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1-1-1979

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### Recommended Citation

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Available at: <https://irl.umsl.edu/cis/42>

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A Case of Continuity: The Cartelization  
of the Western European  
Montanindustrie, 1933-1945, and the  
European Coal and Steel Community.

by

John Gillingham

A Case of Continuity: The Cartelization  
of the Western European Montanindustrie,  
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Steel Community.

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15 September 1979

The formation of the European Coal and Steel Community culminated a quarter-century of effort by the heavy industry of the Ruhr to enlist its Western European counterparts in cooperative schemes to coordinate production, share markets, maintain prices, develop reciprocal supply and common selling arrangements, plan investments, and facilitate operation as a pressure group both within industry and in politics generally. Ultimate success was due only in part to the existence of a common threat to the Continent from US producers and cannot be explained merely as the result of Ruhr preponderance within it. It required the conversion of the leaders of heavy industry in France and the Benelux nations to a faith in producer regulation of markets and "rationalization," a Continental trading bloc, and, of course, German leadership. The process, begun with the establishment in 1926 of the first International Steel Cartel, was largely accomplished in the years from 1933 to 1945. In the 1930s the Ruhr succeeded in cartelizing European exports of coke and coal as well as steel, and promoting the organization of its counterparts along familiar German lines. Indeed it created an Interessengemeinschaft of West European and British heavy industry which worked to the satisfaction of all its members. The German occupation of Western Europe subjected these accomplishments to terrible strains but, the case of Britain excepted, did not undo them. The Ruhr, albeit with some hesitation, acted within the framework of pre-war policies,

and "collaboration" represented an attempt on the part of the conquered to do likewise. In some cases, pre-war traditions were even built on: there was in Western Europe a further assimilation of German organizational methods, the development of new, Reich-patterned relationships between private power and public authority, and an opportunity to become familiar with the problems of administering coal and steel on a regional basis. The events of the occupation also joined producers in a kind of mutual defense pact against the vicissitudes of politics. So it was that cooperation between them survived even the collapse and partition of Germany in 1945.

The International Steel Cartel of 1926 (ISC) was first and foremost ein Kind der Not, one born of the excess raw steel capacity in Europe after World War I. It owes its origins to a bargain struck between the steel producers of France and the Ruhr. By an agreement of 4 November 1926, Germany ceded a portion of her steel market, heretofore duty free, to French and Luxemburgish exporters. This was the famous "Contingent Lorrain-luxembourgeois." Thereafter, Franco-German political disagreement ceased to present a major difficulty to the cartelization of European steel export markets. Success depended rather on overcoming the differences in the business traditions of the countries involved. The crux of the matter was that effective regulation of export markets also required producer control of domestic sales. The signatories of the 1926 agreement, while recognizing this fact, could not all act upon it with equal facility. Strong producer

organizations existed only in Germany. Elsewhere, important beginnings were nonetheless made. In 1926 the French revived the Comptoir Sidérurgique. In Belgium, the Société Générale de Belgique, a holding company which controlled most of that nation's steel industry, committed itself to promoting industrial organization on the German model. (Luxemburg, a major exporter of steel products, lacked a sufficiently large domestic market to be of concern in this respect.) The final main European steel producer, Great Britain, was too disorganized to be considered kartellfähig by the others and therefore ineligible for membership in the ISC.

The structure of the ISC was the outcome of a hedged bet on the part of its founder-members that control of export markets could be effective even in lieu of strong domestic producer organizations. It was set up so as to foster cartelization of domestic markets through successes on foreign ones, and with the hope that the one would eventually reinforce the other. The founder-members (Germany, France, Belgium, and Luxemburg) would thus meet quarterly to set global production quotas, covering both markets, which were then subdivided by subsidiary export cartels for specific commodities. The remainder of the authorized production was left to be marketed domestically. The "tail" refused, however, to wag the "dog"; arrangements broke down at several points, notably from 1926 to 1929, as a result of German overproduction to meet accelerating domestic demand, and, definitively, in 1931 as a result of Belgian dumping.<sup>1</sup>

Collapse should not, however, be equated with failure. By 1933 each founder-member had acquired a huge stake in continuing to do business on the basis of Ruhr leadership and methods. In February they entered a more far-reaching agreement. Its most important new features were to make a clear theoretical distinction between domestic and foreign sales and to create stronger machinery to govern each. Joint selling agencies (comptoirs) were set up to market the sale of the main rolled export commodities ---semis -, merchant bars, joints and channels, heavy and medium plates, and universals. They coordinated sales policies, fixed prices and terms of sale, set product standards, and regulated the activities of sales agents in several categories. Export quotas were based on a sliding scale of total tonnage from 6.8 million to 11.5 million tons. Germany's ranged from 29.2% to 33.7%; Belgium's, from 29.0% to 26%; France's, from 20.6% to 23.5%; Luxemburg's, from 21.2% to 16.8%. Each national group, moreover, pledged itself to strengthen domestic producer organizations, in effect to create parallel versions of the Stahlwerksverband.

The stake of each founder-member naturally varied, but that of Luxemburg was the greatest and most obvious: her survival was at the mercy of the Ruhr. Steel was the only significant industry of the Grand Duchy. 90% of her average annual output was normally exported. Of her steel producers--Rodange, HADIR, and ARBED---the latter was by far the most significant, and in Europe second in raw steel capacity only to Vereinigte Stahlwerke. ARBED also had substantial holdings in Germany

which she had acquired prior to 1918, when Luxemburg was within the Reich customs area. It owned outright Eschweiler Bergwerke, which produced nine-tenths of the coal from the Aachen district, some 7-7.8 million tons per year. It also controlled Felten Guillaume of Köln, one of the largest electrical manufacturing companies in Germany. On 1 January 1925 the Ruhr agreed to allow ARBED to continue supplying its two Rhenish subsidiaries with semi-finished steel and thus to retain its character as an integrated Konzern administered from Luxemburg.<sup>2</sup> This issue having been settled, Luxemburg became the Ruhr's closest foreign ally. The proposal for the first International Steel Cartel was voiced by Dr. Emil Mayrisch, chief executive officer of ARBED. He also became its first chairman. Here a precedent was set: his successor as both ARBED and International Steel Cartel Chairman, Dr. Aloys Meyer, would also serve as mouthpiece for Ruhr policy. Luxemburg, for its part, would remain the favorite of the Ruhr until 1939. At virtually no point in the history of either cartel did significant disagreement arise between the two parties.

The stake of the "Belgian group" requires more lengthy description. One must begin by mentioning that the industry of the country was not represented as such in the international steel cartel. This responsibility was rather assumed by Société Générale de Belgique, which had steel interests within as well as outside of Belgium. It headed the Belgian consortium that held majority control of ARBED and another in which it shared control of HADIR with the French Laurent group.



One of the partners in both consortia, the Banque de Bruxelles/Brufina/Cofinindus/Ougrée-Marihaye complex, owned outright the third of Luxemburg's producers, Rodange. "La Générale," and the Banque de Bruxelles as well, had steel properties of equal value in Belgium itself. The former controlled Cockerill, La Providence, Sambre-et-Moselle, Angleur-Athus, and Thy-le-Château; the latter, Ougrée-Marihaye and Aciéries Minières de la Sambre; the two owned Espérance-Langdoz jointly. A number of feisty independents produced the remaining Belgian output. Belgium normally exported 40-50% of her annual steel production of three million tons per year. The industry enjoyed a domestic coal base, rather two of them. The southern basin had traditionally supplied three-quarters of domestic coke requirements but was the longest-worked, most high-cost district in Europe. The mines of the Campine/Kempen, first put into operation after World War I, produced a steadily increasing portion of overall output. As with steel, some coal output, normally 20%, was sold by independent operators. Belgium had a net coal balance by weight but a coke deficit of 2 to 3 million tons per year, which the Ruhr normally supplied. The Société Générale, then, looked to the Ruhr to protect its interests in Luxemburg, provide a reliable source of coking coal, and, above all, discipline Belgian "recalcitrants."

