only Ford but General Motors, Standard Oil, the Texas Company, Sterling Products, and the Davis Oil Company.

Since Behn had to be engaged in business in Lisbon, he arranged that Westrick would be hosted by Yorkild Rieber in the United States. Behn also called up the Plaza Hotel in New York where he kept a permanent suite, and he had it placed at Westrick's disposal.

Westrick traveled via San Francisco in March 1940, where he handed \$5 million of Farben-IGI money on Behn's and Ribbentrop's joint authorization to Nazi Consul General Fritz Wiedemann. The money was to insure the cooperation of small American businessmen with the Third Reich.

Rieber met Westrick at the Plaza on April 10, 1940, and arranged a press conference for him. The reporters were delighted with the German. Burly and bullheaded, with a strong, guttural voice, he had lost his right leg to British shells in World War I. He had an aluminum leg attached to his body by complicated webbing and a silver rod. And he had with him a mysterious and glamorous secretary, the Baroness Ingrid von Walzenheim.

After a series of meetings with the Fraternity leaders, Westrick gave an interview to *The New York Times* on April 12. He echoed precisely the views of Emil Pahl and Dr. Walther Funk. He said that America must release its vast holdings in gold, amounting to \$7,500 million in notes and \$18 billion in coinage, to the Nazi government and its conquered territories. Westrick insisted that the loan should be made at a mere one and a half percent interest. He urged that the money be shipped to the Bank for International Settlements for transfer to the Reichsbank. He wanted an end to the economic friction that caused wars and he sought peace forever—presided over by the Triumvirate of Wall Street, the Reichsbank, and the Bank of Japan, sustained on a river of gold. Indeed, as the *Times* correspondent pointed out rather sharply, Westrick's views of free trading instead of barter were remarkably similar to those of Secretary of State Cordell Hull.

There was, of course, no mention of such inconvenient subjects as Austria, Czechoslovakia, and Poland in Westrick's visionary pronouncement.

A letter appeared in the *Times* on April 15, written by Karel Huddek, acting consul general representing the Czechoslovakian republic in exile, saying, *inter alia*, "I think that all downtrodden nations—Austria, Czechoslovakia, Poland, Denmark, Norway and some others, who may join us in a short time, will thank Dr. Westrick for his kind endeavors. . . . Dr. Westrick is right when he says that wars come from economic causes. I can speak here for my country; they

invaded us and promptly took over all industry—yes, that is economic cause."

On June 26, 1940, his Fraternity associates gave a party for Westrick at the Waldorf-Astoria Hotel to celebrate the Nazi victory in France. This was, of course, only appropriate. Fraternity guests at this scorpions' feast included Dietrich, brother of Hermann Schmitz of General Aniline and Film; James D. Mooney of General Motors; Edsel Ford of the Ford Motor Company; William Weiss of Sterling Products; and Torkild Rieber of the Texas Company. These leaders of The Fraternity agreed to help in the free-trade agreements that would follow a negotiated peace with Germany.

Westrick leased a large house in Scarsdale, New York, from one of Rieber's Texas Company lawyers. He was seen entering and leaving the house in the company of prominent figures of the Nazi government and American industry. The *New York Daily News* sent reporter George Dickson to investigate the meaning of a big white placard with a large G on it in a window of a front second-floor bedroom. The press generally was suggesting this formed some kind of code for use by Nazi agents. Dickson wrote in his column: "Phantom-like men in white have been responding by day and night to mysterious signalling from a secluded Westchester mansion—now disclosed as the secret quarters of Dr. Gerhardt A. Westrick—invariably they carry carefully wrapped packages. . . . they salute with all the precision of Storm Troopers, deliver the packages, salute again—and silently depart. . . . super-sleuthing finally solved the mystery just before last midnight." Then Dickson delivered his death blow to the story: The G sign was an invitation to the Good Humor man to deliver his famous ice cream on a stick!

