

① 13.05

INDICTMENT SECTION IV (E)

The Acquiring of Totalitarian Control in Germany:
Economic; and the Economic Planning and Mobilization
for Agressive War.

(Introductory Statement): "Having gained political power the conspirators organized Germany's economy to give effect to their political aims."

The general character of the economic system which the Nazi conspirators and their collaborators among the militarists organized and developed in the years from 1933 to the outbreak of war in 1939 has been well described in the speeches and writings of General Georg Thomas. During the period in question, General Thomas occupied the position of Chief of the Military Economy Staff in the Reich War Ministry. This position made him a key figure in Nazi economy, and he became one of the chief organizers of the German rearmament effort.

In a speech made on 24 November 1936 before the Reich Chamber of Labor (Reichsarbeitskammer), General Thomas (at that time Colonel Thomas) characterized Germany's economy under the Nazi regime as a Military Economy (Wehrwirtschaft). This Military Economy, according to Thomas, did not constitute merely one sector of German economic life, but was a "descriptive term for the economic activity of all citizens." (Emphasis supplied). He pointed out that this type of economy was to be operated by men of a soldier-like character. Economic activity in Germany, he said, should be shaped and guided by an attitude closely resembling the concept of honor of the soldier. The soldier, he said, does not strive after success and victory for the sake of profit, but desires victory for reasons of patriotism, always being ready to sacrifice his life. "Wehrwirtschaft", according to Thomas, makes the same demand on every German civilian, whether he be an official, worker, peasant, merchant, artisan, artist, or scientist. (Speech made by the Chief of the Military

Economy Staff, Wehrmachtamt, on 24 November 1936. Doc.No. E.C.390).

In the same speech, Thomas declared that the establishment of Military Economy in Germany was not an emergency measure but represented a "new form of peace economy." In accordance with the idea of total war, it was the objective of military economy to mobilize the whole potential of the nation already in times of peace, directing it towards military prowess. In the view of Thomas, if measures that could not be justified under orthodox concepts of "economy" were necessary to accomplish this supreme aim of "Wehrwirtschaft", there should be no hesitancy to resort to such measures.

The three chief aims of "Wehrwirtschaft" were summarized by Thomas as follows:

- 1) Direction of the peace economy under military objectives;
- 2) Preparation of the war economy;
- 3) Preparation for economic war.

These objectives, Thomas declared, were to be promoted in all sections of human activity, including agriculture, raw material economy, trade, finance, supported by the appropriate education of the people through propaganda. The totalitarian character of "Wehrwirtschaft" was strongly emphasized by Thomas.

In the course of his analysis of military economy, Thomas made the following revealing remarks:

"A short time ago I was asked by a foreign military attache why we were making such high expenses in connection with the Four-Year Plan, and why we were spending so much money unnecessarily. I could have answered him very briefly and concisely: Because you force us to do it, and because you do not want to give us that which you have in your country and which any country needs that wants to maintain its position in the world."

In conclusion of his speech, Thomas declared that business

now was aware that it could not prosper unless protected by a "sharp sword." (Speech made by the Chief of the Military Economy Staff, Wehrmachtamt, on 24 November 1936. Doc.No. E.C. 390).

In an unpublished comprehensive manuscript entitled "Basic Materials for the History of the German Military and Armament Economy," Thomas pointed out that political decisions frequently receive their decisive impulse from the economic necessities of the nation. He remarked in this connection that "the primary urge to expand that exists in a nation which does not find the basis for its food supply in its own soil, is an imperative for the shaping of policy." (Thomas, Grundlagen für eine Geschichte der deutschen Wehr- und Rüstungswirtschaft, p.59. Doc.No. E.C. 391).

SECTION IV (K) (1)

"In order to eliminate the possibility of resistance in the economic sphere, they deprived labour of its rights of free industrial and political association as particularized in par.(D) 3 (c) (1)."

This part of the Indictment has been prepared by Section 1 of the Office of the Chief of Counsel.

SECTION IV (K) (2)

(Statement to be proved:) "They used organizations of German business as instruments of economic mobilization for war."

For the purpose of creating an industrial structure equal to the task of providing for the effective transmission and execution of its official orders and instructions, the Nazi conspirators integrated industry in its various branches into functional as well as territorial organizations. These organizations, as will be shown, were knit into a co-ordinated system of a hierarchical character, one of the conspicuous features of the system being the compulsory character of membership.

The Law for the Preparation of the Organic Structure of German Economy of 27 February 1934 authorized the Minister of Economics to recognize economic associations (Wirtschaftsverbände) as sole representatives of their respective branches of business. Economic associations were defined as "associations or combinations of associations charged with the task of protecting the economic interests of entrepreneurs and enterprises." The Minister of Economics was given the power to create, dissolve, or combine such economic associations, to modify or amend their charters and by-laws and, particularly, to introduce the "leadership principle" into these organizations. (Reichsgesetzblatt 1934, I, 185).

The functional organizations consisted of (a) National Groups (Reichsgruppen), (b) Economic Groups (Wirtschaftsgruppen), (c) Trade Groups (Fachgruppen). On the upper level were seven National Groups, one each for manufacturing, trade, banking, insurance, power (water, gas and electric) and handicraft. (Reichsgesetzblatt 1934, I, 1194, sec.2; Reichsgesetzblatt 1933, I, 1015). Subordinate to each of these National Groups were various Economic Groups, thirty-one of them belonging to the National Group for manufacturing, four to trade, six to banking, two to insurance. The Economic Groups were, in turn, sub-divided into various Trade Groups, 328 in all, the number in each Economic Group varying with its size. Membership in the National Groups was made automatic and compulsory by the Nazis, and failure to register brought heavy fines. (Report on the Organization of the Reichsministry for Armaments and War Production prepared by Ernst Bomsen of that Ministry, microfilm copy, accompanied by a translation of excerpts by the British Foreign Documents Unit, Doc.No. E.C.392; Nathan, The Nazi Economic System, 1944, p.19).