The disorder on Belgian markets also provided "la Générale" a pretext with which to pry concessions from her partners in the ISC--to their mind, something that occurred too often and successfully. They therefore conditioned

Belgian admission into the new cartel on the set up of stronger machinery to regulate domestic sales. The Depression helped the Société Générale and the Banque Bruxelles in this respect; they acquired several bankrupt foundries between 1929 and 1933. On 31 May 1933 a cooperative commercial company, "Cosibel" (Comptoir de Vente de la Sidérurgie Belge), was founded to operate as a selling agent on both domestic and foreign markets. Its authority extended to most but not all steel products and did not include the large group of independent "re-rollers," which later gave rise to problems. "La Générale" thus continued to need outside support and Belgium remained the most troublesome of the ISC founder-members.<sup>3</sup>

The incorporation of the "Contingent Lorrain-Luxembourgeois" into the 1926 ISC agreement not only eliminated the major point of disagreement between the steel industries of the Reich and France but gave the latter a special stake in its survival. The French national group was dominated by the big family interests of Lorraine, de Wendel and Laurent, whose district normally accounted for over 90% of France's steel exports. The other main French steel producing area, Nord-Pas-de-Calais, normally supplied manufacturers located nearby and in the Paris basin. Producer regulation had long been the rule on French domestic steel markets. The Comptoir Sidérurgique acted as a domestic cartel and was also the French representative to the ISC. It contained subsidiaries for the major commodities (rails, tubes, wire rods, structural shapes,

semis-, etc.), which, in turn, were subdivided into foreign and domestic sections. Problems similar to those involving Belgian participation simply did not arise, and Franco-German harmony was the rule.

Coal was the main concern of French foundrymen. France was the world's largest importer of the commodity, some 17 to 25 million tons per year, including 2.7 to 4.3 million tons of coking coal, or over 30% of annual requirements. Although Britain was a large exporter to France, she could not compete with the Ruhr in the supply of coking coal to the Lorraine foundries. Its mines normally provided four-fifths of their requirements. The terms of the coal-iron ore exchange caused additional French concern. They worked increasingly to her disadvantage as it became cheaper for the Ruhr to consume the higher grade Swedish product. By 1938 Germany was importing nearly 9 million tons of Swedish ore as compared to only 5 million tons from France. The efforts of the Lorraine producers to develop alternative sources of supply from the Netherlands, Belgium, and locally with the help of massive governmental subsidies did not significantly decrease their dependence on Ruhr coal. In fact, their only significant bargaining counter was the political and military power of France itself.<sup>4</sup>

The Dutch stake in cooperation with the Ruhr also increased in the late 1920s even though she was not formally a member of the International Steel Cartel. The single steel foundry in the Netherlands, Koninklijke Hoogovens, built in 1920 at IJmuiden north of Amsterdam, was oriented to maritime sources

of supply and markets. The City of Amsterdam was its largest shareholder. The two main Dutch "re-rollers," van Lier and "Demka," were tenacious independents. Dutch coal and steel were not integrated. The Limburg mines--the most modern and efficient in Europe--were first put into operation after World War I. Ownership of them was divided between the Dutch state (Staatsmijnen), with 60% of total production (1937 = 14,321,269t), and foreign capital. The Société Générale owned Laura en Vereininging (with an 11% share in production), de Wendel, Oranje-Nassau (with a 19% share), and the rest was controlled by other Belgian groups. The state mines were fierce competitors on coke markets during the early 1920s.

The Dutch stake in the Ruhr grew by way of the coal trade and can be traced through a single personal connection, Frederik H. Fentener van Vlissingen. His family and the Rheinisches-Westfälisches Kohlensyndikat jointly owned the main Dutch coal wholesaler, Steenkolen Handelsvereeniging. He was also one of the founders of, and major shareholders in, the Ijmuiden works. In 1922 he arranged as condition of a loan an exchange of shares between Hoogovens and the Ruhr steel firm, Phoenix AG. He then became the custodian of the Dutch interests in Phoenix, some 30% of share capital. In 1926 Phoenix became part of Vereinigte Stahlwerke, thus giving him control of an estimated 10-12% of its shares. This interpenetration of interests did not in fact remove all sources of conflict between Ijmuiden and the Dutch "re-rollers" on the one hand and the cartel on the other. It did, however, contribute to the conclusion of an agreement with regard to coal.

In 1929 the Staatsmijnen, along with the private Limburg mines, agreed with Steenkolen Handelsvereniging to end price underbidding and competition for customers.<sup>5</sup>

Two conditions were propitious to the advancement of the international cartelization movement in heavy industry during the 1930s. The first was the persistence of world depression combined with the political failures of the democracies; the second, the rise of German business power. The latter resulted not only from Germany's extraordinary recovery from the depression and political expansion but from the privileged position of business under national socialism. Under Hitler it had the opportunity to put into practice its traditional philosophy of industrial organization. A tacit understanding governed the relations between the two of them: business would support the regime and in turn be allowed to run the economy. "Industrial self-regulation" (industrielle Selbstverwaltung) in fact became official nazi economic policy. All producers were required to join the appropriate subsidiaries, organized by branch and locale, of a huge public corporation, Reichsgruppe Industrie. It acted as the official policy agent for business and the government. Both it and its subsidiaries, the Wirtschaftsgruppen, served as clearing houses for government contracts, administrators of rationing procedures, mobilization agencies, and agents of Reich economic policy abroad. The regime also encouraged cartel formation, and industry in fact became more thoroughly cartelized after 1933 than ever before or since. Cartels, not the Wirtschaftsgruppen,

regulated production. This fact resulted in a wary suspicion between business and the regime and, at times, confrontation.<sup>6</sup> The most important such incident concerned the steel industry. In 1936, the Ruhr refused the demand of Reichsmarschall Hermann Göring to invest massively in a huge new foundry operation based on the consumption of the low-grade ores of Salzgitter. It feared excess capacity and preferred to do business along well-established lines. Göring thereupon created a new corporation, the Reichswerke, to develop the new low-grade ore operation. It would develop by 1939 into the world's largest conglomerate. The influence of the Reichswerke in the politics of international steel would not, however, be felt until the war years.<sup>7</sup> In the years 1933-1939 the power of the Ruhr vis à vis her Western European counterparts increased steadily. The buoyancy of the German economy put her in the enviable position of having unfillable market quotas, both domestic and foreign, to allocate among eager claimants. In addition, the Anschluss, occupation of the Sudetenland and March on Prague put at her disposal those of former cartel affiliates. More significantly, cumulative successes of the Third Reich in the economic field generated the broad movement termed "industrial appeasement" in the case of Great Britain and "industrial collaboration" in the case of France and the Low Countries.

Agreement with Britain opened the door to the success of Ruhr policy in the 1930s. She was traditionally the Ruhr's strongest competitor on European coal and coke markets. Her

coal reserves were by far the largest in Europe. Several districts (Scotland, Northumberland, Durham, S. Wales) were located in close proximity to the coast and therefore favorably positioned for the export trade. She had traditionally dominated sales to Scandinavia, along the North Sea coast, and in the Mediterranean basin. As a steel exporter, she was less formidable, at least outside of the Commonwealth. It was the destination of 80% of her total exports. Britain, which until 1 March 1932 levied no tariff on iron and steel products, was also a major importer of them. British exports of both coal and steel products declined considerably in the interwar period, the former from 74,578,000 long tons in 1913 to 40,985,000 long tons in 1938, the latter from 4,969,225 long tons to 1,961,951 long tons between the same years.

Successive heads of both the Bank of England and the Board of Trade attributed these declines above all to disorganization, which was indeed considerable. In 1930, 2328 mine shafts were in operation in Great Britain, employing an average of 405 persons with average production of 104,760 long tons. The comparable figures for the Ruhr were 180, 1993, and 595,483 long tons. The situation in British steel was only somewhat better. The 1930s brought a spate of legislative enactments intended to remedy this situation. The Mining Law of 1 August 1930 required the formation of quota cartels in each district and empowered new Executive Boards to levy penalties for sales below established price minima.