J. Edgar Hoover of the FBI determined that Westrick had illegally obtained his driver's license by lying that he had no infirmities. The purpose was achieved: Walter Winchell, Drew Pearson, and other patriotic columnists blew up Westrick's Nazi connections out of all proportion, and Westrick was asked by German Chargé d'Affaires Hans Thomsen to return to Germany at once.

But before he was ordered home, Westrick had been extremely busy. He had gone to see Edsel and Henry Ford at Dearborn on July 11 at the Fords' urgent invitation, conferring with the Grand Old Man

and his son on the matter of restricting shipment of important Rolls-Royce motors to a beleaguered Britain that urgently needed them. He also visited with Will Clayton, Jesse Jones's associate in the Department of Commerce, who went with Westrick to see Cordell Hull to plead for the protection of German-American trade agreements on behalf of his friends in the Texas cotton industry.

Clayton was the chairman of the U.S. Commercial Company, and he helped protect fraternity interests during World War II. Others of Westrick's circle included, interestingly enough, William Donovan, who became head of the OSS (precursor of the CIA) on its formation in 1942. Westrick also made significant contacts with good and true friends at Eastman Kodak and Underwood before returning home via Japan and Russia.

After Pearl Harbor, at meetings with Kurt von Schröder and Behn in Switzerland, Westrick nervously admitted he had run into a problem. Wilhelm Ohnesorge, the elderly minister in charge of post-offices, who was one of the first fifty Nazi party members, was strongly opposed to ITT's German companies continuing to function under New York management in time of war. Behn told Westrick to use Schröder and the protection of the Gestapo against Ohnesorge. In return, Behn guaranteed that ITT would substantially increase its payments to the Gestapo through the Circle of Friends.

A special board of trustees was set up by the German government to cooperate with Behn and his thirty thousand staff in Occupied Europe. Ohnesorge savagely fought these arrangements and tried to obtain the support of Himmler. However, Schröder had Himmler's ear, and so, of course, did his close friend and associate Walter Schellenberg. Ohnesorge appealed directly to Hitler and condemned Westrick as an American sympathizer. However, Hitler realized the importance of ITT to the German economy and proved supportive of Behn.

The final arrangement was that the Nazi government would not acquire the shares of ITT but would confine itself to the administration of the shares. Westrick would be chairman of the managing directors.

Thus, an American corporation literally entered into partnership with the Nazi government in time of war.

Westrick and Behn appointed Walter Schellenberg as a director with a nominal salary in return for his protection and for his assist-

ance in insuring the company's continuing existence. General Fritz Thiele, second-in-command of the signal corps, was added to the directorial board because army stock orders were crucial in keeping the company afloat. Hitler was gravely suspicious of Thiele for drawing money from an American corporation in time of war and sought to dislodge him, but Himmler stepped in as a protector.

Ohnesorge did not give up. In 1942 he again tried to induce Himmler to sign a warrant of arrest against Westrick for high treason. His idea was to keep Westrick in a concentration camp while he disposed of the shares of ITT. Once again, Schröder stepped in and there was no further trouble.

Not only did Behn own all of the German companies of ITT outright through the war but he also ran ITT factories in the neutral countries of Spain, Portugal, Switzerland, and Sweden, which continued to buy, sell, and manufacture for the Axis. Behn and his directors made repeated and persistent efforts to obtain licenses for dealings with the enemy. When Morgenthau refused the licenses, they proceeded anyway. They also exported materials to their subsidiaries in neutral nations producing for the enemy.

After Pearl Harbor the German army, navy, and air force contracted with ITT for the manufacture of switchboards, telephones, alarm gongs, buoys, air raid warning devices, radar equipment, and thirty thousand fuses per month for artillery shells used to kill British and American troops. This was to increase to fifty thousand per month by 1944. In addition, ITT supplied ingredients for the rocket bombs that fell on London, selenium cells for dry rectifiers, high-frequency radio equipment, and fortification and field communication sets.

