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PRELIMINARY BRIEF

ON

"THE ECONOMIC CASE"

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A. Introductory Remarks

The "economic case" will be treated in this brief as an integral part of the general conspiracy charge. It will, consequently, not deal with such legal or factual matter as pertains to the conspiracy charge as such, especially with those angles of the case which bear on the fact that the conspiracy was directed toward aggressive warfare.

The brief in its present form necessarily reflects the present state of available proof and it is consequently only to be regarded as a preliminary expose subject to far-reaching changes as more concrete evidence is gradually becoming available.

The method of presentation chosen will relate the relevant facts of the case and in connection with all pertinent facts summarize the proof presently available as well as further evidence to be adduced for the factual contentions. Suggestions as to the nature of desirable further proof will be made in this connection.

The whole subject matter of the economic case will be presented in this brief in the following manner: Section B will deal with the existence and the progress of the economic conspiracy, developing how Germany's economy was being transformed from the peace-time economy existing in 1933 to the war economy of 1939. The presentation of this material will

be based mainly on German laws, decrees, regulations, directives and on resolutions of the Reichsbank directorium, since it is my contention that the existence and the progress of the conspiracy in the economic field, can be proved by mere reference to this material and explanation of its economic significance. Whereas the subject matter will be dealt with in the main part of Section B according to specific economic fields an appendix will be added to Section B giving the laws, regulations, etc. used as evidence, in chronological sequence to allow for a better view on the consistent progress of the conspiracy culminating in a fully developed war economy in peace time.

Section C will deal with individual participations in and contributions to the conspiracy and will be submitted only at a later date when more evidence will be available connecting the sequence of events and the progress of the conspiracy, with specific personalities. This section will be sub-divided according to individual conspirators and, according to present plans, it is intended to concentrate on Dr. Schacht, Dr. Funk, Speer, Krupp, Count Schwerin-Krosigk and Goering in his capacity as Four-Year Plan Commissioner.

B. Existence, Nature and Progress of the Economic Conspiracy

1. General

World War I taught the world one basic lesson: Modern war is an enterprise in which military and economic pro-

paredness are equally important factors.

Preparation of modern warfare consequently calls as much for the development of an army, navy and air force as for measures of control and planning by which the peace-time economy of an aggressor can be transformed into a war economy, capable of sustaining the striking power of the armed forces.

The brief on the general conspiracy will prove that there existed a conspiracy in Germany directed toward the waging of aggressive war and of territorial expansion through the threat of aggressive war. The brief on the general conspiracy consequently will have to connect up the present case with Article VI (a) of the Four-Power Agreement for the Prosecution and Punishment of the Major War Criminals of the European Axis, dated 8 August, 1945, and further reference to the applicable rule of law can consequently be dispensed with in the present brief.

There is, however, one point in which the treatment of the general conspiracy and the treatment of the economic part of this general conspiracy show a marked difference. As far as the purely military aspects of the conspiracy are concerned, the conspirators in view of the outbreak of an aggressive war in 1939 will hardly be able to claim that their contribution to the conspiracy was centered only on the possibility of defensive warfare. On the other hand, it is now already recognizable from depositions made by Dr. Schacht and Funk

in preliminary interrogations, that the principal conspirators in the economic sphere will claim as their main defense that though consenting and conspiring to German rearmament for defensive purposes, their planning did not include and was not directed to the possibility of aggressive warfare.

It must be obvious that the main effort of the prosecution will have to be directed to disprove this line of defense, for while it is fairly easy to prove the existence of the conspiracy in the economic field from the very fact that Germany's peace-time economy undeniably had been transformed into a war economy by 1939 and to trace the steps of this transition, it is very hard to disprove the contention that the planners and executors of this transformation did not foresee the possibility of a ggressive warfare.

To oppose effectively this line of defense the prosecution will have to point to the following facts:

a) The extent of German rearmament was of such magnitude that it enabled Germany to crush the whole military might of the European continent within about one year. From this very fact it follows that those who created a German economic machine capable of sustaining economically such military performance cannot claim innocence in regard to aggressive intent.

b) By military and economic planners and master-minds an instrument was being forged capable of carrying out aggressive warfare and put at the disposal of

Hitler. All those involved in the development of this war machine know perfectly well that according to Nazi doctrine and in view of the Fuehrer principle, Hitler could make use of this instrument, without any checks on his decisions, for aggressive purposes as well as for defense. Consequently, while the conspirators might claim that they themselves did not contemplate nor approve of aggressive warfare, they must admit that their own presently claimed lack of aggressive tendencies could not prevent the use of the finished war machine for aggressive purposes.

c) The final argument against this line of defense will have to center in the fact that the finished war machine was actually used for territorial expansion through threat of aggressive war (Austria, Czechoslovakia) as well as for aggressive warfare from 1 September 1939 on.

2. Contentions of the Prosecution.

The prosecution charges:

a) That there existed in Germany, starting in 1933, but in no case later than 1934 and extending to September 1, 1939, a conspiracy to transform Germany's peacetime economy into a war economy;

b) That this conspiracy achieved such transformation in various gradual steps;

c) That this conspiracy culminated in the emergence of the German war economy of 1939, which enabled Germany

to wage aggressive warfare without necessity of any further wartime changes in its economic structure;

d) That this conspiracy succeeded in creating an economy capable of sustaining the German armed forces in their aggressive conquests of the European continent;

e) That there existed in Germany likely prior to 1939 but definitely not later than August, 1940, a conspiracy to transform the whole of European economy into a tool subservient to the military and economic needs of Greater Germany and designed to be exploited solely for the benefit of Greater Germany.