A 1934 modification set price ranges for both domestic and foreign markets. A subsequent act of Parliament created so-called Central Selling Schemes for each district. Change in the organization of the steel industry came in more dramatic fashion. The British Iron and Steel Federation, founded 19 April 1934, was a "double cartel" built on the German model which, in addition to acting as a trade association, took over such governmental responsibilities as issuing steel import licenses. In 1932 the Government---in an effort to breathe life into the new industrial organizations---ordered representatives of the coal and steel industries to begin negotiations for export settlements with the Ruhr. They began in 1932, brought an Anglo-German coke "understanding" in 1934, British affiliation with the ISC in 1935 followed by an international coke cartel, and an "understanding" in 1936 with regard to coal.<sup>8</sup>

Through these arrangements the Ruhr succeeded in fitting Great Britain to her grand design. First of all, it won British assent to its domination of Western Europe's coal and coke markets, the lure in this case being the offer of a generous overall sales quota. Britain not only accepted the principle of Gruppenschutz---non-competition in established markets---but agreed to impose it on other European coking coal exporters (notably Poland) and on domestic producers as well. The arrangements, in other words, protected export prices while increasing the dependence of Western Europe on Ruhr supplies of coking coal. From the standpoint of the Ruhr, Britain's affiliation with the ISC served quite a different



purpose, namely to buffer the Continent from US competition. The Ruhr once again ceded Britain a generous quota which could only be used in overseas markets, thus eliminating the threat of competition on the Continent and, at the same time, giving Britain the largest stake in protecting remaining international markets. As if to emphasize the distinction between the two, Great Britain did not actually become a member of the International Steel Cartel. Instead, a new organization, awkwardly named the "Joint Coordinating Board," was set up to represent the interests of the British when they touched on those of the "continental group."<sup>9</sup> The British were responsible for the conduct of the negotiations which, in 1938, led to US affiliation with the ISC. It was based on an "understanding" that US producers would refrain from selling in European markets but enjoy "spheres of influence" in others for a list of specified products. Because of anti-trust legislation, US enforcement of it depended on the agreement of the Big Three steel companies, US Steel, Bethlehem, and Republic, to force compliance on the remainder of the industry. The "understanding" was regarded by all parties as a substantial narrowing of the divide between US and European business practices.<sup>10</sup>

How, then, did the Ruhr build the Interessengemeinschaft in Western Europe in the 1930s? First, by "loyal" behavior towards its partners, sometimes at risk of conflict with the regime. It strengthened the alliance with the Société Générale in the face of heated protests from the RWM by

ceding Belgium a "Lorraine-type" quota on the German market in 1934, and a similar one for coal at a later date. With regard to France, it delayed conclusion of the ISC agreement with Britain until the latter agreed to compensate Lorraine for the imposition of a new ad valorem tariff on semi-finished steel products, took over the French Saar raw steel export quota when it joined the Reich, and punctiliously delivered coal after 1936 in spite of an increasing deficit in reciprocal ore shipments. As for Luxemburg, the Ruhr delivered it coking coal slated by trade treaty for shipment to Italy and gave it substantially larger shares on the German market as well as the right to an unpenalized share of its export quota in the years between 1937 and 1939.<sup>11</sup> Common external threats also bound the ISC founder-members together. They of course negotiated as a bloc the terms of British and US affiliation and did likewise with the threat of new competition. They agreed unanimously on 18 April 1939, for example, to take every measure necessary to force the Dutch "re-rollers" Demka and Van Lier---each then in the midst of an ambitious expansion program---out of business, d'Heur, of Belgium, noting that "...such industrialization must be brought to a halt." This theme would sound time and again at ISC meetings. ISC objections terminated the plans in 1938 of an English consortium led by Herman Brassert to construct a steel complex in Bulgaria. Refusal to deliver construction steel delayed completion of the mill under construction in Karakük, Turkey. Considerable effort was made in 1937 and 1938 to frustrate the erection

of a rolling mill at Bergen, Norway.<sup>12</sup> The British representative stated in this connection: "It appears from information . . . we were able to gather that A/S Bergens Bliktrykkeri intends to erect a new hoop mill. As the ISC have every reason to prevent the realization of such a design, we have consequently asked our Groups to decline any cotation. . . . We therefore kindly beg you to adopt a similar attitude. . . . Not doubting that you will agree with our point of view and, with anticipated thanks, we beg you (etc.)..."<sup>13</sup> Even within the formal structure of the ISC, the founder-members joined together in opposition to the rest, and in particular to the "Central European Group" (ZEG) composed of Poland (after 1935) and Czechoslovakia (after 1936), which also represented the remaining central European producers. In the words of a former member of the Czech ISC delegation, "The founder-members viewed (the ZEG members) . . . as small states are viewed by great powers in politics."<sup>14</sup> The Czechs had reason to rue this fact after the detachment of the Sudetenland, which normally absorbed 40% of total domestic steel sales. The German group agreed to accept only 360,000 tons from Czech production, distributing the remainder of its former share between the western European partners. Czech protests were in vain. Meyer emphasized the extreme seriousness of the unemployment situation in Luxemburg, d'Heur made a similar remark regarding Belgium, and the French and British delegates remained silent.<sup>15</sup>

There can be no doubt concerning the fact that by 1939 the Ruhr had won considerable acceptance from the producers

of Great Britain and the Continent for its leadership and methods of industrial organization. The so-called "Düsseldorf Agreement" concluded by the heads of the British Federation of Industries and Reichsgruppe Industrie on 16 March 1939, the day after the German March on Prague, is frequently cited as the high-water mark of "industrial appeasement." It called for nothing less than the creation of a comprehensive network of international cartel agreements underpinned by domestic economies fully regulated by producer associations. The Anglo-German coal and steel discussions are what led to this outcome. To quote the remarks of Mr. Stanley, President of the Board of Trade, as paraphrased in The Times of 22 February 1939: "The coal trade talks had been invaluable precursors to the wider talks which were now to start. From them we could draw many lessons and much encouragement. No one who had taken part in the coal trade talks would expect that the industrial talks of next month could be brought to a successful conclusion in a few hours or days. They had learned that negotiations of that nature required some comparable organization on both sides of the table. The German coal industry for many years had enjoyed a form of central organization, and it was only when the coal industry here also organized itself on a more centralized basis that progress became really practicable. If these industry talks were to succeed over a wide field our industries must adopt for themselves some form of organization which would enable each one of them to speak with one voice. ... It might be [possible]

to look back upon [recent and impending] events ... as a turning point not only in the progress of the coal trade ..., not only in the methods of Anglo-German industrial relations, but also in the history and hopes of the world."<sup>16</sup>

Ruhr industry policy during the period of the occupation, from May 1940 to September 1944, reflected the strength of the Interessengemeinschaft built up in Western Europe, and including Britain, during the 1930s. It aimed above all at maintaining continuity. The coal and steel industries of France and Benelux were not to be destroyed but enabled to do business as in the past---that is, to the extent possible under new conditions. Naturally, there were compromises. They were usually motivated by fear of German competitors. Nonetheless, the "war aims" of the Ruhr were moderate. Steinbrinck, the Ruhr-based administrator of heavy industry in Belgium and North France, brought the latter into a kind of "junior partnership" with the Ruhr. The Ruhr leadership advocated a similar policy with regard to the minette areas. And, thanks to the readiness of the conquered to collaborate economically and the high material requirements of Hitler's war efforts, relationships such as those the Ruhr had in mind by and large were the rule in the whole of the "Occupied Western Territories."

The destruction of France in May and June 1940 provided an ideal opportunity, if one had ever presented itself, for the Ruhr to wrench markets from the hands of its competitors, expropriate them through forcible merger, limit their production by directive or denial of access to raw materials,

or simply remove machinery and plant. But neither the written "war aims" proposals nor the discussions animating them gave serious consideration to these possibilities. They were rather sober to the point of being unimaginative. The main issue debated in Ruhr coal circles was whether pre-war relationships should be built upon or simply resorted. "Zur Neuordnung der europäischen Kohlenwirtschaft, 28.8.40" points to the need for a single West European coal syndicate to centralize sales on international markets, eliminate tariff and quota barriers, promote mechanization, coordinate investment, and compensate for the effects of currency revaluations and differences in tax structure. This was, however, a minority view. The position of the industry, as expressed in a letter of 3 September 1940 from Herr Ernst Russel, foreign trade chief of RWKS, to Reichswirtschaftsminister Funk was less ambitious. Its main concern was to restore, with slight quota changes, and if possible even strengthen, the understanding reached with Great Britain in 1938-1939. A Denkschrift written as background to it therefore emphasized "... es wäre doch dringend erwünscht und m.E. notwendig, dass von der englischen Seite die Schaffung der notwendigen Voraussetzungen für eine...klare und einfache Regelung, d.h. ein Zusammenschluss des englischen Bergbaus und der englischen Koksindustrie gefordert und sichergestellt wird mit der Auflage, dass die englische Regierung dann alle notwendigen Schritte tun wird, um zu veranlassen, daß der englische Bergbau sich zu einer Verständigung mit der deutschen Bergbauindustrie tatsächlich zusammenfindet."<sup>17</sup> With regard to the coal districts of the

Netherlands, Belgium and North France, the industry advocated strengthening the regulative powers of producer organizations on domestic markets. Exports would, however, be sold through an RWKS-dominated comptoir, in theory so as to create savings from more efficient routing of shipments. The "war aims" of steel was discussed at a 10 May meeting of the "Kleiner Kreis," the informal industry directorate. The steel leaders also called for "...eine Wiederherstellung der altbewährten freundschaftlichen Zusammenarbeit mit der deutschen Stahlindustrie wie in den Jahren 1926-1939, also Schaffung einer Art Westeuropäischen Stahlunion"<sup>18</sup>. Once again, local cartels were to be strengthened and allowed to exercise full authority on domestic markets but required to export through a German cartel, the Stahlwerksverband.