In addition to the functional groups, the Nazis created territorial organizations of business. Every independent entrepreneur was compelled to maintain membership not only in a func-

tional group, but also in a Chamber of Industry and Commerce (Industrie-und Handelskammer) or in a Chamber of Handicraft (Handwerkskammer). In November 1934, the individual Chambers of Industry and Commerce were consolidated on the middle level into twenty-three Economic Chambers (Wirtschaftskammern), each Economic Chamber corresponding to one of the twenty-three economic districts of the Reich. At the top all territorial entrepreneurial bodies were consolidated into the Federation of the Chambers of Industry and Commerce (Arbeitsgemeinschaft der Industrie und Handelskammern). (Reichsgesetzblatt 1934, I, 1194, secs.3-7; Nathan, The Nazi Economic System, pp.21-24).

For the purpose of co-ordinating all organizations of business and to avoid jurisdictional disputes among them, the functional and territorial organizations obtained a common representative in the Reich Economic Chamber (Reichswirtschaftskammer). The leader of this top agency as well as his deputies were to be appointed by the Minister of Economics (Reichsgesetzblatt, 1934, I, 1194, secs.32-34).

Each group of industry was required by law to have a "leader" who was to serve without compensation. The "leaders" were to be appointed and removed by the Minister of Economics. The charter of each group was to be decreed by the leader. He had the duty to "lead his group in accordance with the principles of the National Socialist State." The members were required to obey orders of the leader of the group if such orders were given in performance of the functions of the group, or were designed to promote co-ordination of the industry. (Reichsgesetzblatt 1934, I, 1194, secs.11, 12, 16).

It is clear that the introduction of the leadership principle into the organizations of business and the machinery provided for appointing and removing chairmen of such organizations by Government fiat centralized authority at the top and insured

conformity all the way down the line. The hierarchical structure of the organizations of business and their subordination to a central Government agency could have only one meaning and purpose, i.e. to insure and guarantee a frictionless and efficient execution of orders which the Government issued to business in the interests of the promotion of a war economy. In a speech made by General Thomas before the Army Academy on 1 November 1937, Thomas pointed out that it was the task of "Wehrwirtschaft" to concentrate all economic forces for the support of war, and that the integration of industry into the Reich groups had been undertaken to achieve this goal. (Speech before Wehrmachtakademie entitled "Introduction into Military Economy with special reference to the present Economic Situation of the Reich." Doc.No. E.C.14).

SECTION IV (E) (3).
(First sentence).

(Statement to be proved:) "They directed Germany's economy towards preparation and equipment of the military machine."

In his unpublished manuscript entitled "Basic Materials for a History of the German Military and Armament Economy", General Thomas, Chief of the Military Economy Staff, pointed out that the directives issued by the new National Socialist Government through War Minister von Blomberg showed a determination on the part of the Government to abandon the previous system of secrecy in defense matters and to work on a reconstruction of the German army openly and vigorously. He declared that for the first time a planned economic preparation for a mobilization was to be created and that the hitherto existing small organizations in the Army and Navy were insufficient for that purpose. (Thomas, Grundlagen für eine Geschichte der deutschen Wehr- und Rüstungswirtschaft, p.35, Doc. No. E.C.391).

On 4 April 1933 the Reich Government passed a resolution establishing a "Reichsverteidigungsrat" (Reich Defense Council). This resolution transferred the responsibility for the defense of

the Reich from the Reichswehr Minister to this new Council. The Reich Chancellor was to be Chairman of the Council, the Reichswehr Minister his deputy. In addition, the Council was to have the following members:

- The Foreign Minister,
- The Minister of Interior,
- The Minister of Economics,
- The Minister of Finance,
- The Minister for Enlightenment and Propaganda,
- The Minister of Aviation,
- The Chief of the Army Command,
- The Chief of the Navy Command.

(See memorandum by the Reichswehr Minister dated 20 May 1933, signed by Adam, authenticated by Keitel, Doc.No. E.C.401).

At the second meeting of the Working Committee of the Coun-
cillors for Reich Defense (predecessors of the Reich Defense Coun-
cil) held on 22 May 1933, the Chairman, Colonel Keitel, pointed
out the necessity and desirability for the creation of the Reich
Defense Council. He said that a general program for the creation
of a war economy had already been completed, but that it would take
a long time to carry out the program. He explained that it was the
purpose and objective of the Working Committee of the new Defense
Council to overcome these difficulties.

Colonel Keitel emphasized at the meeting that the supreme
consideration guiding the work of the Committee was to be secrecy.
"No document," he said, "ought to be lost, since otherwise it may
fall into the hands of the enemy's intelligence service. Orally
transmitted matters are not provable, they can be denied by us in
Geneva." (Emphasis supplied). He requested that written documents
not be sent through the mails, or, if it was absolutely necessary
to do so, that they be addressed, not to a Government agency or
office (where they might be opened by the mail clerks) but to the

recipient personally. (Minutes of the Second Meeting of the Working Committee of the Councillors for Reich Defense, Doc. No. R.C.177).

At the sixth meeting of the Working Committee of the Reich Defense Council, held in Berlin on 7 February 1934, the Chairman of the meeting, Lt.General Beck, pointed out that preparation for defense should suffer no delay. The members then proceeded to discuss the best ways for financing mobilization and securing the financial means for the first thirty days of the war. The question of the financing of the further course of the war was also taken up. The question was raised what kind of financial and tax measures should be recommended in order to maintain and strengthen enterprises essential for war production. Various specific proposals, such as a recommendation to grant subsidies and loans to such enterprises, were made by the representative of the Ministry of Finance, Dr. Bender. The representative of the Ministry of Economics, Ministerial Councillor Barth, pointed out that a plan for the creation of twenty-three War Economy Offices and the establishment of War Economy Divisions in county and city administrations had been worked out. He also said that a plan for the conservation of raw materials was being put into operation. Lt.Colonel Stud stressed the necessity for close collaboration with business. He proposed, however, that nothing relating to this matter should be put in writing, since "the military aim should not be demonstrable." Ministerial Councillor Godlewski stated that an order for the requisitioning and seizure of thirty-eight kinds of raw materials was ready, and that further orders were in preparation. The Chairman added that a draft for a War Contribution Law would be submitted to the Ministries in February. (Minutes of the Sixth Meeting of the Working Committee of the Reich Defense Council, Doc.No. R.C.404).