3. Legal Question.

According to present American legal doctrine, "It is not necessary that the participation of the accused in a conspiracy should be shown by direct evidence. The connection may be inferred from such facts and circumstances and evidence as legitimately tend to sustain that inference. Indeed, often, if not generally, direct proof of the criminal conspiracy is not available and will be disclosed only by a development and collocation of circumstances." (Justice Frankfurter in U.S. vs Manton, 107F (2-d) 834 (CCA 2) Cert. den. 309 U.S. 664, p. 839. Cf also Glasser vs U.S., 315 U.S. 60, 93, page 80)

In view of this body of established law it will not be attempted in this brief to establish the existence of a conspiratorial master plan that foresaw and predetermined in

each individual detail the transition of Germany's peace-time economy into a war economy. Nor will it be attempted to follow the development of this transformation in every step and to retrace the vast and confusing pattern of the transformation of Germany's economy in every detail. Instead, the following method will be applied: In each major economic sphere relevant to a war economy, the original pattern existing in January, 1933, will be shown and the major steps which led to the completely changed pattern confronting us in Germany's 1939 economy will be traced. By contrasting the point of departure in 1933 and the final result in 1939 and in considering the means used to achieve this development, the inference of the existence of a conspiracy, as charged by the prosecution, should emerge with clarity. In drawing this inference, the individual legislative measures will have to be evaluated per se as well as in conjunction and in their chronological and logical sequence.

4. Major Economic Aspects of a War Economy.

We shall now examine the major aspects in which a war economy is distinguished from a peace-time economy and discuss briefly the significance of these economic aspects.

a) Financial sphere.

It is self-evident that armament on a grand scale and actual warfare involve a capital outlay of vast magnitude in the realm of public finance as well as in the domain of private investment. The expenditure of

public funds for armament purposes is based on the fact that the State beyond its normal expenditure for administrative purposes develops also into the biggest consumer of domestic output.

The capital expenditure in the field of private industry is based on the necessity of expanding existing production facilities to the desired level involving, as it were, the necessity of vast capital investments for plant expansion and new construction of plants.

Whereas the normal expenditure of the State for administrative purposes is (or should be) regularly covered by tax receipts, the role of the State as the largest buyer of domestic industrial output can only be financed by borrowing on the part of the State, be it of a short-term nature (treasury notes and treasury bills), or be it of a long-term nature by increase of the public debt (government bonds)

The mechanism of financing this large-scale public expenditure for armament and for warfare, presupposes the existence of adequate short-term and long-term government paper markets as well as free access of the treasury to the central bank. In order to create conditions suitable for the adequate financing of large-scale armament, the above named conditions must be secured.

b) Foreign Trade.

Germany was dependent on imports for her supply of most war essential raw materials, especially for

metals, oil, rubber and also for a great number of vital food materials. To buy raw materials in the world market it is necessary to have command over the necessary amounts of foreign exchange with which to pay for the raw materials to be imported. Without attempting to examine in detail the causes of such a shortage it may be stated that since the end of World War I, Germany lacked the necessary foreign exchange to pay for the vast imports of raw materials which were necessary to carry out her rearmament.

In the field of foreign trade, it must for this reason be distinguished between two co-respective factors which only when taken in conjunction, explain the policies pursued by Germany in the period 1933-1939 in this field:

- 1) the factor of raw material imports and allocation of imported raw materials,
- 2) the factor of foreign exchange (in Germany called "devisen") to pay for the raw materials.

c) Labor Supply

It is a characteristic of every peacetime economy, that under optimum conditions demand and supply for labor balance each other, while so far, in general, the available supply has mostly been larger than the demand (partial unemployment). On the other hand it is equally characteristic for every war economy that the vastly increased production leads to a sharp rise in the demand for labor, and hence to a shortage of available labor which necessitates the allocation of labor according to the more or less essential nature of various branches

of the economy.

d) Price stabilization.

Increased production and increased aggregate wage receipts in conjunction with the fact that production of consumer goods decreased in the same degree in which output for war materials increases leads to a position of disequilibrium between the demand and supply of consumer goods and thus causes the general price level to rise. Since the impossibility of expanding production of consumer goods capable of checking such an inflationary tendency does not exist under such conditions, the only possibility to check the inflationary trend consists in a system of rigid price and wage controls, which are characteristic of every war economy.

e) Expansion of Industrial Capacity.

The industrial plant of a peace-time economy is not, and cannot be, adequate to meet the demands of the war machine for production of war materials. To some extent industry, acting under the profit motive, would be willing to expand its productive capacity. However, the full industrial capacity needed for large-scale armament can never be accomplished by voluntary plant expansion on the part of private industry. It is, for this reason, characteristic for every war economy that state-owned, state-financed (but mostly privately operated) industrial plant is to be found co-existent with privately owned and privately financed industrial establishments.

f) Structural Integration of the Privately Operated Economy into the State-Controlled National Economy

It is a characteristic of every war economy that the individual entrepreneur cannot be allowed to conduct "business as usual", purely acting according to the dictates of his private enterprise. State control over private enterprise in a varying degree is of the essence to secure adequate supplies for the armed forces.

g) Impregnability to Naval Blockade.

The characteristics of a war economy enumerated hereinbefore are general economic characteristics applying in greater or lesser measure to every war economy. A further economic factor, still to be dealt with, is indigenous only to Germany and does not apply to every war economy per se. It is Germany's desire to make herself blockade-proof, meaning that her supply of war-vital raw materials should be ensured even in the case that naval blockade of her ports and shipping routes prevents continued imports of raw materials from overseas.

5. Financial Sphere

a) Public Finance

1) German position in 1933: The German Reichsbank law in existence before 1933 was quite unsuited to serve the financial needs of an administration bent on large-scale armament. The Reichsbank was 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

There is no page 12 in the original document,
however it appears that no text is missing,
and that the pages are simply mispaginated

acceptable as coverage for the currency issued by the Reichsbank.

Proof: Reichsbank law in its form, prior to

1933, e.g. Law of Reichsbank 30 Aug 24,
RCBL II p.235

2) War-Economic Steps:

(i) The Reichsbank law amendment of 27 Oct. 1933 RGBL II, p. 827, sec IX: dispensed with the 40% reserve requirement through vote of the Reichsbank Directorium, and a subsequent vote of the Directorium to this effect was taken.