Without this supply of crucial materials it would have been impossible for the German air force to kill American and British troops, for the German army to fight the Allies in Africa, Italy, France, and Germany, for England to have been bombed, or for Allied ships to have been attacked at sea. Nor would it have been possible without ITT and its affiliates for the enemy to have kept contact with Latin American countries at a time when Admiral Raeder of the German Navy contemplated an onslaught on countries south of Panama. It is thus somewhat unsettling to note the following memorandum sent by the State Department lawyer R. T. Yingling to Assistant Secretary of State Breckinridge Long on February 26, 1942. It read in part:

It seems that the International Telephone and Telegraph Corporation which has been handling traffic between Latin American countries and Axis-controlled points *with the encouragement or concurrence of the Department of State** desires some assurance that it will not be prosecuted for such activities. It has been suggested that the matter be discussed informally with the Attorney General and if he agrees the Corporation can be advised that no prosecution is contemplated . . . if the International Telephone and Telegraph Corporation feels that activities of the nature indicated above which it may be carrying on at the present time in Latin America are within the purview of the Trading with the Enemy Act it should apply to the Treasury Department for a license to engage in such activities.

Whether or not the license was issued, the trading was continued with the assurance that neither the State Department nor the Department of Justice would intervene. Armed with this convenient endorsement, Soestenes Behn was constantly flying in and out of Spain during the war for transactions with the enemy. He owned not only a telephone operating company in Spain, but a major manufacturing company as well: Standard Electrica. In the middle of 1942, after a visit to Madrid, Behn had the audacity to go to the State Department and talk to Dean Acheson's staff to obtain permission for his Spanish subsidiary to purchase materials in Germany for use in Spain. When this was questioned, Behn said that there was a likelihood of the Franco government's taking over the Spanish properties unless they complied. It was a familiar argument, but Behn, who had tried to sell the Spanish company to that same government a year earlier, knew perfectly well that Franco had no intention of running the complex corporation. With a unique gift of understatement, U.S. Ambassador to Spain Carlton J. H. Hayes wrote to the State Department on August 15, 1942, "The Embassy . . . feels that the ITT may not have always placed our war efforts above its own interests." The letter was written at a time when ITT was manufacturing military equipment for the German army in Spain.

On September 28, 1942, Ambassador John G. Winant in London telegraphed Washington urgently recommending that the ITT Swiss and Spanish subsidiary, Telephone and Radio, "be issued licenses to

* Author's italics.

trade with Nazi Germany." State Department officials had a meeting with Morgenthau and Harry Dexter White saying that it was essential ITT be allowed to trade with enemy territory. Morgenthau and White flatly refused to countenance any such trading.

In January, February, and March 1943, Behn was back in Barcelona and Madrid for conferences with Colonel Wilhelm Grube of the German army signal corps on the question of forming the German Standard, or European Standard (as it was later known), Corporation amalgamating all ITT companies throughout the whole of Western Europe. Grube carried out Behn's instructions to the letter.

Shortly after Pearl Harbor, Roosevelt had asked Nelson Rockefeller to prepare a study of the communications systems of South America. On May 4, 1942, the President had sent a memorandum to Henry Wallace in his role as chairman of the Board of Economic Warfare, ordering him to insure disconnection of all enemy nationals in the radio, telephone, and telegraph fields. He had urged Wallace to eliminate all Axis control and influence in telecommunications in Latin America, acquire hemisphere interests of all Axis companies, insure loyalty in employees, and disrupt direct lines to the enemy. He had asked for a corporation to be set up to handle the financial aspects of the program with the assistance and advice of an advisory committee.

Wallace approached Secretary of Commerce Jesse H. Jones to make the necessary arrangements. Jones set up the U.S. Commercial Company to take charge of the matter. It was a characteristic choice. The company's second-in-command was none other than Robert A. Gantt, vice-president of ITT itself. Gantt continued to receive salary from ITT while holding his position with the U.S. Commercial Company. The rest of the board was largely composed of directors of ITT or RCA (also a wartime partner in Nazi-American communications companies).