Major General von Reichenau emphasized at the tenth meeting

of the Working Committee of the Reich Defense Council, held on 26 June 1935, that all civilian Government Departments should be guided by the realization that the demands of the Army were to be given first priority. He said that as long as it was not possible to guarantee the financing of the contemplated thirty-six divisions of the Army, even urgent needs of civilian administrative agencies would have to remain unsatisfied.

At the same meeting, the Committee discussed the Reich Defense Law (Reichsverteidigungsgesetz). The Reich Government had put this law into effect under date of 21 May 1935, but the law was never published. It provided for the appointment of a General Plenipotentiary for the War Economy, who was to begin his work already under peace conditions. Pursuant to directions of the Chairman of the Reich Defense Council, he was to supervise the economic preparations for war, except to the extent that, regarding the armaments industry, they should fall within the jurisdiction of the Minister of War. A memorandum by Hitler, dated 31 May 1935, designated Dr. Schacht to become Plenipotentiary for the War Economy. (Minutes of the Tenth Meeting of the Working Committee of the Reich Defense Council, Doc.No. E.C.405; see in this connection also Thomas, Grundlagen für eine Geschichte der deutschen Wehr- und Rüstungswirtschaft, p.46, Doc.No. E.C.391).

At the same meeting, two other unpublished decree laws, both dated 31 May 1935, were discussed. The War Contribution Law (Kriegsleistungsgesetz) required every German to render such services and make such financial contributions as were necessary for "the prosecution of the war and the achievement of victory." This law was to be communicated to certain Government agencies under orders of strict secrecy. The other law was a Statute concerning the German People's Service (Gesetz ueber den deutschen Volkadienst). This law authorized the draft of all civilians

between the ages of 15 and 65 for the rendering of personal services. It was stressed at the meeting that, without publication, these laws, in the case of emergency, were to be the foundation for the war preparation of the Army and the civilian departments. (Minutes of the Tenth Meeting of the Working Committee of the Reich Defense Council, Doc.No. R.C.405).

Colonel Jodl of the Army Office pointed out at the meeting that the practical execution of the preparations for mobilization, which had been ordered by the Army and the highest Reich authorities, were making a considerable enlargement of personnel necessary. He suggested, however, that this enlargement of personnel ought not to result in "the disquieting of foreign countries through conspicuous mobilization measures." (Minutes of the Tenth Meeting of the Working Committee of the Reich Defense Council, Doc.No. R.C.405).

At the eleventh meeting the Chairman, Major General Keitel, pointed out that the mobilization year was to begin on 1 April and to end on 31 March of the following year. A "Mobilization Book for Civilian Agencies" was to be issued for the first time on 1 April 1936. He said that this day, to the extent possible, should find the nation ready and prepared. He declared that, according to the will of the Führer, the economic management of the country should put the enhancement of military capacity deliberately above all other national tasks. It was the function of all members of the Reich Defense Council, he emphasized, to use all available resources economically and to ask for only such funds and raw materials ^{as} ~~that~~ were absolutely and exclusively needed for the defense of the Reich.

Major General Keitel also pointed out that the preparations for the financing of war were considerable and very costly. He mentioned that the civilian departments would find instructions in the first general part of the Mobilization Book concerning withdrawals of money during the preliminary stages of mobilization. Colonel Jodl said that the Mobilization Book for the Civilian

Departments constituted the unified basis for the carrying out of mobilization outside of the Army. (Minutes of the Eleventh Meeting of the Reich Defense Council, Doc.No. R.C.406).

The twelfth meeting of the Reich Defense Council, held on 14 May 1936, was opened by Field Marshal von Blomberg, War Minister and Supreme Army Commander, who stressed the necessity for a total mobilization, including the drafting of the necessary laws, preparations in the re-militarized Rhineland zone, financing and rearmament. The Chairman of the Reich Defense Council, Lt.General Keitel, again stressed the necessity for secrecy. Ministerial Director Wohltat pointed out that in order to guarantee rearmament and an adequate food supply an increase in production and utmost economy were necessary, a postulate that had led to the special mandate given by the Fuhrer to Minister President Goering. (A discussion of this mandate, known as the Four-Year Plan, will be found below under IV (B) (5). (Minutes of the Twelfth Meeting of the Reich Defense Council, Doc.No. R.C.407)).

SECTION IV (B) (3)
(Second sentence).

(Statement to be proved:) "To this end they directed finance, capital investment, and foreign trade."

(The financing of armament will also be dealt with in the part of the brief discussing the responsibility of the defendant Schacht).

As the Nazi military program developed, finance, trade and investment became increasingly subject to direct Government control, and every sector of the economy became subject to a network of regulations designed to enforce the directives of the central economic command. The basis for a unified direction of the whole economy was laid by the Law concerning Economic Measures dated 3 July 1934. This statute authorized the Minister of Economics, within the scope of his general jurisdiction, to enact any measure deemed necessary by him for the development of the German economy

and the prevention or elimination of economic crises. The statute stated expressly that the measures taken by the Minister of Economics could deviate from, and be in derogation of, existing laws. (Gesetz über wirtschaftliche Massnahmen, Reichsgesetzblatt 1934, I, 565).

Finance and Credit.

For the purpose of financing the German rearmament, the Nazi conspirators took control of German banks and credit institutions and embarked upon a large-scale program of credit expansion.

(1) The Nazi conspirators changed the structure of the German Reichsbank and certain important legal rules governing this institution. Prior to 1933, the Reichsbank had been legally independent of the German Government. Reichsbank notes (the standard German currency) had to be covered at 40% by gold or foreign exchange, and treasury bills were not acceptable as coverage for the currency issued by the Reichsbank.

The Reichsbank law amendment of 27 October 1933 provided for the appointment of the Reichsbank President by the Reich President. It also dispensed with the 40% reserve requirement through vote of the Reichsbank Directorium. (Reichsgesetzblatt 1933, II, 827).

The Statute concerning the German Reichsbank dated 15 June 1939 eliminated all remaining vestiges of independence of this institution by stating that the Reichsbank was to serve "the realization of the aims of the National Socialist state leadership." The statute also admits treasury bills with three months maturity as note cover for the Reichsbank up to an amount to be exclusively determined by the Führer. (Reichsgesetzblatt 1939, I, 1015).

These measures resulted in enabling the German government to finance its armament expenditure by giving the Treasury free access to the resources of the Reichsbank.