Proof available: The quoted law.

Proof to be secured: Minutes of Reichsbank Directorium containing this resolution or proof for the resolution by testimony.

(ii) Introduction by Dr. Schacht of the new financial instrument of MEFO-WECHSEL (MEFO bills of exchange) as a medium to circumvent the inadmissibility of treasury notes as currency coverage, substituting for them trade acceptances admissible as note coverage.

Proof Available: The institution of MEFO WECHSEL is admitted in interrogations of the Minister of Finance Schwerin and of Minister of Economics Funk.

Proof to be Secured: The complete story of MEFO-WECHSEL and the intentional use for the indicated purpose is still to be elicited by interrogations of Dr. Schacht, Funk and Schwerin.

(iii) The Reichsbank law amendment, 15 June 1939. RGBL I, p.1015, sec XXI admits treasury bills with three months maturity as note cover for the Reichsbank up to an amount to be exclusively determined by the Fuehrer. The same law completely eliminates the independence of the Reichsbank from the Government and expressly states that the Reichsbank is an organization subject to the dictates of the Government.

Proof Available: The quoted law.

Note: The measures so far enumerated in 2) resulted in enabling the German Government to finance its armament expenditure by giving the Treasury free access to the resources of the Reichsbank and eliminating all obstacles to unimpeded use of the printing press to create the necessary currency for payment of the armament expenditure.

(iv) The Loan Fund Law of 29 March 1934 RGBL I p.295, in conjunction with the loan stock law of 4 December, 1934, RGBL I, p. 1222, prohibited distribution of corporate

profits beyond 6% of the capital stock and forced corporations to hand over excess profits over 6% to the German gold discount bank for investment in Government bonds unredeemable for 4 years.

These two laws accomplished several purposes of war finance: They created a compulsory market for longterm government debt; they also stimulated the armaments industry to reinvestment of profits in plant expansion to avoid the necessity of declaring profits in excess of 6%.

Proof: The quoted laws; as to their economic significance, Cf Treasury Report on German financial Laws, I, p.170f, and Sweezy, "The Structure of the Nazi Economy", 1941, page 131.

b) Private Investment

1) Position of Germany in 1933:

The position may be briefly summarized that there were no incentives for German industrialists to use their profits and reserves for extensive reinvestment in plant expansion or plant conversion.

2) War Economic Steps:

(i) Loan stock and loan fund laws: These serve, as already mentioned, among other purposes to give private industry an

incentive for use of profits and reserves in plant expansion. (Cf above).

(ii) The systematic use of fiscal policy to promote private investment for plant expansion found expression in numerous tax laws only one of which will be stressed here. The law for the decrease of unemployment of 1 June 1933. RGBl I p.323, ff., sec II decrees "full tax exemption for investments through purchases or production of machinery and other objects of a fixed capital asset nature." The circular letter of the Minister of Finance, "Directives for the Computation of the Income Tax and Corporate Profits Tax for 1933" dated 27 January 1934, clarifies the intentions of this fiscal policy sufficiently.

Proof: The quoted law and circular.

6. Foreign Trade

a) Foreign Exchange (devisen).

1) German position in 1933:

As a sequence to the banking crisis of 1931, Germany had instituted a certain amount of exchange control, designed primarily to check speculative outflow of capital funds from Germany. In 1933, however, German control of foreign exchange transactions was by no means stringent and allowed for

fairly free traffic in foreign exchange only
blocking abuses of a speculative nature
or of an outright capital-flight nature.

2) War Economic Steps.

(i) The "law against treason to the
German economy" of 12 June, 1933, RGBl
I, p.360, forced all German nationals and
legal entities to register all assets
abroad valued at more than one thousand
Reichsmarks. Paragraph 2 of this law
defined as "assets" all types of property
including real estate, mortgages, secur-
ities, patents, etc. By forcing the
registration of all German property
abroad this law was a necessary prepar-
atory step to the later "compulsory sale"
of all such property to the German
Reichsbank (cf below ii)

Proof: The quoted law

(ii) The "devisen"law of 4 February 1935,
RGBl I, page 105, decreed that all trans-
actions involving foreign exchange were
subject to official approval. Para-
graph 35 allowed the Government to
decree that specified assets abroad are
to be registered or to be tendered to the
Reichsbank for purchase by the Reichsbank
upon request.

The administrative decree to this law, issued on the same day, decreed in paragraph 1, the obligatory tender, sale and transfer upon request to the Reichsbank for all foreign exchange, foreign and domestic securities in foreign currencies, dividends from such securities and for gold. Section 6 of "Directives for the Application of the Devisen Law" dated 4 September 1935, RGBL I, page 119, states literally: "It is the purpose of this law and decrees to prevent the uncontrolled outflow from the German economy and to utilize ready available and future incoming foreign exchange in a planned manner."

Proof: The quoted laws.

This law in conjunction with the decree on commodity exchange to be discussed below constituted the legal basis and the cornerstone for Dr. Schacht's "New Plan". This "New Plan" served the following purposes: Central control over all German imports and exports; balancing of imports with the amount of available foreign exchange; Utilization of all German property abroad for the acquisition of foreign exchange;

centralization of all imports under central control agencies and allocation of all raw material imports to the production of those commodities most urgently needed for rearmament. Available proof for the new plan and its purposes:

German economic literature of the period and official utterances of leading officials of the Third Reich, especially Dr. Schacht himself.

(iii) The law against economic sabotage of 1 December 1936, RGBl I, p.999, decreed capital punishment for Germans transferring property abroad or keeping property abroad.

Proof Available: The quoted law.