The Hemisphere Communications Committee sat with a mixed Treasury, State, Army, Navy, and U.S. Commercial Company board throughout World War II, doing little more than discussing possible actions against Axis-connected companies.

A pressing issue from Pearl Harbor on was the matter of ITT amalgamating the telephone companies of Mexico. One of these, Mexican Telephone and Telegraph, was owned by Behn outright. The other

was owned by the Ericsson Company, of which Behn had a 35 per cent share in Sweden. The Ericsson Company was partly owned by Nazi collaborator Axel Wenner-Gren and by Jacob Wallenberg, Swedish millionaire head of the ball bearings firm, which played both sides of the war. Behn was in and out of Europe in the early 1940s discussing a merger of the two Mexican companies under his guidance.

He made the reason for the take-over the need to remove Axis influence in Mexico—though he failed to explain how ITT could in any way reduce such influence. Indeed, it would almost certainly have enhanced it. C. J. Durr, acting chairman of the Federal Communications Commission, was drastically opposed to any such take-over. Durr was correctly worried that some \$15 million of money that would be advanced to Behn by the Export-Import Bank would make its way directly into German hands.

Durr was also concerned over the fact that ITT retained a contract with the Nippon Electric Company in Japan that provided that Behn would place Japanese employees in Mexico in time of war.

On October 29, 1942, the Export-Import Bank agreed to pay \$36 million for the merger. When Durr asked point-blank why this was the case, Hugh Knowlton said, "The ITT will supply a listening post." Durr replied, "Isn't that a two-way affair?" Commander Wilbucher of the U. S. Navy said, "The question of which side gets most value from the listening post depends on the relative shrewdness of the particular people in the company. . . . Who gets the information?" Laurence Smith of the Department of Justice asked, "The company," Francis DeWolf of the State Department said, "The Government gets when the company wants it to." The company has to be careful lest competitive information gets into the hands of the Government and then reaches its competitors."

Statements of this kind infuriated Durr. He was aggravated also by the fact that all the circuits to the Axis remained open throughout the war. The real truth of the matter emerged at a meeting on January 6, 1943. There was an argument between Durr and Hugh Knowlton of the board. Knowlton said that "The army has investigated ITT thoroughly and . . . ITT is presently engaged in confidential manufac-

* Author's italics.

turing work for the army so I assume they're all right." Durr stated he wasn't so much worried about their operations in the United States "as they could be watched, but rather their operations outside this country and particularly their Axis connection." Knowlton kept up his defense. So did DeWolf, who said, "It might be well to put a finger on just what the Committee is afraid of. ITT has factories in Germany; it has a company in Spain, it is in correspondence with Belgium, in fact, it is in correspondence with the enemy. *What this Committee is afraid of is public opinion. . . . That the corporation might not play our game.*"*

Knowlton said he had never heard anyone express any doubt as to Colonel Behn's patriotism. ("Col. Behn certainly knows his way around but he is a loyal American citizen.") Laurence Smith (of Justice) said he had not yet had from the U. S. Commercial Company "an adequate appraisal of possible dangers." He mentioned Westrick and Nazi cooperation in South America and DeWolf answered, "ITT is a loyal American corporation." Smith disagreed. Laurence Knapp of Justice asked if the Tokyo circuit was still operating. Knowlton said, "Not if the U. S. Government asked them not to." DeWolf said, correctly, "If they are doing it, it is with the license of the State Department!"

While these meetings were going on, CIDRA, ITT's Argentine subsidiary, handled a constant flow of phone calls to Buenos Aires, Germany, Hungary, and Rumania. Another ITT subsidiary, the United River Plate Telephone Company, handled 622 telephone calls between the Argentine and Berlin in the first seven months of 1942 alone.

There was constant dealing with Proclaimed List firms. Licenses were issued by authorization of the local embassies. At Behn's instructions Brazil and Peru were supervised from Argentina since Argentina had not declared war on the Axis.

