

CHAPTER FIVE

I.T.T. Works Both Sides of the War

Thus while I.T.T. Focke-Wolfe planes were bombing Allied ships, and I. T. T. lines were passing information to German submarines, I.T.T. direction finders were saving other ships from torpedoes. (Anthony Sampson, *The Sovereign State of I.T.T.*, New York: Stein & Day, 1973, p. 40.)

The multi-national giant International Telephone and Telegraph (I.T.T.)¹ was founded in 1920 by Virgin Islands-born entrepreneur Sosthenes Behn. During his lifetime Behn was the epitome of the politicized businessman, earning his profits and building the I.T.T. empire through political maneuverings rather than in the competitive market place. In 1923, through political adroitness, Behn acquired the Spanish telephone monopoly, Compania Telefonica de Espana. In 1924 I.T.T., now backed by the J.P. Morgan firm, bought what later became the International Standard Electric group of manufacturing plants around the world.

The parent board of I.T.T. reflected the J.P. Morgan interests, with Morgan partners Arthur M. Anderson and Russell Leffingwell. The Establishment law firm of Davis, Polk, Wardwell, Gardiner & Reed was represented by the two junior partners, Gardiner & Reed.

DIRECTORS OF I.T.T. IN 1933:

Directors	Affiliation with other Wall Street firms:
Arthur M. ANDERSON	Partner, J.P. MORGAN and New York Trust Company
Hernand BEHN	Bank of America

Sosthenes BEHN	NATIONAL CITY BANK
F. Wilder BELLAMY	Partner in Dominick & Dominicik
John W. CUTLER	GRACE NATIONAL BANK, Lee Higginson
George H. GARDINER	Partner in Davis, Polk, Wardwell, Gardiner & Reed
Allen G. HOYT	NATIONAL CITY BANK
Russell C. LEFFINGWELL	Partner J.P. MORGAN and CARNEGIE CORP.
Bradley W. PALMER	Chairman, Executive Committee, UNITED FRUIT
Lansing P. REED	Partner in Davis, Polk, Wardwell, Gardiner & Reed

The National City Bank (NCB) in the Morgan group was represented by two directors, Sosthenes Behn and Allen G. Hoyt. In brief, I.T.T. was a Morgan-controlled company; and we have previously noted the interest of Morgan-controlled companies in war and revolution abroad and political maneuvering in the United States.²

In 1930 Behn acquired the German holding company of Standard Elektrizitäts A.G., controlled by I.T.T. (62.0 percent of the voting stock), A.E.G. (81.1 percent of the voting stock) and Felton & Guilleaume (six percent of the voting stock). In this deal Standard acquired two German manufacturing plants and a majority stock interest in Telefonfabrik Berliner A.G.I.T.T. also obtained the Standard subsidiaries in Germany, Ferdinand Schuchardt Berliner Fernsprech-und Telegraphenwerk A.G., as well as Mix & Genest in Berlin, and Suddeutsche Apparate Fabrik G,m.b.H. in Nuremberg.

It is interesting to note in passing that while Sosthenes Behn's I.T.T. controlled telephone companies and

manufacturing plants in Germany, the cable traffic between the U.S. and Germany was under the control of Deutsch-Atlantische Telegraphengesellschaft (the German Atlantic Cable Company). This firm, together with the Commercial Cable Company and Western Union Telegraph Company, had a monopoly in transatlantic U.S.-German cable communications. W.A. Harriman & Company took over a block of 625,000 shares in Deutsch-Atlantische in 1925, and the firm's board of directors included an unusual array of characters, many of whom we have met elsewhere. It included, for example, H. F. Albert, the German espionage agent in the United States in World War I; Franklin D. Roosevelt's former business associate von Berenberg-Gossler; and Dr. Cuno, a former German chancellor of the 1923 inflationary era. I.T.T. in the United States was represented on the board by von Guilleaume and Max Warburg of the Warburg banking family

Baron Kurt von Schroder and the I.T.T.