(iv) From 1933 on a great number of measures were introduced designed to escape the obligation of paying debts (principal and interest) to foreign creditors of the Reich or of individual German firms. All these steps served the only purpose of avoiding the use of foreign exchange for the settlement of old debts thus enabling the Reich to use its whole supply of foreign exchange for current purchases of raw materials. Only a few of these measures

may be mentioned specifically. The law governing obligations to pay foreign creditors of 9 June 1933, RGBl I, p.349 created a "Conversion Bank for German Foreign Debts" to which German debtors had to pay their foreign obligations. This Conversion Bank was under the supervision of the Reichsbank Direktorium which appointed the management and exercised in conjunction with the Minister of Economics full control over this bank.

The Resolution of the Reichsbank Direktorium of 14 June 1934 on discontinuance of "transfers" of German foreign debts, decreed that no further payments of German debts should be "transferred abroad", meaning that the amounts involved were paid in German currency and were to remain in German currency within the Reich. It must be noted that this resolution constituted a unilateral act on the part of Germany inasmuch as in preceding "transfer negotiations" the creditor nations had refused to accept such settlement of German debts. The Resolution of the Reichsbank Direktorium of 1 July 1935 decreed that no transfer of German debts (interest and principal) should be effected for one year. Instead,

payment was to be made to the "Conversion Bank" in Germany, which in turn was to issue 3% interest bearing German "conversion bonds."

Proof Available: The quoted law and quotations in Gerd Ruehl's "Das Dritte Reich", a semi-official German publication, vol II, p.148 and vol.III.

Proof to be Secured: It would be advisable to secure the respective minutes of the Reichsbank Direktorium or to prove these resolutions by testimony.

b) Raw Material Procurement and Allocation.

1) German Position in 1933.

The German raw material import situation in 1933 can be very briefly summarized as follows:

Individual German importers imported those raw materials called for by their trade without Government interference. They secured the foreign exchange necessary for the payment of such imports in the open market or from the Reichsbank.

2) War Economic Steps.

(i) The law on exchange of industrial raw materials and semi-finished products of 22 March 1934, RGBL I, p.212, empowered in paragraph 2 the Minister of Economics to create agencies for the control over all traffic in these commodities.

Proof: The quoted law.

(ii) The law on economic measures of

3 July 1934, RGBL I, p.565, created quite extraordinary powers for the Minister of Economics over the whole of German economy. The Minister of Economics was authorized to take all measures which he deems necessary for the promotion of the German economy and for the prevention of economic damages to the Reich and such measures may deviate from existing laws or contradict existing laws. In short: The Minister of Economics was granted supreme powers for the direction and control of the German economy.

Proof: The quoted law.

(iii) The decree on commodity exchange of 4 September 1934, RGBL I, p.816, which was based on the just mentioned authorization law, decreed in paragraph 1 that the Minister of Economics could exercise control and regulate all commodity exchange especially the procurement, distribution, storage, allocation and consumption of commodities. The following sections of this law institute control agencies for the most rigorous control of all commodity exchange.

Proof: The quoted decree.

This decree in conjunction with the already mentioned law and decrees on foreign exchange (Cf above) marked the transition from a relatively free commodity exchange to a rigorously and completely planned and centrally controlled exchange economy as drafted in Dr. Schacht's new plan.

Henceforth only raw materials, essential for war industries and for the war machine were imported by Germany and partly stock-piled, partly allocated to industries in an order of war essential priorities.

Available Proof: Open admissions in public speeches of Goering, Hess and Dr. Schacht, testimony of General Thomas in interrogations.

7. Labor Supply

a) German Position in 1933.

In 1933, Germany was in the throes of a severe depression which had led to unemployment, on a vast scale. At the time the problem was not the allocation of an insufficient labor supply to industry but the gradual reduction of this unemployment. However, it took Germany only three years of intensive rearmament and absorption of manpower in the armed forces to reach the point at which a disequilibrium between demand and supply for skilled labor confronted her. From 1936 on stringent measures

of conservation of skilled labor and allocation of this labor to those sectors of the economy most important for rearmament were gradually introduced.

b) War Economic Steps.

In view of the fact that the labor angle is being treated separately in another brief, there is no need to trace the steps in control and allocation of labor in this connection. It should, however, be stressed that immediately upon his appointment as Four-Year Plan Commissioner, Goering issued six directives for the accomplishment of the four-year plan all of which had as their main object the control over and allocation of skilled labor.

The first of these directives is concerned with the procurement of skilled labor for the iron and metal industries; the second contains stringent controls in regard to skilled workers in the same industrial field; the third ensures the utilization of skilled metal and construction workers exclusively in industries in which their special skill can be fully taken advantage of; the fourth prohibits new unessential construction to ensure that skilled labor will only be used for "approved" (i.e. war essential) construction; the fifth decrees that a fixed percentage of higher age bracket employees must be employed in larger enterprises; and the sixth prevents the hiring of metal and construction workers through other channels than official control agencies.

Proof Available: The six directives for the accomplishment of the four-year plan of 7 November 1936, published in the Deutsche Reichsanzeiger and Prussian Staatsanzeiger (a tracer for these two publications, especially for the issues of November, 1936 ought to be issued)

8. Price and Wage Stabilization

a) German Position in 1933

In 1933 the general price level in Germany was determined exclusively by the free interplay of the forces existing in a more or less free market. The very depressed wage level was determined by the results of free bargaining between management and collective bargaining agencies of labor.

b) War Economic Steps.

Even as in the field of labor control and labor allocation, the field of price regulation was subjected to stringent controls immediately following the appointment of Goering as commissioner for the four-year plan.

1) The law "for the accomplishment of the four-year plan of 29 October 1936" RGBL I, p.927, provided for the appointment of a commissioner for price control.

2) The "transitional directive to the above law of 26 November 1936, decreed that the price commissioner was authorized to change all existing regulations on price control and to issue new ones by simply administrative decrees.

3) The decree "on prevention of price rises" of the same date, contained a general prohibition of all price rises in all economic fields.

Proof Available: The quoted law in the Reichsgesetzblatt and the quoted decrees in the Reichsanzeiger. Henceforth Germany had a system of rigidly controlled prices.