(2) The Credit Act of 1934 (Reichsgesetzblatt 1934, I, 1203) gave the Government jurisdiction over all credit institutions (banks, savings banks, and others). Supervisory authority was vested in two institutions, the Supervisory Board for the Credit System (Aufsichtsrat für das Kreditwesen) charged with providing general rules and directions for the conduct of business of the credit institutions, and the Reich Commissioner for the credit system (Reichskommissar für das Kreditwesen), responsible for executing the general measures of the Supervisory Board, and enjoying certain powers and privileges of his own. For instance, the Commissioner was empowered to fix interest rates, commissions, fees, and other business terms, with the consent of the Reichsbank. A licence from the Reich Commissioner was prerequisite to opening a new credit institution or establishing a branch office at home or abroad. Any credit institution, or any of its branches could be closed by the Commissioner on grounds of a "violation of the common interest." Credit institutions had to keep the Commissioner informed with respect to various changes in their operations. The Commissioner could attend shareholders' and membership meetings and could request that problems of one kind or another could be brought before them. (Reichsgesetzblatt 1934, I, 1203, secs.1, 3, 32, 34).

This system of supervision and control of the banks and other credit institutions facilitated greatly the program of credit expansion which was one of the chief tools of the Government in financing the rearmament program.

(3) The attitude of the Nazi Government towards Government borrowing found expression in the law concerning the Grant of a Credit Authorization dated 19 February 1935 (Reichsgesetzblatt 1935, I, 198). This law authorized the Minister of Finance to borrow funds in amounts to be determined by the Reich Chancellor upon the suggestion of the Treasury. Whereas the constitution of the Weimar Republic had authorized Government borrowing, on the

whole, for investment purposes only, and had sought to restrict it by making it dependent upon special legislation, the Treasury was now given a completely free hand, the only limitation being the requirement of an authorization from the Reich Chancellor. There were no other restrictions of any kind; special legislation for new loans was no longer necessary.

Douglas Miller, Acting Commercial Attache, in his 1935 confidential report, reported that reliable private estimates gave the figure for the increase of short-term indebtedness by the Government at about 600,000,000 Marks per month, or roughly 7,000,000,000 Marks for the year, bringing the total Government short-term indebtedness to a figure of about 20,000,000,000 Marks. Miller pointed out that the capacity of the ordinary commercial banks to absorb fresh issues of Treasury bills had been practically exhausted, and that every effort was being made to place the bills with private firms, principally those which were obtaining orders with the stipulation that the bills were not to be thrown on the market for re-discount. (Annual Economic Review: Germany 1935, submitted by Douglas Miller). In his 1936 report, Miller stated that about 95% of all bills held by the Reichsbank represented directly or indirectly Government obligations. (Annual Economic Review: Germany 1936, submitted by Douglas Miller, p.111).

It is of interest to note that, from 1934 on, the Nazi Government published no budget estimates, whether of revenue or of expenditures. According to the 1938 report of R.M. Stephenson, Acting Commercial Attache, available data on tax receipts and borrowing tended to indicate a short-term borrowing amounting to 829 billion Marks and long and medium-term loans of eight billion Marks. He gave the last available figure for the Reich's recorded debt as 25.6 billion Marks on 31 October 1938, and pointed out that this figure represented an increase of eight

billion Marks over 1937 and of fourteen billion Marks over 1933. (Annual Economic Review: Germany 1938, submitted by R.M. Stephenson, pp.11, 13).

Capital Investment.

A number of steps were taken by the Nazi government to increase and improve the ability of the German capital market to absorb Government loans, and thereby to harness the capital market to the needs of a military economy.

(1) The Credit Act of 1934 required credit institutions to keep, besides a cash reserve, secondary reserves in commercial bills and securities and to limit their holdings in equities, real estate, and permanent business participations. The Supervisory Board was to determine how large a percentage of the banks' liabilities (except savings accounts) was to be kept as secondary reserve. The percentage to be fixed by the Board could not exceed 30%. (Reichsgesetzblatt 1934, I, 1203, sec.16).

(2) The Law concerning the Distribution of Profits by Corporations of 4 December 1934 (Reichsgesetzblatt 1934, I, 1222) made it illegal for corporations with a capital of over 100,000 Reichsmarks to distribute, in cash, dividends exceeding 6% (in some cases 8%) of the par value of the stock. The balance between the permissible dividend and the net profits was to be paid to the Gold Discount Bank which was instructed to invest it in Government bonds as trustee for the shareholders of the Corporation. After three years, (at the end of 1937), when the law expired, the funds accumulated in the Gold Discount Bank were to be distributed to the shareholders in either cash or securities. In December 1937, however, the law was extended for another three years. (Reichsgesetzblatt 1937, I, 1340).

(3) A law passed on 29 March 1934 compelled corporations to

form a "loan stock" if their net earnings were higher than in the preceding year or if the declared dividend was in excess of 6% of the paid-up capital. This loan stock was to consist of public bonds of the Reich, the states, or the municipalities. (Reichsgesetzblatt 1934, I, 295).

(4) Several legislative measures were taken by the Government to reduce current interest rates. A law of 24 January 1935 (Reichsgesetzblatt 1935, I, 45) authorized mortgage credit banks to undertake a conversion of mortgage bonds bearing 6 and more per cent interest into new $4\frac{1}{2}\%$ bonds. Furthermore, a law dated 27 February 1935 provided machinery for the conversion of public bonds - Reich, state and municipal - in the amount of 2.2 billion Marks. In this case, too, a reduction of interest to a unified rate of $4\frac{1}{2}\%$ was authorized. (Reichsgesetzblatt 1935, I, 286).

While the reduction of interest of mortgage bonds was apparently made for the purpose of diverting accumulated savings and cash reserves into avenues sponsored by the Government, especially Government bonds and Treasury bills, the aim of the conversion of public bonds was to cheapen the cost of public borrowing.

Foreign Exchange Manipulations.