There is no record that I.T.T. made direct payments to Hitler before the Nazi grab for power in 1933. On the other hand, numerous payments were made to Heinrich Himmler in the late 1930s and in World War II itself through I.T.T. German subsidiaries. The first meeting between Hitler and I.T.T. officials — so far as we know — was reported in August 1933,³ when Sosthenes Behn and I.T.T. German representative Henry Manne met with Hitler in Berchtesgaden. Subsequently, Behn made contact with the Keppler circle (see Chapter Nine) and, through Keppler's influence, Nazi Baron Kurt von Schröder became the guardian of I.T.T. interests in Germany. Schröder acted as the conduit for I.T.T. money funneled to Heinrich Himmler's S.S. organization in 1944, *while World War II was in progress, and the United States was at war with Germany.*⁴

Through Kurt Schröder, Behn and his I.T.T. gained access to the profitable German armaments industry and bought substantial interest in German armaments firms, including Focke-Wolfe aircraft. These armaments operations made handsome profits, which could have been repatriated to the United States parent company. But they were reinvested in German rearmament. This reinvestment of profits in German armament firms suggests that Wall Street claims it was innocent of wrongdoing in German rearmament — and indeed did not even know of Hitler's intentions — are fraudulent. Specifically, I.T.T.

purchase of a substantial interest in Focke-Wolfe meant, as Anthony Sampson has pointed out, that I.T.T. was producing German planes used to kill Americans and their allies — and it made excellent profits out of the enterprise.

In Kurt von Schröder, I.T.T. had access to the very heart of the Nazi power elite. Who was Schröder? Baron Kurt von Schröder was born in Hamburg in 1889 into an old, established German banking family. An earlier member of the Schröder family moved to London, changed his name to Schroder (without the dierisis) and organized the banking firm of J. Henry Schroder in London and J. Henry Schroder Banking Corporation in New York. Kurt von Schröder also became a partner in the private Cologne Bankhaus, J. H. Stein & Company, founded in the late eighteenth century. Both Schröder and Stein had been promoters, in company with French financiers, of the 1919 German separatist movement which attempted to split the rich Rhineland away from Germany and its troubles. In this escapade prominent Rhineland industrialists met at J. H. Stein's house on January 7, 1919 and a few months later organized a meeting, with Stein as chairman, to develop public support for the separatist movement. The 1919 action failed. The group tried again in 1923 and spearheaded another movement to break the Rhineland away from Germany to come under the protection of France. This attempt also failed. Kurt von Schroder then linked up with Hitler and the early Nazis, and as in the 1919 and 1923 Rhineland separatist movements, Schröder represented and worked for German industrialists and armaments manufacturers.

In exchange for financial and industrial support arranged by von Schroder, he later gained political prestige. Immediately after the Nazis gained power in 1933 Schroder became the German representative at the Bank for International Settlements, which Quigley calls the apex of the international control system, as well as head of the private bankers group advising the German Reichsbank. Heinrich Himmler appointed Schroder an S.S. Senior Group Leader, and in turn Himmler became a prominent member of Keppler's Circle. (See Chapter Nine.)

In 1938 the Schroder Bank in London became the German financial agent in Great Britain, represented at financial meetings by its Managing Director (and a director of the Bank of England), F.C. Tiarks. By World War II Baron Schrader had in this manner acquired an impressive list of political and banking connections reflecting a widespread influence; it was even reported to the U.S. Kilgore Committee that

Schrader was influential enough in 1940 to bring Pierre Laval to power in France. As listed by the Kilgore Committee, Schroder's political acquisitions in the early 1940s were as follows:

SS Senior Group Leader.
Iron Cross of First and
Second Class.

Swedish Consul General.

International Chamber of
Commerce – Member of
administrative committee.

Council of Reich Post Office
– Member of advisory board.

German Industrial and
Commerce Assembly –
Presiding member.

Reich Board of Economic
Affairs Member.

Deutsche Reichsbahn –
President of administrative
board.

Trade Group for Wholesale
and Foreign Trade –
Manager.