9. Expansion of Industrial Capacity.

a) German Position in 1933.

After the disarmament following World War I, Germany's industrial armaments potential in 1933 was naturally quite insufficient to serve the purposes of rearmament on a grand scale. To equip the newly created armed forces, vast expansion of the existing industrial plant had to take place.

b) War Economic Steps

1) The incentives for private industry to expand its production facilities through reinvestment of profits has been dealt with hereinbefore in subsection 5 and a further discussion of this aspect of rearmament may be dispensed with.

It is, however, imperative to get more information on actual plant expansion sponsored by private industry and research in this direction is urgently recommended.

2) To supplement private initiative which was and could not be sufficient for the needed extent

of increase in productive capacity a second means was employed. "The expansion of industrial capacity for armaments purposes was effected to a considerable extent by the construction of State-financed shadow factories owned by the supreme command of the armed forces (OKW) which, as a rule, were attached to existing private firms. These private firms were to take over operations of these shadow plants on the outbreak of actual warfare. This means was adopted especially in ammunition manufacture".

Available proof: Testimony of armaments Minister Speer in H-279.

Further Proof to be Obtained: Further research on this subject and collection of material proving the existence of such shadow factories in various industrial fields and the fact of the ownership of such plants by the supreme command of the armed forces is recommended.

10. Structural Integration of the Privately Operated Economy Into a State-Controlled National Economy

a) German Position in 1933.

On their rise to power in 1933 the Nazi Party found itself confronted with a private economy, organized in various forms of trade and industrial organizations. All these organizations were not only basically free from governmental influence, but, indeed, exerted a very substantial influence on the State machinery and administrative policies.

b) War Economic Steps.

The gradual integration of private economy into a State-controlled and directed economy took many variegated forms. The main ones among these were the reshaping of trade and industrial organizations in such a way that new forms of supposedly autonomous industrial and economic bodies acted in reality as coordinating and supervising organs of the State over private economy. A further step consisted in a system whereby special agencies of the Reich and of the supreme command of the armed forces exerted direct control over specific industrial establishments, by keeping up permanent liaison with these factories and securing raw material, supplies, labor supply and other vital needs for war important industries. The most important steps were the following:

- 1) The law "for the preparation of the organic structure of German economy" of 27 February 1934, RGBL I, p.185, and the first decree based on this law of the same date, RGBL I, p.1194, authorize the Minister of Economics to create, change and modify economic associations, to change their statutes, to appoint and dismiss their leaders and to compel individual firms to join these associations. The quoted decree, utilizing this authorization, created the system of 12 economic groups, whose leaders exerted supreme control over production, distribution, allocation or raw mater-

ials, etc. of all enterprises operating in the respective economic fields.

(It may be noted that Mr. Krupp was immediately appointed leader of group no. 1 controlling the mining, iron and metal industries.)

Proof Available: The quoted laws and the speech of Economic Minister Schmidt on the significance of this new structure reprinted in Rühl Vol II, p. 121-122.

2) Already prior to the creation of this new structure the law "on compulsory cartelization" of 15 July 1933, RGBL I, p.488, and the decree of 6 October 1933, RGBL I. p.724, had utilized the old established German cartel structure for the purpose of the Nazi State. Paragraph 1 authorized the Minister of Economics to merge existing cartels and to force entrepreneurs who had remained outside to join cartels regulating their specific field.

Paragraph 5 authorizes the Minister of Economics to prevent the launching of new enterprises, the expansion of production and capacity of existing enterprises and consequently to ensure that only such new plant construction or plant expansion took place as was in the interests of the war economy.

Available Proof: The quoted laws. A document in our possession (work sheet reference 11-B) elucidates the purposes which were served by this law and decree in a high revealing manner.

3) The Reichs' Defense Act of 1936 created an additional structure for the perfect coordination of private production with the needs of the war machine. A commissioner general was appointed for the control of the total war economy and regional economic offices executed the policies announced by him, in regard to individual enterprises.

At the same time armaments boards for the army, navy and air force were created and a defense economic office under the direct supervision of the Supreme High Command and managed by an Army officer (General Thomas) was originated. This defense economic office set up as its regional executive organs armaments inspectorates and armaments commands. These regional organs were charged with the supervision of production in individual armaments plants. Furthermore, with the tasks to exert control over the placing of armaments orders to specific plants to prepare plants for the eventuality of war by insuring power supply, and other means of production, and, in short, to coordinate private production with the needs of the war machine.

They also were given specific instructions for increased control over their "industrial wards" if war should break out.

Proof Available: Testimony of General Thomas in the interrogation of EAB 3/FO and evaluation report No. 249, of 11 August 1945.

11. Impregnability to Naval Blockade:

a) German Position in 1933.

In the years following World War I, the Germans had started on research for the development of synthetic substitutes which could be substituted for raw materials hitherto imported from abroad. This research, however, was in 1933 still in its infancy and had hardly transgressed to the point of laboratory research and smallest-scale pilot-plant production.

b) War Economic Steps.

It was the sole purpose of the four-year plan announced by Hitler on the Reichsparteitag in 1936 to make Germany blockade proof by pushing development and production in the field of synthetic substitutes for raw materials, and by the fullest utilization of indigenous German resources which could not be exploited on a commercially profitable basis.

Proof Available: Proclamation of Hitler on 9 November 1936 on Parteitag.

Decree for the execution of the four-year plan of 18 Oct 1936, RGBl I, p.887 (it should be noted that already previous to this appointment of Goering as Commissioner

of the Four-Year Plan, Goering had been appointed in April, 1936, General Commissioner for all foreign exchange and raw material problems.)

First decree of Goering on the execution of the Four-Year Plan of 24 October 1936 published in Volkischer Beobachter 298th issue of 1936, also reprinted in Ruhl IV, p.251, to 253.

Goering's speech in the Berlin Sports Palace of 29 Oct 1936.