Before proceeding any further, it is necessary to describe the setting for the politics of coal and steel in occupied Western Europe. One feature of it was that part of Hitler's strategy, which dictated destruction of France as a national unit. A second one was the struggle for position between the Gauleiter of Essen and the Saar, each championing the industry in his jurisdiction. And, finally, there was a "free-for-all" struggle for position between the heavy industries of the Ruhr and the Saar and the Reichswerke. To turn, first, to the territorial settlement, the former Reichsland Elsaß-Lothringen (including the steel industry of the French département of Moselle) was annexed and put under the authority of Gauleiter Josef Bürckel of Saar-Pfalz. A so-called demarcation line divided the government in Vichy from the

remaining heavy industry départements of the North and East. Movement of labor across it was largely impossible during the first year of occupation, and it eased only gradually thereafter. The départements of Nord and Pas-de-Calais were, for their part, administered from Brussels by the Military Governor of Belgium and North France. Belgium remained territorially intact, save for a few adjustments along the German border, as did the Netherlands which, however, was governed as a Reichskommissariat by Arthur Seyss-Inquart. The Grand Duchy, like Alsace-Lorraine, was annexed. Gauleiter Simon of Trier was largely responsible for the conduct of its civil affairs. In steel and coal matters too, the proximity of German administration varied by area. The foundries in annexed areas, Luxemburg and Lorraine (the French département Moselle), were slated for a direct German presence in some form or other. In the occupied areas Belgium, the Netherlands, and France (both the North and the non-annexed minette départements), indirect administration, through local producer organizations, was to be the rule.<sup>19</sup>

The determination of "spheres of influence" between Ruhr and Saar was the result of a contest of strengths between the Gauleiter of Essen, Terboven, and his counterpart in the Saarpfalz, Bürckel. Terboven hoped initially to install his candidate, Otto Steinbrinck, as hegemon in the entire area. The latter had enjoyed a spectacular rise in power, one apparently less due to his background as a much-decorated submarine captain in World War I and long association with Friedrich Flick



than to his office as General in the SS Reserve. He, together with Terboven, administered the Vereinigte Stahlwerke shares of Fritz Thyssen, who had fled the Reich, and served as Acting Chairman of the Board after 1941. He was also due to be elected Chairman of the Rheinisch-Westfälisches Kohlensyndikat when hostilities intervened. In early May 1940, Steinbrinck was named Generalbeauftragter für die Eisen- und Stahlindustrie in Belgium, North France, and the district of Longwy. Thanks to Bürckel's opposition, the area of "Meurthe-et-Moselle-Süd," which contained the bulk of the French steel industry, came under the jurisdiction of Generalbeauftragter Hermann Rochling.

Steinbrinck immediately turned to the business of setting up producers in his area to function as junior partners of Reich heavy industry. This involved endowing pre-war cartels, where they existed, with the authority to enforce raw materials rationing and allocate German orders. In other cases, new machinery had to be set up to discharge these functions. In steel, only minor adjustments were required. "Cosibel" became "Sybelac" (Syndicat belge de l'Acier), with membership compulsory for all producers. The Comptoir Sidérurgique de France underwent a similar change and was re-named "Corsid" (Comité d'Organisation Sidérurgique de France). The leaderships of both cartels remained unchanged. The pre-war Belgian coal cartel, or rather cartels, was drastically centralized, the Fédération des Associations Charbonniers becoming the Office Belge des Charbons in the process. A new Office Belge des Cokes was attached to it. In North France the pre-war coal cartel was incorporated into "COH," Comité d'Organisation

des Houillères). A new cartel was created for the mines of Dutch Limburg. Thus similar coal and steel cartels were set up by Steinbrinck in each district of the "Occupied Western Territories."<sup>21</sup>

The annexed territories and "Meurthe-et-Moselle-Süd" were the scene of a "free-for-all" in which German interests battled one another for the right to dispossess the French and Belgian owners. The Reichswerke Hermann Göring was the leading heavy-weight contender. Paul Pleiger, the man in charge of its destinies, intended nothing less than for it to become the dominant Montangesellschaft in the Reich. As of 17 May 1940, its rated raw steel capacity of 5.2 million tons per year was 17% of the Reich total, as compared to the 8.96 million tons per year of Stahllunion. His goal was to acquire an additional 14.6 million tons per year of capacity, thus attaining a dominant position. Such gains were expected to have counterparts in coal. Where they would come from is, however, anything but clear. In coal, the Reichswerke was simply "out for what it could get."<sup>22</sup>

As for the second contestant, Hermann Röchling, his family had founded and managed the Röchling'sche Eisen- und Stahlwerke for several generations. It was only one of the two important foundries of the Saar, and therefore of secondary importance in the overall politics of the steel industry. Röchling's relationship with the Ruhr was a difficult one, complicated in part by the vehemence of his personal nationalism. He detested the de Wendel family, which had Ruhr interests, not only as an agent of French influence in the politics of

language in the border area but because in 1919 it had taken over the Röchling-founded Karlshütte, Thionville. At the same time, the Röchling firm---inside the French customs area until 1935---had important client and banking relationships in France.<sup>23</sup> Hermann's francophile first cousin, Ernst Röchling, handled these interests from a Paris office. Röchling owed his prominence after 1933 in part to technical expertise. In early 1937, he addressed letters to Hitler and Göring advocating the creation of a steel industry based on the consumption of low-grade domestic ores, and later claimed credit for being the intellectual father of the Four Year Plan. Speer would in fact appoint him Chairman of Reichsvereinigung Eisen in June 1942. In Summer 1940, he was prominent, however, mainly as a zealous germanizer.<sup>24</sup>

And as for the Ruhr? In early June RWM-chief Funk took the precaution of warning it to refrain from Annektationsgelüste---being too greedy---, which was feared especially on the part of those firms who had lost holdings in the area after 1918. The only interest to exhibit such behavior, however, lacked prior involvement there; it was Friedrich Flick. The particular object of his desires was the Laurent foundry, Rombacher Hüttenwerke/SA Aciéries de Rombas. The firm had formerly belonged to the operationally defunct firm of Carl Spaeter. Flick's claims on the property were so utterly specious that the other big Ruhr steel interests suspected him of having made a secret deal with Göring. There was a good precedent for such fears. In 1937 he had exchanged his

holdings in Harpener Bergbau AG and Essener Steinkohle---two important mines---for the more remunerative lignite properties formerly owned by the "non-Aryans" Julius and Ignaz Petschek. And Flick would in fact continue to pursue a policy of "free hands" with regard to Western Europe.<sup>25</sup>

The ambitions of the remaining Ruhr producers were modest by comparison to Flick's, at least if judged by the memoranda which Ernst Poensgen, Chairman of the Board of Vereinigte Stahlwerke, asked each to compile in the event of an actual re-distribution of foundries in Lorraine and Luxemburg. Hoesch's is little more than perfunctory; Direktor von Bruck explained that his firm would prefer not to invest heavily in the renovation of its Dortmund works but feared that its other operations would suffer unless additional capacity could be brought on line. The solution? Acquire ARBED!: "Es sind also rein produktionstechnische Gesichtspunkte, die uns den Erwerb wünschenswert erscheinen lassen würden. Unter Zugrundelegung dieser productionstechnischen Erwägungen würde die Arbed uns am geeignetsten erscheinen, die in unserem Fertigungsprogramm bestehenden Lücken ausfüllen bzw. Neuinvestitionen zu ersparen."<sup>26</sup> So weak was the presentation of Hoesch's claim that the Director of Concordia Bergwerke AG, a secondary mine once owned by the Spaeter interests, offered to lend his "moral authority" to a joint effort. Direktor Kellermann of Gutehoffnungshütte, also Chairman of RWKS, actually objected to Poensgen's request for the presentation of claims. He drafted a memorandum enumerating them only after being assured

that all the other big firms had already done so. In it, GHH asked only for the additions needed to maintain parity between German producers, reasoning that this would require adding 600,000 tons of rated capacity to GHH's present 1,383 million tons. The only foundry that was neither too small nor large and to which no German firm could claim prior ownership was Micheville, in Longwy. GHH therefore requested special consideration with regard to acquiring it. Two other firms which had, and would continue to, make huge acquisitions elsewhere apparently did not demonstrate an interest in the minette area. One of them, Mannesmann, was in any case deeply involved in the acquisition of Prager Eisenwerke, a major producer of pipe and therefore an interwar competitor. The inactivity of the other one, Krupp, puzzled even Ruhr industry.<sup>27</sup>

These firms rather than Flick must be considered as representative of Ruhr policy in Lorraine and Luxemburg. Their approach was, at any rate, adopted by the "Kleiner Kreis."