Rearmament and its financing by credit expansion was made possible by the complete seclusion of the German economy from the outside world and by the use of all foreign exchange available to Germany for the purchase of raw materials needed for the economic program. The organization of foreign exchange and trade controls as instruments of this policy was the work of Dr. Schacht, and the measures taken by him formed together the so-called "New Plan" announced in the fall of 1934. The underlying ideas of this plan were set forth by Dr. Schacht in an address at the Leipzig Fall Fair in September 1934. They were summarized by Douglas Miller,

Acting Commercial Attache, in his report to the State Department as follows:

1) Strict adjustment of imports to Germany's ability to pay and to her available reserves of foreign exchange. Import controls previously introduced for certain raw materials were to be extended to practically all imported goods;

2) Development of domestic sources of raw materials with a view to replacing the imported products. This aim, as Dr. Schacht emphasized, was to be pursued by all available means, irrespective of the considerably higher cost of the domestic substitutes.

3) Promotion of exports with increased energy by utilizing all the possibilities of scrip and bond repurchase and simultaneous rejection of both devaluation and deflation as a means of stopping the shrinkage of German export trade.

(Annual Economic Review: Germany 1934, submitted by Douglas Miller, Acting Commercial Attache, p.140).

Legislative measures taken by the Nazi government in the field of foreign exchange and trade controls included the following:

1) By virtue of the Decree concerning Commodity Exchange of 4 September 1934 (Reichsgesetzblatt 1934, I, 816) the system of Supervisory Boards (Überwachungsstellen) for import control, previously limited to the main groups of raw materials, was extended to all goods imported into Germany, whether raw materials, semi-manufactures, or finished products.

A feature of the new regulations was that in the future a foreign exchange certificate (Devisen bescheinigung) was to be applied for in advance for every individual import transaction (in excess of 10 Marks) if the importer wanted to be certain to

get the foreign exchange at all. Importation of goods for which no such certificate had been issued was not prohibited, but it was stated at the time that the importer would have no chance whatsoever to obtain the permission to pay for goods imported, without a license. Every Supervisory Board was assigned a definite amount of foreign exchange for a given month. This amount was to be allocated among individual products and manufacturers according to the importance of the products and the urgency of the need. In this way the Supervisory Boards in effect obtained a very substantial control of production. (Annual Review: Germany 1934, submitted by Douglas Miller, Acting Commercial Attache, pp.141-142).

2) The "Devisen" Law of 4 February 1935 (Reichsgesetzblatt, 1935, I, 105) decreed that all transactions involving foreign exchange were subject to official approval. The Government was authorized to decree that specified assets abroad were to be registered or to be tendered to the Reichsbank for purchase by the Reichsbank upon request. An administrative order issued on the same day decreed the obligatory tender, sale and transfer upon request to the Reichsbank of all foreign exchange, foreign and domestic securities in foreign currencies, dividends from such securities, and gold.

3) The Law against Economic Sabotage of 1 December 1936 (Reichsgesetzblatt 1936, I, 999) decreed capital punishment, in certain specified cases, for Germans transferring property to a foreign country or keeping property abroad.

Export Subsidies.

In a lecture given to Army officers in Berlin on 12 March 1936 under the title "Rearmament and its Effects on National and World Economy", Rudolf Brinkmann, Under Secretary in the Reich

Ministry of Economics, pointed out that in spite of considerable efforts to alleviate the raw material and food situation, Germany was still forced to import substantial amounts of foreign raw materials and foodstuffs. Otherwise, he said, "the internal prosperity generally and the armaments boom in particular" would be detrimentally affected. He explained that since Germany did not have sufficient gold or foreign exchange to pay for the import of necessary foreign goods, the only solution was to sell the products of German industry abroad, and in this way to acquire gold and foreign exchange. He hinted that German industry had declared its willingness to bring up the necessary means for the financing of export by a "self-help action." Emphasizing the key position occupied by the export industry in German economic life, Brinkmann made the following statement:

"A recession of our export industry must necessarily result in a decline of the armament boom. In the light of this interrelation it is clear why German economic management does not tire of impressing again and again upon those concerned the watchword of 'Step-
ping up exports.'"

(Rudolf Brinkmann, Wirtschaftspolitik aus nationalsozialistischem Kraftquell, Jena, 1939, pp.30-31).

The "self-help action" mentioned by Brinkmann consisted in a plan evolved by Dr. Schacht under which the funds necessary for the financing of exports were provided by "voluntary contributions" from all German industry. No authentic information as to the means involved and the way in which the scheme was operated, has ever been published in Germany. However, in his confidential reports to the State Department, Douglas Miller reported that, according to reliable information received by him, the annual contributions to which German industry was subjected under the export subsidy plan amounted to about 750 billion Marks, and that the rate of this levy in relation to the turnover of the respective industries ranged from one to three per cent. The total amount of subsidy per annum was estimated by him to total about one billion Marks per year.

In Miller's opinion, the subsidy for 1935 practically confiscated all industrial profits in order to maintain the existing level of German exports. (Annual Economic Review: Germany 1935, submitted by Douglas Miller, Acting Commercial Attache, pp.161-163; same, Germany 1936, p.19).

SECTION IV (E) (4)

(Statement to be proved:) "The Nazi conspirators and in particular the industrialists among them, embarked upon a huge rearmament program and set out to produce and develop huge quantities of materials of war and to create a powerful military potential."

In a speech given at the German Foreign Office on 24 May 1939, General Thomas, Chief of the War Economy Staff of the Wehrmacht, ^{nachlaunt,} revealed the extent of the rearmament effort which the Nazi Government had made during the preceding four years in the following words:

"You know that the dictate of Versailles had limited the number of the German divisions to seven, that an air force was prohibited and that the Treaty completely forbade the Navy to build ships of over 10,000 tons or submarines. The production of arms, ammunition and military equipment was limited to a few authorized plants. All other establishments had been systematically destroyed. Until the end of 1933, in spite of secret and camouflaged attempts, no essential change occurred in this situation, so that we can state that the present rearmament represents the work of four years. The 100,000 men army of 7 infantry divisions and 3 cavalry divisions compares today with a peacetime army of 18 corps headquarters (Generalkommandos), 39 infantry divisions, among them four fully motorized and three mountain divisions, five Panzer divisions, four light divisions and 22 machine-gun battalions. * * * *

The Navy in 1933 had, in addition to a few obsolete pre-war line ships, one armored ship of 10,000 tons, 6 light cruisers and 12 torpedo boats. Since 1933 we have put into service: 2 battleships of 26,000 tons each, 2 armored ships of 10,000 tons each, 17 destroyers and 47 submarines; a total tonnage of 125,000. Also launched were: 2 battleships of 35,000 tons, 4 heavy cruisers of 10,000 tons, one aircraft carrier, 5 destroyers and 7 submarines totalling 106,000 tons. The launching of additional ships is impending.