12. Achievement of the Conspiratorial Objectives.

In the preceding subsections the gradual progress of the conspiracy to transform Germany's peacetime economy as it existed in 1933 to a full fledged war economy has been traced in the main sectors of war-economic importance. It is my conviction that the measures presented above when taken individually and in combination with each other must lead to the inference that a conspiracy as charged by the prosecution existed and was carried to its logical conclusion.

In 1939 prior to the outbreak of actual warfare Germany had at its disposal an economy in which the financial power, raw material stocks, and labor supply were stridly controlled and harnessed exclusively for the needs of the war machine. The industrial capacity had been expanded to sustain the operations of the armed forces and succeeded in keeping the armies after the outbreak of actual war supplied with all needed war materiel. The whole German industrial machine was completely integrated and subservient to the needs of warfare and the production of synthetic oil and rubber kept the mechanized

war machine rolling while the synthetic production of fibrous materials kept the armies and the home front clothed.

The transition of the original German economy into a clean-cut war economy had by 1939 been accomplished to such an extent that according to the testimony of General Jodl it was not even necessary to put the prepared mobilization plans for industry into effect when actual war broke out on 1 September 39.

13. The Conspiracy to Transform Europe into an Economic Domain of Germany to be Directed and Exploited Exclusively for German Benefit

While in the absence of documentary evidence or testimony proof for the existence and progress of the conspiracy to transform German economy into a war economy had to be laboriously collected to allow the inference of such a conspiracy, we are in a more fortunate position in regard to the economic conspiracy for the war and post-war period.

The document (Worksheet reference No. 23-B) consisting of correspondence between the Minister of Economics Funk and Goering in August, 1940, contains ample proof of the following:

- a) That there existed a conspiracy to transform the whole of European economy into a domain subservient to the needs of Germany, to be controlled by Germany and to be exploited solely for German benefit.
- b) That elaborate plans were being drawn up prior to August 1940, to realize the objective of this conspiracy.
- c) That measures for the execution of this conspiracy had been put into effect not later than in August 1940.

Proof Available: The quoted docket, copy of a condensation of which is attached hereto as Appendix E.

Att. 4: Sic
OTTO H. KORICAN,
2nd Lt., AUS

NOTE:

Appendices "A" and "B" will be submitted in mimeographed form in the near future.

13. The Conspiracy to Transfer Europe into an Economic Domain of Germany to be Directed and Controlled Exclusively for German Benefit

While in the absence of documentary evidence or testimony proof for the existence and progress of the conspiracy to transfer Europe into a new domain and to be exclusively controlled to allow the attainment of such a conspiracy, we are in a more fortunate position in regard to the economic conspiracy for the pre and post-war period.

The document [Memorandum No. 23-3] containing the correspondence between the Minister of Economic Warfare and Germany in August, 1940, contains ample proof of the following:

- a) That there existed a conspiracy to transfer the whole of European economy into a domain subservient to the needs of Germany, to be controlled by Germany and to be exploited solely for German benefit.
- b) That elaborate plans were being drawn up prior to August 1940, to realize the objective of this conspiracy.
- c) That measures for the execution of this conspiracy had been put into effect.

APPENDIX A

TO BRIEF OF ECONOMIC CASE

CHRONOLOGICAL SEQUENCE OF
ECONOMIC LAWS, DECREES ETC

1. Law for the Decrease of Unemployment, 1 June 1933, RGBl I, page 323 ff.

Significance: Stimulation of industrial investment through tax exemption for expenditures for capital assets (Brief p.16)

Responsible:**) Hitler, Krosigk, Soldte

2. Law Governing Obligations to Pay Foreign Creditors, June 9th, 1933, RGBl I, page 349.

Significance: Procurement of additional devisen by preventing "transfer" of German debt payments into foreign currencies. (Brief p.20)

Responsible: Hitler, Hugenberg, Krosigk

3. Law Against Treason to the German Economy, 12 June 1933, RGBl I, page 360.

Significance: Obligatory registration of devisen and all other assets abroad, and thus a preliminary step to later obligatory tender and compulsory sale of such assets to the Reichsbank. (Brief p.17).

Responsible: Hitler, Krosigk, Hugenberg, Guertner

4. Law on Compulsory Cartelization. 15 July 1933, RGBl I, page 488.

Significance: Integration of private business into the State by utilizing the existing cartel structure for purposes of the State. (Brief p.29)

Responsible: Hitler, Schmitt, Darre

5. a. Reichsbank law amendment, 27 October 1933, RGBl II, page 827

Significance: Possibility for extensive war financing, by removal of 40% reserve requirement for Reichsbank note circulation. (Brief p.12).

Responsible: Hitler, Schmitt, Krosigk

5. b. Resolution of Reichsbank Directorium, lifting the 40% reservé requirement.

Significance: Self-explanatory

Responsible: Schacht.

6. Law for the Preparation of the Organic Structure of German Economy, 27 February 1934, RGBl I, page 185, and first decree to this law of 27 November 1934, RGBl I, page 1194.

Significance: Full integration of German economy into a State-dominated-structure by creation of the "economic group" system. (Brief pp 28, 29).

Responsible for the Law: Hitler, Schmitt, Frick, Eltx,

Responsible for the Decree: Schacht, Pfundtner,

7. Law on Exchange of Industrial Raw Materials and Semi-finished Products, 22 March 1934, RGBl I, page 212.

Significance: Authorization for Minister of Economics to create control agencies for the regulation of all exchange in these commodities. (Brief p.21)

Responsible: Hitler, Schmitt, Krosigk, Darre, Guertner

8. Loan-fund Law, 29 March 1934, RGBl I, page 295

Significance: Finance; stimulation of investment and creation of a long-term government paper market. (Brief pages 14,15)

Responsible: Hitler, Krosigk

9. Resolution of Reichsbankdirectorium, 14 June 1934

Significance: Discontinuance of transfers of German foreign debt payments to save devisa for raw material purchases. (Brief page 20).