On 7 June, Poensgen issued a circular denoting it:

1. No transfer of either mine or foundry property until after the restoration of peace, unless outside interests make prior claims.
2. Priority of access to minette should go to the firms of the area (Lorraine, Luxemburg, and the Saar), and, if a surplus remains, the Ruhr should be guaranteed the right to make use of it.

3. After restoration of peace, acquisition preference should be accorded prior German owners.
4. Unexploited ore properties, in the event they are not returned to former owners, should be administered jointly by a consortium of German steel producers.<sup>28</sup>

On 7 August Poensgen issued a second circular, this one expressing his "personal plans" for Lorraine-Luxemburg in the event of German military victory. With regard to minette: producers in the area must be guaranteed access to seventy-five years of supply before outsiders are allowed to lay claim to disposition of reserves. Belgium should be guaranteed a supply adequate to meet her normal requirements, 6 million tons per year. Ore sales must, as previously, be coordinated with coke deliveries to the area. With regard to foundries: "rationalization" should be introduced and factories eliminated with less than 600,000 tons of annual capacity. Thereafter, integrations with German firms should be allowed only when justified by criteria of cost efficiency. Above all, he considered it "...opportune to leave in place traditional relationships with western markets." He was, in short, prepared to offer the producers of the area "junior partnerships" in whatever arrangements might ultimately be arrived at.<sup>29</sup>

The Ruhr emerged the victor in the policy dispute with the Reichswerke and Röchling albeit at the cost of continuous struggle and substantial concessions. There was to be, first of all, no wholesale confiscation of property or removal of personnel or machinery without prior assent of the Franco-Belgian owners. All enterprises were to be administered on

a "business-like basis." Trustees (Treuhänder) were appointed for each foundry, it being understood that they would receive purchase priority after the war. Mine management remained in the hands of the owners. A new, German-run consortium was, however, set up to distribute minette, the Liefergemeinschaft für Erzgruben in Lothringen und Meurthe-et-Moselle. Paul Raabe, a Flick associate, administered it. The Ruhr nonetheless fared comparatively ill as regards the assignment of trusteeships, which was as follows:<sup>30</sup>

<u>Work</u>	<u>Previous Owner</u>	<u>Trustee</u>
<b>A. <u>Lorraine</u></b>		
1. Karlshütte	Haut Fourneaux et Aciéries de Thionville (Laurent)	Röchlingsche Eisen- und Stahlwerke, Saar
2. Kneuttingen	Société Métallurgique Knutange	Kloeknerwerke, Duisburg
3. Ückingen	Forges et Aciéries des Nords et Lorraine	Neunkircher Eisenwerk (Stumm), Saar
4. Rombach/Machern	S.A. des Aciéries de Rombas	Friedrich Flick KG, Berlin
5. Hayingen-Moevern/	Les Petits-Fils des F. de Wendel	<u>Reichswerke</u> Herman Göring
6. Hagendingen-SAFE	UPMI	
<b>B. <u>Luxenburg</u></b>		
1. Rodingen	S.A. d'Ougrée-Marihaye	Gemeinschaft Faust/ Hahl
2. "HADIR"	Soc. Gén-controlled	Vereinigte Stahlwerke
3. "ARBED"	"	---

Neither Röchling nor Goring was satisfied with this division of influence. Röchling nonetheless grudgingly accepted it, while objecting bitterly, for instance, to Kloeckner's receipt of a trusteeship for the Kneuttingen works. He felt that the sons of the man who built them, Peter Kloeckner, were "unworthy as his father's heir." And as for Flick's mandate for Rombach, it was nothing less than "... a detraction from my person."<sup>31</sup> "Das Motto für die bisherige Werksverteilung," he wrote Paul Körner on 24 January 1941 "...konnte lauten: Wer seit 1914 gekämpft, gesiegt, und Verdienste hat, bekommt nichts. Wer weder gekämpft, noch geopfert, dafür aber verdient hat, bekommt. Nach dieser Schlacht muß aber im Westen der Helm noch fester gebunden werden. Das kann man doch nur mit Kämpfern, nicht aber mit Händlern machen."<sup>32</sup> Everything, he argued, "absolutely everything, speaks against allowing subparticipations to Franco-Belgian proprietors who ... after 1871 sat in their fine chateaux and made anti-German propaganda."<sup>33</sup> While conniving secretly with Gauleiter Bürckel for the attachment of Longwy-Briey into the Reich, he ordered his subordinates to behave "... de façon qu'après la guerre à tout temps nous pourrons nous mettre à nouveau à la meme table avec les messieurs franco-belges."<sup>34</sup>

The frustrated ambitions of the Reichswerke centered on ARBED. They precipitated a struggle of great intensity which, while futile, ended only with German defeat. It was waged at every level of finance and politics. The Chief of



Civil Administration, Gauleiter Simon, was the Reichswerke's single most formidable opponent. He recognized that its annexation of ARBED would be followed by his own replacement. He deluged the Reichskanzlei with protests of such attempts and cross-checked wherever possible those to exercise control over ARBED's personnel policy. The Deutsche Bank was a second formidable opponent. It turned back repeated campaigns of the Reichswerke's banking connection, the Dresdner, to acquire, by force if necessary, a blocking minority (Sperrminorität) from the Société Générale. One consequence of this defense was a reinsurance agreement between the Société Générale and the Deutsche Bank pledging each to promote the interests of the other regardless of the outcome of the war. The Ruhr was the Reichswerke's third formidable opponent, and in this struggle it could also depend on the cooperation of Röchling. The two shared the trusteeship of Rodingen, which was placed under the commissarial administration of "... two able young men with money behind them ... who deserve a chance," Herren Faust, a former Röchling employee, and Hahl, a Steinbrinck crony. The Ruhr failed to block the appointment of a Reichswerke manager, State Secretary Königs, as Verwalter, of ARBED. It did, however, manage to keep him powerless. The powers of the Generalversammlung (stockholders' meeting) remained intact. One actually met in 1943. 50,000 of 250,000 shares, the pre-war average, were represented. The Société Générale voted 38,000 of them. Aloys Meyer remained Generaldirektor of the firm. ARBED was

a member after October 1940 of Bezirksgruppe Südwest der Wirtschaftsgruppe Eisenschaffende Industrie, along with the Saar, and, after 1942, of Reichsvereinigung Eisen. Its relationship with its subsidiaries in the Reich was unchanged and in fact it was treated throughout the war "...like any other German firm."<sup>35</sup>

The inability of the German economy to fulfill the demands of Hitler's war effort is what brought to an end the period of "free-for-all." It is difficult to assign it a precise terminal date. On 26 August 1940 Göring ordered "...the systematic and thorough exploitation of the productive capacities and raw materials of the Occupied Western Territories... especially mines, foundries, rolling mills...and key components industries."<sup>36</sup> The directive by no means ended the interventions of party figures into the economy of the area. They could, however, book few successes. Bürckel sought in vain to incorporate the minette properties of Lorraine into a new company, "Westmark," which was to be under the control of his Gau. Neither he nor Gauleiter Simon of Trier, who was also Chief of Civil Administration in Luxemburg, managed to attach Longwy-Briey to his jurisdiction. On 31 May 1941 General von Hanneken, steel chief in the Reichswirtschaftsministerium, ordered all discussion of property transfer to cease until the conclusion of peace. The overriding purpose of German policy after this date was to step up steel production. The expanding scope of the war, then, safeguarded the autonomy of the industry of the area. It admitted of no choice except

to work through local industry. Thus the operation of the cartels set up by Steinbrinck was extended throughout the "Occupied Western Territories."<sup>37</sup>

It did in fact prove possible for West European coal and steelmen to do business in the New Order if not "as usual," then at least on a basis which, under prevailing conditions, can be described as satisfactory. First of all, the businessmen of the occupied territories enjoyed certain advantages from their own governments. The French Government at Vichy, the King and the Secretaries General in Belgium, the Secretaries General in the Netherlands, and the Governments-in-Exile of the two Low Countries (at least for the first six months of the occupation) were all committed in principle to the idea of economic collaboration. Each sought, in short, to safeguard the national interest by working for the war effort of the Reich. As was the case there, the business communities in the "Occupied Western Territories" served as agents of public policy and, in turn, could call on the aid of governmental authority when desired. The governments of the area gave their sanction to a spate of measures which, in very direct fashion, promoted the interests of industry. First, the French government and the senior civil servants of Belgium and the Netherlands enacted legislation, paralleling that of the German occupation ordinances, which created the organizations to distribute raw material to industry--the Comités d'Organisation in France, Offices centraux de Marchandise in Belgium, and the Rijksbureaux in the Netherlands. They acted in this

respect as agents of long-pursued policies of the Société Générale in Belgium, heavy industry circles in France, and large domestic producers in the Netherlands. Second, each state put its authority behind payments systems created to channel personal savings into the financing of German order placement to local industry. Each also supported the attempt of the Occupying Power to maintain in operation a system of wage and price freezes which, in practice, applied only to the former. Finally, each paid out production subsidies of unprecedented magnitude. These measures offset at least in part the disadvantages of German rule.<sup>38</sup>