The Luftwaffe has risen again and today has a strength of 260,000 men. Today already, the Luftwaffe possesses 21 squadrons consisting of 240 echelons. Its increase is in process. The anti-aircraft arm, with its four types, is certainly the most modern in the world and already embraces almost 300 anti-aircraft batteries. Anti-aircraft guns of

still larger calibers are being introduced.

The German armament industry has been developed to the same extent. Out of the few factories permitted by the Versailles Treaty has arisen the mightiest armament industry now existing in the world. (Emphasis supplied). It has attained performances which in part equal the German wartime performances, and in part even surpass them. Germany's crude steel production is today the largest in the world after America's, the aluminum production exceeds that of America and of the other countries of the world very considerably. The output of our rifle, machine-gun and artillery factories is at present larger than that of any other state. (Emphasis supplied). Our powder and explosive production in the next year is again to reach the volume of the Hindenburg program."

(Lecture of General Thomas, given on 24 May 1939 at the Foreign Office, pp.2-5, Doc. No. F.C.28).

The size of the German rearmament effort is also shown in figures and statistics which were sent to Washington by Douglas Miller, Acting Commercial Attache, in his confidential reports on the German economic situation. Here are some of the figures reported by him:

The German production of motor fuel (gasoline, benzol and alcohol) which formerly made up only about 10% of Germany's total motor fuel requirements of three million tons a year, rose in 1935 to one-third of the total. An increased production of German crude oil of about 115,000 tons was obtained in 1935. (Annual Economic Review: Germany 1935, submitted by Douglas Miller, p.3).

The cost of the plant extension of the I.G. Farbenindustrie for the production of "Leuna Gasoline" and of the plants which were built on the basis of compulsory co-operation by the lignite mining companies of central Germany, was estimated by Miller at over half a billion marks. (ibid.p.36). The annual capacity of all German synthetic gasoline plants was estimated to aggregate 300,000 tons by the middle of 1936. Imports of Diesel oil rose from 639.9 metric tons in 1934 to 1,081.3 metric tons in 1936. (Annual Economic Review: Germany 1936, submitted by Douglas Miller,

pp.36-37).

The output of pig iron advanced from 8,742,000 tons in 1934 to 12,539,000 tons in 1935, a gain of 43% in one year, though the latter figure was boosted by the inclusion of the Saar District in March 1935. The total pig iron production within Germany was roughly four times higher in 1935 than in 1932. In 1936, the output of pig iron rose to 15,303,000 tons. (Annual Economic Review: Germany 1935, p.130; Germany 1936, p.200).

The output of steel ingots increased from 7,490,000 tons in 1933 to 22,700,000 tons in 1938. (Annual Economic Review: Germany 1938, submitted by R.M.Stephenson, p.5).

Krupp's total expenditures on wages and salaries were as follows:

<u>Business Year</u>	<u>Marks</u>
1932/33	67,430,000
1933/34	99,340,000
1934/35	133,330,000

(Annual Economic Review: Germany 1935, submitted by Douglas Miller, p.36).

Germany's heavy imports of mercury since 1932, to be taken as an indication of the markedly accelerated activity of the explosives industry were as follows:

<u>Years</u>	<u>Quantity</u> (Metric tons)
1932	327.7
1933	438.1
1934	632.4
1935	853.6

(Annual Economic Review: Germany 1935, submitted by Douglas

Miller, p.36).

Aluminum consumption in Germany rose from:

<u>Years</u>	<u>Metric Tons</u>
1933	34,300
1936	105,000

(Annual Economic Review: Germany, submitted by Douglas Miller, p.38).

Douglas Miller remarked in his 1936 report:

"German industry is operating virtually at capacity in such branches as steel, machinery, shipbuilding and automobile trades * * * there can be no doubt that the militarization of German industry and commerce is proceeding on a scale which is probably without precedent in time of peace."

(Annual Economic Review: Germany 1936, submitted by Douglas Miller, pp.9, 195).

In the Summer of 1938, Field Marshal Goering, upon the suggestion of the Economic Division of the Wehrmacht, ordered the drawing up of a plan for the production of gunpowder and explosives. The execution of this plan was entrusted to General Manager Dr. Krauch of I.G.Farben ("Karin Hall Plan"). The plan contemplated a production capacity of 12,000 tons a month for gunpowder and 19,000 tons a month for explosives, to be raised to 18,000 tons for gunpowder and 24,000 tons for explosives by October 1941. It proved impossible, however, to attain this goal. (Thomas, Grundlagen für eine Geschichte der deutschen Wehr-und Rüstungswirtschaft, p.173, DocNo.E.C.391).

General Thomas also pointed out in his manuscript that before 1933 big business did not like to co-operate in the rearmament program, and in various instances even rejected such co-operation. It was the first task of Military Economy, he said,

to cause a change of attitude in this respect, and the Government succeeded within a few years to develop the 32 monopoly factories of the Treaty of Versailles into an armament industry sufficient to meet the needs of the new large Army.

(ibid. p.84).

The execution of the armament program sponsored by the Government was almost entirely in the hands of private industry. The state merely guided the program and issued orders and directives to industry, but in general did not engage directly in industrial activity. (Speech by Thomas on 24 November 1936 before the Reich Labor Chamber, Doc.No.E.C.390).

The extent of the armament orders issued to industry was so overwhelming that complaints about the excessive workload were constantly received from industry. Many plants worked at one hundred per cent capacity. The demand for steel was so high in 1937 that the Reichsminister of Economics expressed misgivings regarding the effects on the economy as a whole. (Thomas, Grundlagen für eine Geschichte der deutschen Wehr-und Rüstungswirtschaft, pp.38, 127, 145, Doc.No. E.C.391).