Akademie fur Deutsches
Recht (Academy of
Germany Law) – Member
City of Cologne – Councilor.

University of Cologne –
Member of board of
trustees.

Kaiser Wilhelm Foundation
– Senator.

Advisory Council of
German-Albanians.

Goods Clearing Bureau –
Member.

Working Committee of
Reich Group for Industry
and Commerce – Deputy
chairman.⁵

Schröder's banking connections were equally impressive and his business connections (not listed here) would take up two pages:

Bank for International Settlement – Member of the directorate.

Deutsche Verkehrs-Kredit-Bank, A.G., Berlin
(Controlled by Deutsche Reichsbank) – Chairman of board of directors.

J.H. Stein & Co, Cologne – Partner (Banque Worms was French correspondent).

Deutsche Ueberseeische Bank (Controlled by Deutsche Bank, Berlin) – Director.⁶

Deutsche Reichsbank, Berlin. Adviser to board of directors.

Wirtschaftsgruppe Private Bankegewerbe – Leader.

This was the Schröder who, after 1933, represented Sosthenes Behn of I.T.T. and I.T.T. interests in Nazi Germany. Precisely because Schröder had these excellent political connections with Hitler and the Nazi State, Behn appointed Schröder to the boards of all the I.T.T. German companies: Standard Elektrizitatswerke A.G. in Berlin, C. Lorenz A.G. of Berlin, and Mix & Genest A.G. (in which Standard had a 94-percent participation).

In the mid-1930s another link was forged between Wall Street and Schröder, this time through the Rockefellers. In 1936 the underwriting and general securities business handled by J. Henry Schroder Banking Corporation in New York was merged into a new investment banking firm — Schroder, Rockefeller & Company, Inc. at 48 Wall Street. Carlton P. Fuller of Schroder Banking Corporation became president and Avery Rockefeller, son of Percy Rockefeller (brother of John D. Rockefeller)

became vice president and director of the new firm. Previously, Avery Rockefeller had been associated behind the scenes with J. Henry Schroder Banking Corporation; the new firm brought him out into the open.⁷

Westrick, Texaco, and I.T.T.

I.T.T. had yet another conduit to Nazi Germany, through German attorney Dr. Gerhard Westrick. Westrick was one of a select group of Germans who had conducted espionage in the United States during World War I. The group included not only Kurt von Schröder and Westrick but also Franz von Papen — whom we shall meet in company with James Paul Warburg of the Bank of Manhattan in Chapter Ten — and Dr. Heinrich Albert. Albert, supposedly German commercial attache in the U.S. in World War I, was actually in charge of financing von Papen's espionage program. After World War I Westrick and Albert formed the law firm of Albert & Westrick which specialized in, and profited heavily from, the Wall Street reparations loans. The Albert & Westrick firm handled the German end of the J Henry Schroder Banking loans, while the John Foster Dulles firm of Sullivan and Cromwell in New York handled the U.S. end of the Schroder loans.

Just prior to World War II the Albert-Papen-Westrick espionage operation in the United States began to repeat itself, only this time around the American authorities were more alert. Westrick came to the U.S. in 1940, supposedly as a commercial attache but in fact as Ribbentrop's personal representative. A stream of visitors to the influential Westrick included prominent directors of U.S. petroleum and industrial firms, and this brought Westrick to the attention of the FBI.

Westrick at this time became a director of all I.T.T. operations in Germany, in order to protect I.T.T. interests during the expected U.S. involvement in the European war.⁸ Among his other enterprises Westrick attempted to persuade Henry Ford to cut off supplies to Britain, and the favored treatment given by the Nazis to Ford interests in France suggests that Westrick was partially successful in neutralizing U.S. aid to Britain.