In Belgium, heavy industry followed the "Politics of Production," the local variant of economic collaboration, from start to finish. The appointment in June 1942 of Herman Röchling as Reichsbeauftragter für die Eisen- und Stahlindustrie im besetzten Westeuropa and the proposals of the Baron de Launoit, the chief of the Banque de Belgique complex, were the only breaks in it. An atmosphere of Korrektheit prevailed in the relations between foundrymen and the delegates of the Occupying Power. Steinbrinck was in fact so completely faithful to Ruhr industry policy that the charge of "Plunder of the Occupied Territories," which he faced at Nürnberg in the "Flick trial," had to be dropped. Representatives of virtually every Belgian foundry testified to his good conduct! Röchling's mission as Reichsbeauftragter was to step up the production of armaments grade steels at whatever cost he deemed necessary. He therefore disregarded the order placement machinery of "Sybelac,"

directed factories to introduce a new method of his own invention for manufacturing high grade steels from the Thomas process, and pushed to the maximum the smelting of electric-hearth steel. Kommissare were appointed with Belgian agreement to supervise the installation and use of the expensive and increasingly irreplaceable carbide electrodes required by the latter. Although Röchling tried to be "amiable," these tasks necessarily raised the hackles of Belgian steelmen. They grudgingly undertook the new manufactures, however, in the meantime dreaming of the better days under Steinbrinck.<sup>39</sup>

Baron de Launoit had a much deeper commitment to economic collaboration than did the Société Générale. He was, in the words of Kurt Freiherr von Schroeder, a veritable "Eurovisionary." His mind was fertile with ideas for Belgo-German cooperation in the fields of chemicals, electric power, canal construction, and heavy industry. His main steel firm, Ougrée-Marihaye, entered a convention with Otto Wolff of Köln to set up a jointly run firm to sell its exports, along with those of a remaining segment of the Belgian industry, on world markets. de Launoit also proposed to the Dresdner Bank the set up of a 50/50 holding company in which his and the Société Générale's shares of ARBED, Rodange, Chiers, Thy-le-Château, and the Campine mines, would be pooled. The Belgians were to receive Ruhr mining shares as compensation. The Société Générale, however, frustrated these plans. Undaunted, de Launoit set up on 2 February 1941 a "...secret and private bureau in 'Brufina' to study possible fields of collaboration with the

Dresdner. He even met with its representative, Dr. Rasche, in March 1943 to discuss them. German military reverses did not, in short, quench his zeal.<sup>40</sup>

The ore fields, foundries and coal mines of pre-war France---where operations, especially in the East, had been disrupted by battlefield events, political division, nazi language - racial politics, and a punitive attitude on the part of nazi officialdom---emerged from the war in surprisingly good shape. There was, first of all, at no time a shortage of minette, and therefore no need to pursue policies of Raubbau. In the annexed areas of Lorraine, the trustees' presumption of eventual takeover of the foundries meant, at the very least, that every effort was made to keep plant operating normally. At Rombach, Flick made heavy investments and the firm was in excellent condition after the war. Jacques Laurent, the French owner, described its German production manager as follows: "...il s'est comporté dans ses fonctions vis à vis du personnel et de la Direction française avec une modération et une réelle compréhension des circonstances exceptionnelles... Il a fait tout ses efforts pour aider les ingénieurs françaises de Rombas à repatrier leurs meubles...au moment des expulsions au mois d'août et au mois de novembre 1940, il a fait de louable efforts pour s'opposer le départ de nombreux lorrains et notamment du personnel ouvriers et employés. J'ai notamment le témoin de la position courageux prise par lui à ce sujet vis à vis des autorités nazis chargées des expulsions."<sup>41</sup> In Longwy and North France, areas under Steinbrinck's jurisdiction, conditions were essentially similar to those prevailing in Belgium.

Elsewhere in France, and notably in its most important steel district, "Meurthe-et-Moselle-Süd," two considerations are behind this surprisingly favorable outcome: the existence, first, of pre-war business relationships and, second, the belief of some technocrats and industrialists in the efficacy of German business methods and leadership. Figures like Bichelonne and Francois Lehideux, far from being passive executors of German policy, were intent to demonstrate that collaboration was a workable long-term approach to economic policy. They generally took the initiative in coal and steel policy vis à vis the Reich. Their proposals, however, elicited little reaction from Berlin prior to summer 1943. Until then, the Röchling family interests largely governed the fates of the foundries in the district.<sup>42</sup>

After the trusteeships had been handed out in May 1941, the Röchlings pursued policies of a traditional character. This, at least, was the view of M. Humbert de Wendel, the man whose interests Hermann Röchling had pledged himself to destroy. "... nous considérons (he testified) que M. H. Röchling a toujours été un pangermaniste de la vieille école. Il a apporté son concours le plus entier à Hitler parce qu'il a cru voir en lui l'homme capable de réaliser le 'Deutschland über alles.' Mais on ne saurait cependant l'assimiler aux energumènes du parti nazi... Il était l'homme de la Reichswehr, mais non pas celui de la Gestapo."<sup>43</sup> He therefore, according to de Wendel, opposed the Bürckel-ordered expulsions of October and November 1941 on the grounds that they caused loss of critical personnel, and made repeated attempts to

prevent Gestapo operations inside the factories under his supervision. He and his subordinates intervened numerous times with police authorities on behalf of his employees.<sup>44</sup> Röchling also allowed the sièges sociaux (corporate headquarters) of the firms under his jurisdiction to remain in operation. To cover operating expenses he indeed assigned them a percentage of gross receipts on sales. The specified arrangements varied somewhat by firm. Homécourt provides a typical example. Its siège social received 4% commission on "free sales," a 3% commission on sales through the Stahlwerksverband, a 2% commission on Thomas slag, and various small commissions on other by-products. The headquarters received additional commissions as sales agents and for purchases made on behalf of the factories. These were nominal functions, since all sales and purchases were conducted through either the cartels or the raw materials distributing agencies. Some 7.5 million Francs was paid to the headquarters of the three largest foundries of "Meurthe-et-Moselle Süd" during the occupation.<sup>45</sup> The French directors had access to the books of their firms and could check operations periodically. The German Verwalter of Neuves-Maisons, for instance, claimed to be on the best of terms with its Director General, a M. Taffenal, and factory manager, M. Thédral. "...M. Thédral habitait chez moi. M. Thédral était un hôte régulier et bienvenu, par la suite il m'a rendu également librement visite, lorsqu'il habitait déjà un appartement du service...Mes hôtes françaises étaient souvent étonnées de voir dans mon appartement l'image connue de l'entrée des troupes alliées après la première guerre mondiale dans Strasbourg couvert de drapeaux. Il va sans dire



que je n'ai pas fait enlever." "A la fin de mon activité," he continues, "...M. Thédral m'a offert la grande 'Renault' de l'usine pour me permettre d'attendre mon pays ... (Il) m'a dit que j'avais rendu de tels services à l'usine que la perte éventuelle d'une voiture était largement compensée..."<sup>46</sup>

Although Hermann Röchling claimed after the war that he intended at all times to restore operational control of the foundries to their owners, credit in this respect is probably due his cousin, Ernst. He was responsible for maintaining liaison with the sièges sociaux. The Chairman of "Corsid," Jules Aubrun, said of him that he... "hat sich in seinen Beziehungen mit der französischen Industrie immer als ein Mensch der Versöhnung herausgestellt und hat immer den Eindruck gemacht, daß er mit seinem Vetter Hermann nur in offener Opposition und unter Zwang zusammenarbeitet..."<sup>47</sup> His remarks were representative of French industry sentiment. Negotiations for the restitution of the factories in "Meurthe-et-Moselle-Süd" began in early 1942 but faltered on the question of finances. The firms had acquired huge debts as a result of the disruptions caused by the military campaigns and by an uncompensated increase in the price of ore. In early 1942, the French state, at Bichelonne's behest, began payment of generous subsidies, some 20-205 Francs per ton, to all French foundries outside of Röchling's jurisdiction, claiming a lack of sufficient financial resources to make them there. The Speer-Bichelonne conversations, the Paris business connections and entrepreneurship of Ernst Röchling, and, strangely enough, the Dutch state and

its German representative, one Ernst Kreuter---all contributed to solving the dilemma.