An interesting example of how military considerations were prevalent even in the manufacture of articles ostensibly devoted to purely civilian use is shown by a memorandum from the files of the Reich Chancellery dated 5 May 1934, dealing with the "people's automobile" (Volkswagen). It appears from the memorandum that the Reich Association of German Automobile Manufacturers had inquired about an expected decision of the Chancellor as to whether this automobile should have three or four wheels. The writer of the memorandum (apparently an executive in the Reich Chancellery) advocated a four-wheel car, pointing out in that connection that "the Reichswehr demands a type of car which offers room for three men and one heavy machine-gun." It appears from a note on the margin of the memorandum that Hitler made his decision in

favour of a four-wheel car. (Memorandum RK 4088, dated Berlin 5 May 1934, Doc.No. E.C.423).

SECTION IV (E) (5)

(Statement to be proved:) "With the object of carrying through the preparation for war the Nazi conspirators set up a series of administrative agencies and authorities. For example, in 1936 they established for this purpose the office of the Four-Year Plan with the defendant Goering as plenipotentiary, vesting it with overriding control over Germany's economy. Furthermore, on 28 August 1939, immediately before launching their aggression against Poland, they appointed the defendant Funk plenipotentiary for Economics; and on 30 August 1939 they set up the Ministerial Council for the Defense of the Reich to act as a War Cabinet."

The Four-Year Plan was proclaimed by Hitler in his address at the Nurnberg Party Convention on 9 September 1936, and it was given a statutory foundation by the Decree concerning the Execution of the Four-Year Plan dated 18 October 1936 (Reichsgesetzblatt 1936, I, 887). By this decree, Goering was put in charge of the plan. He was authorized to enact any legal and administrative measures deemed necessary by him for the accomplishment of his task, and to issue orders and instructions to all Government agencies, including the highest Reich authorities.

The purpose of the Four-Year Plan is revealed in an official file memorandum of the Defense Division of the Reich War Ministry dated 30 December 1936. According to this memorandum, Minister President Goering understood his mandate from Hitler to be "the putting of the whole economy on a war footing within four years." The memorandum cites as proof a letter from Goering to Schacht (St.M.R.V.516 g.Rs), dated 18 December 1936. (Memorandum of Defense Division dated 30 December 1936 and entitled "The Four-Year Plan and the Preparation of the ^{War} Economy, Doc.No. E.C.408).

Under the plan, imports of raw materials were reduced and an attempt was made to attain national self-sufficiency in essential raw materials, notably motor fuel, rubber, textile fiber,

and non-ferrous metals. Among the various synthetic products whose manufacture was pushed under the plan, special attention was paid to synthetic gasoline, in view of its outstanding military significance. The development of synthetic rubber marketed under the trade name of "Buna" was greatly accelerated, although this substitute cost five times the price of the natural product. (Annual Economic Review: Germany 1936, from the American Commercial Attache, pp.2-3, 30, 44-45).

In spite of the attempts to attain national self-sufficiency in essential raw materials, the necessity to obtain the foreign exchange through exports of German products was stressed by those chiefly responsible for the execution of the plan. Such foreign exchange was necessary, among other things, because the objective to secure self-sufficiency in foodstuffs could not be achieved, and imports of foodstuffs remained necessary. (Annual Economic Review: Germany 1936, from the American Commercial Attache, p.3).

Other reasons for obtaining foreign exchange were mentioned by Thomas in his speech on 1 November 1937 before the Wehrmacht Academy. He stated there that considerable means were needed in case of war in order to engage in propaganda activities abroad and in order to organize an espionage service in foreign countries. German marks, he said, were of no use for these purposes, and foreign exchange was needed. (Thomas, "Introduction into Military Economy with special reference to the present Economic Situation of the Reich", lecture before the Wehrmachtakademie on 1 November 1937, Doc.No. E.C.14).

An interesting expose of the aims and objectives pursued by the Government in carrying out the Four-Year Plan was given by Field Marshal Goering, charged with the execution of the plan, at a conference with his aides on 14 October 1938. Goering opened the conference by stating that the F"hrer had given him the mandate to execute "a gigantic program compared with which past accomplish-

ments were reduced to insignificance." He stressed the necessity of ameliorating the foreign exchange situation through increase of exports. Profits from exports, he said, were to be used for the increase of armaments. He warned that armaments would not be permitted to suffer any reduction by virtue of export activities. Goering pointed out that the Führer had asked him to "increase armaments abnormally," particularly those relating to the needs of the Luftwaffe. The Luftwaffe, he said, was to be augmented five times in a short time. The Army was to produce large quantities of "aggressive weapons", particularly heavy artillery and tanks. This armament program was to be accompanied by the production of war essential materials like gasoline, rubber, gunpowder and explosives. New roads were to be built and the railway system to be expanded. Imports of materials which could be produced synthetically in Germany were to be "recklessly" limited.

Goering emphasized that a complete transformation of production was required to achieve his goal. An immediate investigation of all productive facilities was to be started to determine whether they could be reconverted to armaments or exports. If not, they were to be shut down. First priority was to be given to machine production. There would no longer be room for printing machines, washing machines, or similar things; all those establishments would have to produce machines used in manufacturing tools. Work in three shifts was to be a matter of course. Overtime was to become compulsory. Recalcitrant workers were to be put in concentration camps.

In the execution of his task, Goering emphasized, he would proceed with "brutal means", and he warned that he would make a "barbaric use" of the powers given to him by the Führer. (Secret Command Matter; Conference with General Field Marshal Goering on 14 October 1938, in the Reich Air Ministry, Doc.No. E.C.424).

On 14 December 1938, Minister President Goering charged

Walther Funk (who since November 1937 occupied the post of Reichsminister of Economics) with special responsibility for issuing all directives necessary to increase the volume of production in the German economy in accordance with the requirements of the Four-Year Plan. On 28 August 1939, immediately before launching the attack on Poland, the defendant Funk was appointed Plenipotentiary for the Economy, in accordance with the provisions of the unpublished Reich Defense Law. (Testimony of Walther Funk, taken at Nurnberg on 21 October 1945, by Lt. Colonel Gurflein).

The month of August 1939 was dominated by the immediate preparations for full mobilization. According to General Thomas, the chief objective was "surprise of the enemy." He also said that

"The tension existing between Germany and Poland since July was utilized in order to conduct all measures necessary for a surprise attack on Poland."

(Thomas, Grundlagen für eine Geschichte der deutschen Wehr- und Rüstungswirtschaft, pp.181-182, Doc.No. E.C.391).