Although Westrick's most important wartime business connection in the United States was with International Telephone and Telegraph, he also represented other U.S. firms, including Underwood Elliott Fisher, owner of the German company Mercedes Buromaschinen A.G.; Eastman Kodak, which had a Kodak subsidiary in Germany; and the International Milk Corporation, with a Hamburg subsidiary. Among Westrick's deals (and the one which received the most publicity) was a contract for Texaco to supply oil to the German Navy, which he arranged with Torkild Rieber, chairman of the board of Texaco Company.

In 1940 Rieber discussed an oil deal with Hermann Goering, and Westrick in the United States worked for Texas Oil Company. His automobile was bought with Texaco funds, and Westrick's driver's license application gave Texaco as his business address. These activities were publicized on August 12, 1940. Rieber subsequently resigned from Texaco and Westrick returned to Germany. Two years later Rieber was chairman of South Carolina Shipbuilding and Dry Docks, supervising construction of more than \$10 million of U.S. Navy ships, and a director of the Guggenheim family's Barber Asphalt Corporation and Seaboard Oil Company of Ohio.⁹

I.T.T. in Wartime Germany

In 1939 I.T.T. in the United States controlled Standard Elektrizitats in Germany, and in turn Standard Elektrizitats controlled 94 percent of Mix & Genest. On the board of Standard Elektrizitats was Baron Kurt von Schroder, a Nazi banker at the core of Nazism, and Emil Heinrich Meyer, brother-in-law of Secretary of State Keppler (founder of the Keppler Circle) and a director of German General Electric. Schroder and Meyer were also directors of Mix & Genest and the other I.T.T. subsidiary, C. Lorenz Company; both of these I.T.T. subsidiaries were monetary contributors to Himmler's Circle of Friends — *i.e.*, the Nazi S.S. slush fund. As late as 1944, Mix & Genest contributed 5,000 RM to Himmler and Lorenz contributed 20,000 RM. In short, during World War II International Telephone and Telegraph was making cash payments to S.S. leader Heinrich Himmler.¹⁰ These payments enabled I.T.T. to protect its investment in Focke-Wolfe, an aircraft manufacturing firm producing fighter aircraft used against the United States.

The interrogation of Kurt von Schröder on November 19, 1945 points up the deliberate nature of the close and profitable relationship between Colonel Sosthenes Behn of I.T.T., Westrick, Schröder, and the Nazi war machine during World War II, and that this was a deliberate and knowledgeable relationship:

Q. You have [told] us in your earlier testimony, a number of companies in Germany in which the International Telephone and Telegraph Company or the Standard Electric Company had a participation. Did either International Telephone and Telegraph Company or the Standard Electric Company have a participation in any other company in Germany?

A. Yes. The Lorenz Company, shortly before the war, took a participation of about 25 percent in Focke-Wolfe A.G. in Bremen. Focke-Wolfe was making airplanes for the German Air Ministry. I believe that later as Focke-Wolfe expanded and took in more capital that the interest of Lorenz Company dropped a little below this 25 percent.

Q. So this participation in Focke-Wolfe by Lorenz Company began after Lorenz Company was nearly 100-percent owned and controlled by Colonel Behn through the International Telephone and Telegraph Company?

A. Yes.

Q. Did Colonel Behn [*sic*] approve of this investment by the Lorenz Company in Focke-Wolfe?

A. I am confident that Colonel Behn approved before his representatives who were in close touch with him formally approved the transaction.

Q. What year was it that the Lorenz Company made the investment which gave it this 25 percent participation in Foeke-Wolfe?

A. I remember it was shortly before the outbreak of war, that is, shortly before the invasion of Poland. [Ed: 1939]

Q Would Westrick know all about the details of the participation of Lorenz Company in Foeke-Wolfe, A.G. of Bremen?

A. Yes. Better than I would.

Q. What was the size of the investment that Lorenz Company made in the Focke-Wolfe A.G., of Bremen, which gave them the initial 25 percent participation?

A. 250,000 thousand RM initially, and this was substantially increased, but I don't recall the extent of the additional investments that Lorenz Company made to this Focke-Wolfe A.G. of Bremen.

Q. From 1915, until the outbreak of the European War, was Colonel Behn in a position to transfer the profits from investments of his companies in Germany to his companies in the United States?