In Brazil the ITT obtained a license from the embassy to buy equipment from a leading German-owned Proclaimed List electrical company, Industria Eletric-Ace Plangt, which supplied tungsten and cobalt to ITT. The mailing lists of ITT were filled with enemy names. In Venezuela, in June 1942, ITT bought many consignments of radio

* Author's italics.

tubes from the firm Arminda Capriles and Co., which was contributing heavily to the Nazi Winter Help Fund, designed to pay for Germany's troops in Russia and Poland. In Uruguay, Behn's manager was himself on the Proclaimed List.

By the second half of 1942, ITT sent telephone apparatus to its offices in South America without licenses. Discounts were permitted and the Export-Import Bank loan continued. In July 1942 the ITT All-America Cables Office in Buenos Aires obtained secret information on tungsten ore through handling cables and passed this on to the enemy-controlled Haverø Trading Company of Buenos Aires.

On December 4, 1943, P. E. Erickson of the ITT subsidiary in Sweden wrote to H. M. Pease of the head office in New York consulting with him on a 400 million kroner plan to automatize the telephone system in Nazi-occupied Denmark. The Danish ITT subsidiary employed two hundred people in its Copenhagen factory. It was of vital importance to the Germans in its North European network of communications.

In South America, Sosthenes Behn was in partnership (as well as rivalry) with an even more powerful organism: the giant Radio Corporation of America, which owned the NBC radio network. RCA was in partnership before and after Pearl Harbor with British Cable and Wireless; with Telefunken, the Nazi company; with Italcable, wholly owned by the Mussolini government; and with Vichy's Compagnie Générale, in an organization known as the Transradio Consortium, with General Robert C. Davis, head of the New York Chapter of the American Red Cross, as its chairman. In turn, RCA, British Cable and Wireless, and the German and Italian companies had a share with ITT in TTP (Telegráfica y Telefónica del Plata), an Axis-controlled company providing telegraph and telephone service between Buenos Aires and Montevideo. Nazis in Montevideo could telephone Buenos Aires through TTP without coming under the control of either the state-owned system in Uruguay or the ITT system in Argentina.

Messages, often dangerous to American security, were transmitted directly to Berlin and Rome by Transradio. Another shareholder was ITT's German "rival," Siemens, which linked cables and networks with Behn south of Panama.

The head of RCA during World War II was Colonel David Sarnoff, a stocky, square-set, determined man with a slow, subdued voice, who came from Russia as an immigrant at the turn of the century and began as a newspaper seller, messenger boy, and Marconi Wireless operator. He became world famous in 1912, at the age of twenty-one, as the young telegraph operator who first picked up word of the sinking of the *Titanic*; for seventy-two hours he conducted ships to the stricken vessel. He rose rapidly in the Marconi company, from inspector to commercial manager in 1917. He became general manager of RCA in 1922 at the age of thirty-one and president just before he was 40. Under his inspired organization NBC inaugurated network broadcasting and RCA and NBC became one of the most colossal of the American multinational corporations, pioneers in television and telecommunications.

After Pearl Harbor, Sarnoff cabled Roosevelt, "All of our facilities and personnel are ready and at your instant service. We await your command." Sarnoff played a crucial role, as crucial as Behn's, in the U.S. war effort, and, like Behn, he was given a colonelcy in the U.S. Signal Corps. He solved complex problems, dealt with a maze of difficult requirements by the twelve million members of the U.S. armed forces, and coordinated details related to the Normandy landings. He prepared the whole printed and electronic press coverage of V-J day; in London in 1944, with headquarters at Claridge's Hotel, he was Eisenhower's inspired consultant and earned the Medal of Merit for his help in the occupation of Europe.

Opening in 1943 with a chorus of praise from various generals, the new RCA laboratories had proved to be indispensable in time of war.

But the public, which thought of Sarnoff as a pillar of patriotism, would have been astonished to learn of his partnership with the enemy through Transradio and TTP. The British public, beleaguered and bombed, would have been equally shocked to learn that British Cable and Wireless, 10 percent owned by the British government, and under virtual government control in wartime, was in fact also in partnership with the Germans and Italians through the same companies and proxies.