Responsible: Schacht

10. Law on Economic Measures, 3 July 1934, RGBl I, page 565.

Significance: Extraordinary power for the Minister of Economics who is virtually appointed a dictator over German economy. (Brief pages 21, 22)

Responsible: Hitler, Guertner

11. Decree on Commodity Exchange, 4 September 1934, RGBL I, page 816

Significance: Complete raw material control for the Economic Minister, in accordance with Schacht's new plan. (Brief page 22).

Responsible: Schacht, Moritz

12. Loan Stock Law, 4 December 1934, RGBL I, page 1222.

Significance: Stimulation of investment. (Brief pages 14, 15)

Responsible: Hitler, Schacht, Krosigk, Guertner

13. "Devisen Law", 4 February 1935, RGBL I, page 105 and decrees of the same date.

Significance: Complete control over foreign exchange, obligatory tender and compulsory sale of foreign exchange upon request to the Reichsbank, fully centralized utilization of all devisen for raw material imports in accordance with Schacht's new plan. (Brief page 17).

Responsible: Schacht

14. Resolution of the Reichsbank Directorium, 1 July 1935

Significance: Procurement of devisen for raw materials by substituting German conversion bonds for regular transfer of German debt payments. (Brief page 20).

Responsible: Schacht

15. Appointment of Goering as Commissioner for All Devisen and Raw Material Matters.

Significance: Self-explanatory. (Brief pages 31, 32)

Responsible: Hitler

16. Decree for the Execution of the Four-Year Plan, 18 October 1936, RGBL I, page 887.

Significance: Inauguration of Four-Year Plan. (Brief pages 31, 32)

Responsible: Hitler

17. First Decree of Goering on the Execution of the Four-Year Plan, 24 October 1936.

Significance: Listing of Objectives and Nomination of Leading personnel for the Four-Year Plan (Brief page 32)

Responsible: Goering.

18. Speech of Goering about the Four-Year Plan in the Berlin Sports Palace, 29 October 1936.

Significance: Full elucidation on all objectives of the Four Year Plan. (Brief page 32)

Responsible: Goering

19. Law for the Execution of the Four-Year Plan, 29 October 1936, RGBL I, page 927.

Significance: Institution of price control by appointment of a Price Commissar. (Brief page 25).

Responsible: Hitler, Goering, Schacht, Guertner, Bicke

20. Decree on Prevention of Price Rises, 26 November 1936, RGBL I, page 955.

Significance: Institution of full price control (Brief page 26).

Responsible: Goering

21. Law Against Economic Sabotage, 1 December 1936, RGBL I, page 999.

Significance: Capital punishment for transfer of devisen. (Brief page 19)

Responsible: Hitler, Goering, Posse, acting for Schacht, Guertner.

22. Reichsbank Law Amendment, 15 June 1939, RGBL I, page 1015.

Significance: Free access of Government to Reichsbank by authorizing short-term treasury notes at an unlimited amount as note coverage (Brief p.14).

Responsible: Hitler, Frick, Krosigk, Funk, Lammers

APPENDIX B

TO BRIEF ON ECONOMIC CASE

OFFICE OF U. S. CHIEF OF COUNSEL

DOCUMENTATION DIVISION

13 September 1945

Work Sheet Reference No. 23B

ECONOMIC ANALYSIS AND CONDENSATION

Funk's Program for Economic Subservience of Europe to German Economic and Political Interests.

The document consists of a letter dated August 29, 1940, from the Economic Minister to the Minister of Justice with the following inclosures:

1. Copy of a letter dated 6 August 1940 from the Minister for Economics (Funk) to Goering as Commissioner for the four-year plan:
2. Copy of the answer of Goering dated 17 August 1940:
3. Directives referred to in Funk's letter (1 above) whereby it is expressly mentioned that these directives have already been issued to subordinate agencies.

I

CONDENSATION OF LETTER DATED BERLIN 6 AUGUST 1940
FROM ECONOMIC MINISTER FUNK TO GOERING AS COM-
MISSIONER FOR THE FOUR-YEAR PLAN

1. Funk submits to Goering his ideas on the economic policy to be pursued by the Reich in regard to the future structure of the European economic block under German domination and leadership, with the other European countries (already German-occupied or still to come under German domination) subservient to the political and economic interests of the German Reich.

Funk stresses that the exact nature of the European economic structure, which will evolve gradually, cannot be completely foreseen and that consequently the policy directives to his subordinate agencies, which are inclosed with his letter (and which will be analyzed and condensed hereinbelow) are of a short-term nature.

The core of Funk's ideas may be summarized as follows:

The new structure of the European Continental economy under German leadership cannot be accomplished through a single act of State politics such as a customs or a currency union, but through a consistent series of individual measures which have to be initiated at once and have been partly initiated already. The essential point is to integrate the individual European National economies as strongly as possible into Greater-German economy, with particular stress on improvement of supplies for the German market and on increased German economic influence in the various countries. All measures not essential for the Greater-German interests are to be avoided or delayed for a later date.

The following measures are consequently of paramount importance:

1. To reserve the greatest possible part of European commodity production for the German market.

2. To expand European commodity production with a view to enabling Germany to a greater extent to secure supplies for its domestic demand within Europe. This means application of the principles of the four-year plan on the general European economy.

3. Creation of a European central clearing system based on the reichsmark and intended to facilitate the flow of European commodities to Germany and to ensure inter-European commodity exchange in regard to its monetary aspects.

4. Control of European interstate commodity exchange, as well as European commodity exchange with markets outside of Europe. Control of the economic and financial policies of European states with the objective of the most far reaching coordination of their economic policies with the German policies. (Funk remarks to this point that these problems are already in the process of solution in countries occupied by the German armies, whereas the next objective will be to create similar conditions in other satellite countries.