The Dutch state was the source of funds. They originated with a holding company, "Tredifina," which was set up in 1921 with a capital of 14 million Gulden to finance Dutch exports to the Reich. The Mendelssohn Bank held controlling shares on behalf of the Dutch. Various business and financial dignitaries such as F. F. von Siemens, Hugu Stinnes, Hjalmar Schacht, and Kreuter himself held nominal participations in it. Kreuter, managing director of "Tredifina," was also the German agent of the Wall Street brokerage house of Dillon, Reed and Co., the major underwriter of the huge industrial bond issues of the late 1920s which floated Vereinigte Stahlwerke and IG Farben. In early 1941, it became impossible for "Tredifina" to repatriate its assets. It was then that the currency border between Germany and the Netherlands was lifted, thus permitting free flow of the two national currencies. Specific exception was, however, made in the case of movements from accounts of over 100 million RM. "Tredifina's" assets were, in short, blocked. The Director of the Netherlands State Bank, LSA Trip thereupon directed Kreuter to seek out investment opportunities, wherever possible, direct participations in private firms. Kreuter contacted Ernst Röchling, who then wrung the assent from Reichswirtschaftsminister Funk to de-blocking 20 million RM of the total sum. Kreuter and Röchling next set up a French investment company, the "Société de Crédits et d'Investissements" (SCI). Kreuter became the

director and Ernst Röchling along with a Paris representative of Dillon, Reed sat on the board. SCI's first acquisition was a controlling minority in the department store chain, "Galeries Lafayette." It was attained by a loan of 30 million Francs, against an option to purchase, from the "Aubert-Harlachol interests," which had acquired the "aryanized" shares of the former "Bader'sche Aktienpaket." Additional SCI acquisitions included bauxite mines near Toulon, a railroad rolling stock manufacturer, and a considerable amount of Paris real estate including the "aryanized" "Maison Wildenstein."<sup>33</sup> But some 80 million RM still remained blocked. To gain the release of this sum, Ernst Röchling won the agreement of Speer to the idea of loaning it to the French state to subsidize foundry operations in "Meurthe-et-Moselle Süd." In February 1944 this was done, and the French owners, restored to control of their firms, pledged themselves to continued collaboration. The subsidies more than offset the foundries' operating losses and apparently were adequate for amortizations. They in fact registered profit of 101,400,000 Francs during the occupation. The figure for those of France as a whole was 227,000,000.<sup>48</sup>

In the Netherlands, Fentener van Vlissingen created an Interessengemeinschaft linking a large part of its industry to the Reich. Details of the specific arrangements are obscure, as indeed they were intended to be. Each however, involved a Dutch-German joint venture in which the balance of power would hinge on the outcome of the war. They amounted, in other words, to genuine partnerships in which each party exploited circumstance in the mutual interest. There was, first of all,

a new agreement in coal. The Staatsmijnen, which were under the supervision of a Göring-appointee, were compelled to sell through the Steenkolen Handelsvereniging (SHV), the joint RWKS/Fentener wholesaler. He then ceded them majority control. With regard to steel: Fentener helped the Stahlunion acquire a controlling majority in Hoogovens, presumably in exchange for deferred compensation. It occurred as follows: Ymuiden was not re-fired after the onset of occupation, construction stopped, and a rolling mill was shipped off to the Göring works at Watenstadt. The decision to leave the plant idle, which could be justified by economic and military arguments, had the approval of both the Stahlunion and Fentener. The latter thereupon acquired on behalf of the Stahlunion the 3 million ordinary shares of the City of Amsterdam and the 4.5 million ordinary and 700,000 preference shares of the Dutch government. A dummy corporation was set up to hold 49.6% of the Stahlunion's Hoogoven ordinary shares. It held the rest directly. A share pooling company, Administratiekantoor voor Aandeelen Koninklijke Nederlandsche Hoogovens en Staalfabrieken, enabled the Stahlunion to exercise effective majority control. It issued non-voting certificates in exchange for voting shares. Fentener was the Chairman of the Board of the Administratiekantoor. Thus the Stahlunion's control of Hoogovens rested on little more than the personal trust placed in Fentener. Through Hoogovens, Vereinigte Stahlwerke also controlled several other Dutch steel works and rolling mills. The Fentener connection also extended to the manufacturing industry. He was chairman of the main Dutch railroad equipment builder, "Werkspoor," in

which Rheinmetall-Borsig acquired a controlling minority. He was prominent in "Maschinefabriek Breda," which also came under German control. He was a director of Fokker, the famous aircraft manufacturer...which experienced a similar fate. The most ambitious deal, however, concerned Algemeene Kunstzijde Unie (AKU) (General Rayon Union), one of the four largest Dutch companies. Since the 1920s Vereinigte Glanzstoff had held 30% of its ordinary shares and twenty four of the forty eight outstanding preference shares. The latter entitled it to occupy four of eight seats on the Aufsichtsrat. The construction of a new cellulose (Zellwolle) plant in the Netherlands provided the pretext---a 10 million Gulden increase of capital--- for an increase in German representation. The Deutsche Bank handled the financing operation, in return for which its Netherlands affiliate, the de Bary bank, received an additional seat on the Aufsichtsrat. In fact, matters coming before the Board were decided in advance between Fentener, the head of the Dutch group, and Hermann J. Abs of the Deutsche Bank, who headed the German group. The arrangement, then, once again rested ultimately on little more than the trust between these two men. extent to which the German partners honored the reciprocal arrangements in coal and steel, manufacturing, and textiles after the war remains unknown. There is no doubt, however, that relations between the Netherlands and the Reich were strengthened during it.<sup>49</sup>

German occupation policy with regard to Western European heavy industry appears at first glance to have been an

extraordinary success. To quote the remark of the United States Strategic Bombing Survey, "Without the acquisition of steel, ore, and coke production, the Germans would never have been able to undertake as they did an armament program whose iron and steel requirements approximated the steel production of the Reich at the beginning of the war."<sup>50</sup> Steel deliveries from Western Europe to Reich purchasers averaged about 10 million tons per year, and occurred without benefit of a substantial increase in Ruhr coal exports to the area. The achievement rested, however, on the fundamental willingness of West European industries and governmental authorities to produce for the Reich. Credit given Reich policy would be misplaced. Neglect and mismanagement were characteristic of it prior to 1943; thereafter it was too late to correct its fundamental shortcomings.

The most important of them concerned coal. The problem began with the division of administration between Bergassessor Bruck in the Belgo-Dutch Kempen-Limburg seam, and the Kohlenreferent in the Brussels Military Administration who was responsible for the rest. It effectively ruled out the possibility of long-term, comprehensive planning either of allocation or for production requirements. The Kohlenreferent, while technically proficient, lacked the power to secure the special priorities required to provide his district with adequate supplies of raw materials and foodstuffs and special treatment in wage matters. The result was a fall in Belgian coal production from 2-4 million tons in January

1941 to 1.0 million tons by May 1944, approximately 40% of the normal peacetime rate. Coal allocation was also an administrative disaster. Initially, it was determined at informal meetings between the Kohlenreferent, Bruck, and representatives of the main consumers, the foundries of eastern France and Luxemburg, French and Belgian civilians, and the Wehrmacht. In mid-1941, Steinbrinck was appointed Coal Commissar (BEKO-WEST), and managed to impose a one-time 50% reduction in allocations to the Wehrmacht. The only effort to deal comprehensively with coal problems in Western Europe was a classic case of "too little and too late."<sup>51</sup> In August 1941 a so-called "Westkohlenausschuss" was formed, which brought together the senior coal officials of the Ministry of Economics, the Four Year Plan, and the German coal officials in the occupied areas. It met regularly for six months but failed to step up allocations to the area of pit props and construction steel, and, even more importantly, trained manpower.<sup>52</sup> By then, they were all critically scarce in the Ruhr as well. Be as it may, the coal shortage provided a bottleneck that prevented increases above approximately 10 million tons of steel production per year, caused foundries to operate at a deficit, and complicated relationships between businessmen in occupied Western Europe and the Reich.