Immediately after Pearl Harbor, Hans Blume, manager of Transradio in Chile, set up an arrangement in connection with his related

clandestine station, P.Y.L., to transmit Nazi propaganda, coordinate espionage routes, give ship arrivals and departures, supply information on U.S. military aid, U.S. exports, the Latin American defense measures, and set up communications with German embassies throughout South America. Transradio was equally active in Rio and Buenos Aires.

In Brazil, Transradio was known as Radiobras, its mixed American, British, Nazi, and Italian shares permanently deposited in—of course—the National City Bank of New York in Rio. Its directors were American, Italian, German, and French. Transradio's London bank transferred as much as a quarter of a million shares of Transradio stock from Nazi-controlled banks to the National City Bank branch in 1942.

In Argentina the board was again a mixture of Nazi, Italian, and Allied members. Like the members of the Bank for International Settlements, though with even less excuse, the directors sat around a table discussing the future of Fascist alliances. So extreme was the situation that many messages could not be sent to Allied capitals by U.S. embassies or consulates without going through Axis hands first.

On March 15, 1942, Transradio in London instructed its Buenos Aires branch to open a radio-photograph circuit to Tokyo. Since British post office authorities were in charge of British Cable and Wireless's wartime operations, the British government was presumed to have authorized this act. On March 16 the U.S. Embassy in Buenos Aires reported to the State Department in Washington that the opening of the radio-photograph circuit "would appear to offer the Japanese opportunity of transmitting news photos unfavorable to the united nations to Buenos Aires for distribution here and in other countries."

On March 16, Thomas Burke of the State Department sent a note to State's Breckinridge Long saying, over three months after Pearl Harbor, "Now that we are at war and parties to Resolution XL of the Rio Conference, it seems proper to require our companies to desist from carrying any Axis traffic in the other American republics. It is our understanding in this connection that the Treasury Department in the future will require licenses of American communications companies desiring to carry traffic of this nature. . . . As far as the past is concerned, it is believed that we can give oral assurances to the

companies that they will not be prosecuted against." It is of interest to note that those assurances extended into the future and that indeed the companies were not prosecuted against at any time.

At the same time, London allegedly authorized Transradio to transmit messages from South American capitals direct to Rome. The British authorities had cut off Italy's line to Rome at Gibraltar in 1939, but Transradio now took over its Italian partner's transmissions at a 50 percent discount.

Simultaneously, the Transradio stations, according to State Department reports with the full knowledge of David Sarnoff, kept up a direct line to Berlin. The amount of intelligence passed along the lines can scarcely be calculated. The London office was in constant touch with New York throughout the war, sifting through reports from Argentina, Brazil, and Chile and sending company reports to the Italian and German interests.

In a remarkable example of the pot calling the kettle black, Nando Behn, the nephew of Sophanes Behn, cabled his uncle from Buenos Aires to New York on June 29, 1942: "It is about time something is done down here to cut out the sole communication center in the Americas with Berlin. Our competitors, Transradio, have a direct radio circuit with Berlin and you can be pretty sure that every sailing from Buenos Aires is in Berlin before the ship is out of sight."

General Robert C. Davis never seemed to question the fact that his Swedish fellow board members were proxies of an enemy government. Nor that secret documents, charts, and patents were being transferred with speed, accuracy, and secrecy, with the authorization of the Japanese Minister of Communications, to South America directly.

On July 10, 1942, adhering to terms of the Rio Conference at which Sumner Welles had succeeded in obtaining agreements for discontinuing communications with the Axis, the Argentine Minister of the Interior addressed an official letter to the Director General of Posts and Telegraphs, seeking to suspend such connections for the duration. Despite that fact, Transradio and RCA, like their counterparts in ITT, pretended they feared that if they did not discontinue the circuits, the Argentine government would retaliate by nationalizing them.

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