5. Integration of European national economies with the greater German economy under German leadership in the following direction:

- (a) Creation of economic institutions similar to the German ones and integration of these organizations into a total European organization under German leadership;

- (b) Incorporation of important European industries into German cartels, safeguarding German leadership of such cartels, especially iron, coal, metals, chemical industry, public utilities, etc;
- (c) Financial domination of the most important European industries, especially armaments, steel, metal, etc;
- (d) Personnel penetration of important European economic positions with suited German experts;

6. Simplification of those now existing measures which erect barriers to the inter-European commodity exchange.

Funk then concludes that whereas it is too early in the game to make definite proposals for peace settlements of economic questions, he is of the general opinion that Germany will have to take over all those important economic positions in Europe which are at present held by English and French interests.

II

GOERING'S ANSWER DATED 17 AUGUST 1940 to FUNK'S
LETTER DATED 5 AUGUST 1940

Goering expresses his general agreement with Funk's ideas and develops his own thoughts for the post-war period as follows:

It is of paramount importance in the post-war period to expand German economic domination inside Europe and outside Europe as far as possible, thereby securing for the German people the highest possible standard of living in conjunction with the greatest war-economic potential.

Already before the end of hostilities the highest possible penetration through German capital of the Dutch and Belgian economy, and as a secondary objective also of the Norwegian and Danish economy, must be accomplished, and in turn Dutch and Danish capitalists must be given an opportunity to invest their capital in Germany so as to create mutual integration and combination of interests between Germany and these countries. Quickest removal of barriers in commodity and monetary exchange between occupied countries and Germany should be attempted.

UNDATED DIRECTIVES OF THE ECONOMIC MINISTER TO HIS SUBORDINATES. (According to a letter from the Economic Ministry these directives were already in force in August 1940).

1. MONETARY EXCHANGE

A. Creation of an European clearing system under German domination in which all German-dominated states are allowed to participate.

Clearing house is the Deutsche Verrechnungskasse in Berlin; currency for clearing the German reichsmark. Stabilization of the exchange value of European currencies and exchange-ratio is essential.

Commodity exchange is to direct for German interests. The European countries are to be prevailed upon to utilize resulting reichsmark credits in Berlin merely as foreign exchange reserves. Such credits will be available for payments within Europe after approval through the proper German control agency.

The creation of such an European central clearing system serves the purpose of allowing for free exchange of reichsmarks into the currencies of subservient European countries and exchange-ability of European currencies intra se, in reichsmark and under German control.

B. This reichsmark block will have to be joined to the lira block and possibly to other currency blocks.

C. Under German leadership an European system of payments with uniform currency, monetary and credit policies is to be developed through close collaboration between the European central banks and European banking systems. Berlin must be the center of the European money and capital market, as well as of the insurance market. Strongest financial and personnel penetration of European banks through Germany is of the essence. (Transfer of English and German interests to Germany).

2. COMMODITY EXCHANGE

A. Commodity exchange between Germany and the European countries is to be further intensified; American, British and French goods are to be eliminated from the European markets as far as Germany can deliver similar goods. The flow of former exports to countries outside Europe is to be redirected to Germany; far-reaching economy in the consumption of extra-European commodities in accordance with the German procedure; controls are to be released later if development of the world markets allows for it.

B. A direct commodity exchange between European countries can only be admitted if German interests are not contrary.

C. The flow of intra-European commodity exchange must use such channels as permanently guarantee German direction and control:

- a) Payments over Berlin and in reichsmarks;
- b) Use of German merchants, of German insurance companies, German transportation and German financial institutions;
- c) Direct German control over trade treaties;

D. The European commodity exchange with extra-European countries is to be directed according to German interests. Only such commodities can be used for export to extra-European countries as can be dispensed with by Germany and by Europe, or whose exchange for extra-European commodities involves an increment in utility for Germany or total Europe. All European states must exercise greatest economy in the consumption of extra-European commodities as long as there exists in Europe a shortage of supplies.

3. PRODUCTION

An increase of all European production is necessary to ease the scarcity in European supplies and to safeguard Europe's economic independence. The German, possibly the European demand, is hereby the decisive factor. The main fields in which expansion of production will have to take place are foodstuffs and raw materials, and the principles of the German four-year plan will have to be applied.

4. TRAFFIC AND TRANSPORTATION

German leadership over European transport systems is to be assured.

5. ECONOMIC INTEGRATION TO GUARANTEE GERMANY'S ECONOMIC DOMINATION OVER EUROPE: A FAR-REACHING INTEGRATION OF ECONOMIC ORGANIZATIONS, ETC., IS ESSENTIAL

A. The economic structure of European countries is to be organized in analogy to the structural organization of German economy.

B. Insofar as control of production and distribution is instituted in Germany by means of cartels, incorporation of the other European economic units into these cartels must be inaugurated.

C. German financial domination must be extended over all European key enterprises. Transfer of important English and French capital investments in Europe will be taken care of by the post-war settlement with the enemy countries.

D. German influence over the leading and most important positions in European economy must be extended by means of penetration through German personnel.

6. PERSONNEL POLICY

The only significant point in this connection is the statement of the principle that German agencies abroad, as well as the agencies of all firms controlled by German capital, must be staffed by Reichsdeutschen or Volksdeutschen.

Furthermore, the following principle is announced: Europe must be infiltrated with greater-German economic combines (banks, mining, oil enterprises, etc.) which, by their financial influence, are capable of controlling leading personalities as well as public opinion.

7. PRICE POLICY

Germany must have sovereign control over the price, wage, and income level in countries of the German-dominated economic block. This can be achieved through general political influence, through direction of the financial and economic policies of the individual countries, as well as by the following means:

A. Control over export prices through German control agencies. The inner German price level is to be valid for German commodities throughout the whole economic block.

B. Direction of import prices through the price policies of German agencies.

C. An important factor for the regulation of the price level is also inherent in German domination over the foreign trade policies of European countries with extra-European areas.

Otto H. Korican
OTTO H. KORICAN
2nd Lieutenant, AUS