On 25 August 1939, according to Thomas, the order for "camouflaged mobilization" was issued, designating the 26th of August as the first "X-Day". (Thomas, op.cit., p.182, Doc.No. E.C.391).

On 27 August 1939, the Decree for the Securing of Essential Needs of the German people was passed, introducing ration cards for many essential consumption goods, including bread, flour, potatoes, milk and eggs. (Reichsgesetzblatt 1939, I, 1498).

On 30 August 1939, the Führer issued a Decree concerning the Formation of a Ministerial Council for the Defense of the Reich. (Reichsgesetzblatt 1939, I, 1539). The decree provided that such a council was to be formed out of the Reich Defense Council as a permanent committee. The permanent members of this council were to be Goering as Chairman, the Deputy of the Führer,

(at that time the defendant Hess), the Plenipotentiary for the Reich Administration, the Plenipotentiary for the German Economy (at that time the defendant Funk), the Chief of the Chancellery (at that time Dr. Meissner), the Chief of the Supreme Command of the Wehrmacht. It was provided that this Ministerial Council should have authority to issue decrees endowed with the force of law.

On 1 September 1939, the Nazi conspirators launched their surprise attack against Poland.

ARGUMENT and CONCLUSIONS.

* * * * *

All of the measures, regulations, decrees, laws, and official statements set forth above in the statement of facts show clearly that the Nazi conspirators, immediately upon their seizure of power, embarked upon an extensive program of armaments in preparation for war, and that they transformed and shaped the whole German economy for the accomplishment of this end, to the exclusion of any other purpose. The Nazi conspirators will probably argue that this preparation for war was motivated by considerations of defense, and that their aim was merely to be prepared for all eventualities if the tense political situation in Europe should result in war. This argument, however, lacks convincing force, and all the available evidence tends to show that the gearing of the German economy for war was dictated and influenced by intentions and designs of an aggressive nature.

First of all, in the years from 1933 to 1939, it was the defiant and militaristic attitude of the Nazis themselves, their demands for revision or scrapping of the Treaty of Versailles, their cries for "Lebensraum", their open confessions of world conquest aims, that introduced a disturbing and menacing element into European and world politics. There was certainly nothing in the European picture during the years between Hitler's accession to power and the outbreak of the war that would have indicated an aggressive and warlike attitude of the Western democracies towards Germany. In fact, if the Nazi conspirators and their military collaborators would now try to justify their preparations for war by alleging the existence of a threat of aggression from the West, they would set themselves in conflict with their own consistent line of propaganda, which used to picture the democracies as "saturated", "fat", "decadent" nations, devoid of military virtues and given over to morbid pacifist ideas.

Certain Nazi leaders have sometimes contended that their tremendous rearmament was designed to prepare the nation against the eventuality of an attack by Bolshevist Russia. Such an argument likewise can be dismissed as unconvincing. Russia, during the period in question, was busily engaged in trying to solve its own domestic problems. Furthermore, the Russians enjoyed self-sufficiency in raw materials and could have had no reason to covet the resources of foreign lands. Expansion for political reasons could have been a possible objective of Soviet policy, but no competent observer of the pre-war period has ever ventured to contend that the Soviets at that time actually had any designs pointing in that direction. In fact, it is obvious that in the case of aggressive action against Germany (which would have implied aggressive action against the border countries lying between Germany and Russia), Russia would have faced a strong hostile coalition of powers opposed to Soviet expansion, and that for this reason alone, if not for many other reasons, any allegation by the Nazis of a military threat from Russia during the period in question would lack credibility and persuasive force.

While, therefore, any attempts of the Nazi conspirators to justify their war preparations by reference to aggressive designs of other nations can be dismissed as unconvincing and even absurd, there are many positive and strong indications, shown in the preceding statement of facts, of a well-prepared plot by the Nazis and their friends and collaborators among the militarists to disturb the peace of the world by aggressive action against other nations; indications which, if pieced together and evaluated in their entirety, acquire the force of irrefutable proof. There is the fact of a tremendous rearmament, involving the production of huge quantities of weapons and the expenditure of very large sums of money for the manufacture of war-essential materials. There is Goering's demand for "aggres-

sive weapons", like heavy artillery and tanks. These are the statements of Thomas, affirming the urge for expansion inherent, in his view, in a "have not" nation, and intimating that necessary raw materials withheld from Germany by her neighbours would have to be obtained by Germany anyhow. We have also noted his statements as to the "totalitarian" character of Military Economy under the Nazis and his admission that this form of economy controlled all sectors of the economic life of the German nation, even in peacetime. We have taken account of the deliberations of the Reich Defense Council, showing a detailed, thorough and all-embracing preparation for war in many fields of administration and legislation, even to the extent that civilian administrative Government agencies were required to conduct their business with a view to complete preparation for mobilization. Finally, there is the evidence of the direct and immediate measures of mobilization taken in August 1939 and the admission by Thomas that these measures were necessary for a "surprise attack" on Poland.

When we view in their entirety all the acts, measures, laws and administrative decrees of the Nazi conspirators designed to promote mobilization and to create a Military Economy, we obtain the picture of an extreme completeness of war preparation, leaving no loopholes in any sector or field of Germany's productive system. When we analyze this totalitarian war effort in the economic field against the background of the mental training and indoctrination of the nation during the period in question, the aggressive designs underlying the economic preparations become even more manifest. The rearmament of Germany and all other phases of her mobilization for war were accompanied by a fanatical propaganda by the Government devoted to praising and glorifying war and trying to convince the nation that heroism, military valor, and the willingness to sacrifice one's life for the nation should be considered as the supreme values of life. The Teutonic warrior was pictured as the highest type of man, the doctrine of the worthlessness and inferiority of

non-German nations was again and again hammered into the mind of the Germans, and the mission of Germany to rule the world was stressed in speeches, public utterances, books, songs and propaganda pamphlets. This ideological glorification of force and military prowess was accompanied by demands for more "Lebensraum" and by utterances of Hitler pointing out the advantages that Germany would gain by possession of the Ukraine.

When we view Germany's economic preparation for war, during the period from 1933 to 1939, in its totality and tremendous scope, and if we view it in the light and against the background of the educational preparation of the nation for conquest and expansion, the aggressive character of Germany's rearmament program and mobilization for war becomes an established fact and undeniable reality.

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