A. Yes. While it would have required that his companies take a little less than the full dividends because of the difficulty of securing foreign exchange, the great bulk of the profits could have been transferred to the company of Colonel Behn in the United States. However, Colonel Behn did not elect to do this and at no time did he ask me if I could accomplish this for him. Instead, he appeared to be perfectly content to have all the profits of the companies in Germany, which he and his interests controlled, reinvesting these profits in new buildings and machinery and any other enterprises engaged in producing armaments.

Another one of these enterprises, Huth and Company, G.m.b.H., of Berlin, which made radio and radar parts, many of which were used in equipment going to the German Armed Forces. The Lorenz Company as I recall it [had] a 50-percent participation in Huth and Company. The Lorenz Company also had a small subsidiary which acted as a sales agency for the Lorenz Company to private customers.

Q. You were a member of the board of Lorenz Company's board of director, from about 1935 up to the present time. During this time, Lorenz Company and some of the other companies, such as Foeke-Wolfe with which it had large participation, were engaged in the manufacture of equipment for armaments and war production. Did you know or did you hear of any protest made by Colonel Behn or his representatives against these companies engaged in these activities preparing Germany for war?

A. No.

Q. Are you positive that there was no other occasion in which you were asked by either Westrick, Mann [sic], Colonel Behn or any other person connected with the International Telephone and Telegraphic Company interests in Germany, to intervene on behalf of the company with the German authorities.

A. Yes. I don't remember any request for my intervention in any matter of importance to the Lorenz Company or any other International Telephone and Telegraph interests in Germany.

I have read the record of this interrogation and I swear that the answers I have given to the question of Messrs. Adams and Pajus are true to the best of knowledge and belief. s. /Kurt von Schröder

It was this story of I.T.T.-Nazi cooperation during World War II and I.T.T. association with Nazi Kurt von Schröder that I.T.T. wanted to conceal — and almost was successful in concealing. James Stewart Martin recounts how during the planning meetings of the Finance Division of the Control Commission he was assigned to work with Captain Norbert A. Bogdan, who out of uniform was vice president of the J. Henry Schroder Banking Corporation of New York. Martin relates that "Captain Bogdan had argued vigorously against investigation of the Stein Bank on the grounds that it was 'small potatoes.'"¹¹ Shortly after blocking this maneuver, two permanent members of Bogdan's staff applied for permission to investigate the Stein Bank — although Cologne had not yet fallen to U.S. forces. Martin recalls that "The Intelligence Division blocked that one," and so some information on the Stein-

Footnotes:

¹*For an excellent review of I.T.T.'s worldwide activities, see Anthony Sampson, The Sovereign State of I.T.T., (New York: Stein & Day, 1973).*

²*See also Sutton, Wall Street and the Bolshevik Revolution, op. cit.*

³*New York Times, August 4, 1933.*

⁴*See also Chapter Nine for documentary proof of these I.T.T. payments to the S.S.*

⁵*Elimination of German Resources, p. 871.*

⁶*ibid.*

⁷*New York Times, July 20, 1936.*

⁸*Anthony Sampson reports a meeting between I.T.T. vice president Kenneth Stockton and Westrick in which the preservation of I.T.T. properties was planned. See Anthony Sampson, op. cit., p. 39.*

⁹*There is no substance to reports that Rieber received \$20,000 from the Nazis. These reports were investigated by the F.B.I. with no proof forthcoming. See United States Senate, Subcommittee to Investigate the Administration of the Internal Security Act, Committee on the Judiciary, Morgenthau Diary (Germany), Volume I, 90th Congress, 1st Session, November 20, 1967, (Washington: U.S. Government Printing Office, 1967), pp. 316-8. On Rieber see also Appendix to the Congressional Record, August 20, 1942, p, A 1501-2, Remarks of Hon. John M. Coffee.*

¹⁰See pp. 128-130 for further details.

¹¹James Stewart Martin, *op. cit.*, p. 52.

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