Reich policy might also have exploited the readiness to collaborate more effectively. The Party's fear of business independence, whether in the Reich or elsewhere, stood in the way of such a possibility. Thus in the Reichskommissariat

Nederlande the "blue ribbon" "Committee on Economic Collaboration," formed in August 1940, was ordered by Seyss-Inquart to disband. The elimination of the customs border was a second slap in the face to Dutch economic collaborators. The Military Administration in Belgium initially appointed as Secretary General of Economics a "pro-New Order Fleming," Viktor Leemans, whose task it was to "discipline" Belgian industry leaders. The Dresdner Bank, acting as agent of the Party, actually attempted forceful if futile expropriation of Société Générale shareholdings. The Military Administration also attempted to frustrate the efforts of the Governor of "la Générale" to exercise an independent foreign policy. And it was only after two years of maneuvering that Bichelonne secured the restitution of the foundries of "Meurthe-et-Moselle Süd." In September 1943, Speer instituted the formation of the so-called Europakreis. It brought together pro-collaborationist and German businessmen for discussions of a post-war European economic community. Its existence is best regarded as testimony to a missed opportunity.<sup>53</sup>

The occupation of Western Europe was nonetheless a triumph for Ruhr industry policy. The work begun in 1926---the creation of strong national producer groups---was completed in 1940. Traditional ties were strengthened by cooperation on the political plane, as for instance with Luxemburg. New communities of interest, as was the case with Fentener in the Netherlands, came into being. And despite the frequent stupidity of German policy, the occupation did broaden the



perspectives of at least some heavy industrialists and technocrats in occupied Western Europe.

The importance of these facts was, of course, barely felt in the years following the political collapse of the Reich. The Ruhr Konzerne faced, alternately, either socialization or dissolution. German control was only restored on 10 November 1948. Continuity was nonetheless preserved. First, nowhere in Western Europe were the strong national producer groups taken apart. Only their names were changed. Second, the wartime collaborators with the Ruhr remained in power. Although the Governor of the Société Générale, Alexandre Galopin, was felled by an assassin's bullet, his successor, Max Nokin, was a man very much from the same mold. Baron (later Count) de Launoit managed to escape prosecution as a war criminal. The same was true of French foundrymen, many of whom could in fact legitimately claim to be victims of the occupation. In Luxemburg, Aloys Meyer, who had fled to Koblenz before the advancing allied armies, was restored to power as Chairman of the Board of ARBED. Fentener van Vlissingen actually headed the special Dutch tribunal set up to select economic collaborators for prosecution! These men lent their influence to behind-the-scenes-efforts to oppose the "levels of industry" agreements, plans for nationalization and deconcentration of Ruhr industry, and, in general, to support its restoration.<sup>54</sup> The Ruhr, for its part, offered far-reaching concessions to its former cartel partners in exchange for support against the Allied

governments. In December 1947 Robert Pferdmenges---a banker-friend of Adenauer and the most influential business figure of the occupation period---offered French steel producers nothing less than 50% ownership of the iron and steel industry of the Ruhr. de Wendel acted as intermediary, and Aloys Meyer was also a party to the negotiations, which continued through 1948. Their ultimate aim, of course, was to reestablish the International Steel Cartel.<sup>55</sup>

The European Coal and Steel Community is essentially a gloss on it. Its substructure of cartels dates from 1926 in steel and 1933 in coal and coke. Its operating mechanisms---the national groups---were built up at various times in the different nations and branches over the same period. They became agencies for planning and administration in Germany after 1933, and elsewhere in Western Europe during the period of occupation. Business supranationalism as a bridge to political settlement has been a recurring theme: voiced by Stresemann in 1926, reiterated in the "Düsseldorf Agreements," and, albeit in somewhat skewed fashion, by the Europakreis, organized by Speer. It must be recognized that the Ruhr's industrial statesmanship and expertise are primarily responsible for having made a tradition of it. The full political significance of the European Coal and Steel Community is still far from being properly understood. One fact is, however, indisputable: it is first and foremost an agreement between businessmen. It deserves more serious study as such.

## FOOTNOTES

1. See Ervin Hexner, The International Steel Cartel (Chapel Hill, 1943); "The International Steel Cartel." Statement of James Stewart Martin, House of Representatives, Committee on the Judiciary, Subcommittee on Study of Monopoly Power, 81st Congress; R13I/613 J.W. Reichert, "Ein Rückblick auf das zehnjährige Bestehen der internationalen Stahlverbände" in Stahl und Eisen, Heft 48, 1936.
2. 400101290/42 "Hitler und die Ruhrindustriellen" by Ernst Poensgen, Feb. 1945.
3. John Gillingham, Belgian Business in the Nazi New Order (Gent, 1977), pp. 16f., 107f.; Hexner, op. cit., p. 120f.; T501/102/1096 "Gesamtbericht über die Tätigkeit auf den wichtigsten Industriegebieten," 31.8.40.
4. Statistisches Heft. Produktions- und wirtschaftsstatistische Angaben aus der Montanindustrie (Essen, 1939), p. 66f.; Jörg-Johannes Jäger, Die wirtschaftliche Abhängigkeit des Reiches vom Ausland, dargestellt am Beispiel der Stahlindustrie (Berlin, 1969), p. 302f.; Alan S. Milward, The New Order and the French Economy (Oxford, 1970), p. 210f.; Hexner, op. cit., p. 123f.
5. 56-1/2 "Fentener van Vlissingen"; F. Friedenborg, "Der Steinkohlenbergbau der Niederlande und seine Wettbewerbslage gegenüber dem Ruhr-Revier, April 1944"; 56-1/2 "The Vereinigte Stahlwerke."
6. Gillingham, op. cit., p. 9f.
7. Matthias Riedel, "Die Eisenversorgung der deutschen Hüttenindustrie zu Beginn des Zweiten Weltkrieges." VfSW (Bd. X, 58, Heft 41, 1971).
8. Statistisches Heft, p. 67; 400101320/88 "Wert und Werdegang des deutsch-britischen Kohlenabkommens." Deutsche Bergwerkszeitung, 8 May 1935; B 15/576 "Der Stand der Rationalisierung im englischen Bergbau," Glückauf, Nr. 1, 2 Jan. 1936; Hexner, op. cit., p. 110, Appendix VIII.
9. R7/621 (Forster, Deutsche Botschaft, Paris. W2544, 16 Sept. 1937); R7/621 RWKS to RWM, 25.3.37; Hexner, op. cit., p. 206f.
10. Martin, "The International Steel Cartel," op. cit.
11. 400101320/15 "Niederschrift, 'Gremium,' 12 Mai 1937"; 400101320/16 "Niederschrift, 'Gremium,' 12 Juli 1937".

12. R13I/270 "Notiz über die Sitzung des Joint Coordinating Committee, 18 April 1939"; R13I/270 "Bericht über die Sitzung des Joint Coordinating Committee," 8 Mai 1939; Hearings, Sub-committee on Study of Monopoly Power, House of Representatives, 81st Congress, 2nd Session. Serial No. 14, Part 4-B "Steel Exhibits, Bulgaria 156-161; Turkey 162-165; Norway 177-182.
13. Hearings, op. cit. Exh. 178A, British Iron and Steel Federation to ISC, 10 Sept 1937.
14. Hexner, op. cit., p. 112
15. R13I/270 "Bericht über die Sitzung des Joint Coordinating Committee, 15. Februar 1939" (in Paris).
16. The Times (of London), 22 February 1939.
17. F26/464 Denkschrift Russel; see also R7II/615 RWKS to Funk, 3 Sept. 1940; 400101320/98 Lübsen to Sogemaier, 14 Aug. 1940; B13/1782 708 "Zur Neuordnung der europäischen Kohlenwirtschaft," 28.8.40; 400101320/88 Sogemaier, "Zur künftigen Gestaltung der europäischen Kohlenwirtschaft" (Summer 1940); F26/464 "Akttenotiz über die Sitzung des kleinen Handelsausschusses," 12.8.40; F26/464 Russel, 22.7.40, "Erwägungen zu einer europäischen Kohlenordnung nach dem Krieg."
18. NI3557 "Eidesstattliche Erklärung, Otto Steinbrinck."; NI3576 "Besprechung im Kleinen Kreis, 7.6.40."
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20. NI-3023 "Röchling Affidavit"; NI-275 (Poensgen to Flick, 27.6.40).
21. Gillingham, op. cit., p. 72, 127f.; Etienne Dejonghe, "Pénurie charbonnière et répartition en France (1940-1944)." Revue de la Deuxième Guerre Mondiale, v. 26, April 1976, pp. 21-55.
22. Göring, NI 322 "Objet: Usines nationales Hermann Goering. Participation à l'industrie sidérurgique, 29 mai 1941."; Dok. Pl. Nr. 115 "Vorschlag Pleiger zum Aufbau der Hermann Göring Werke, 9.11.41."
23. Röchling was, for example, a major supplier of steel for the Maginot Line. See James Stewart Martin, All Honorable Men, (Boston, 1950), p. 35.
24. NI3023 "Erklärung Hermann Röchling, 18.12.46"; "Plaidorie pour le Conseiller de Commerce Hermann Röchling par Otto Kranzbühler." (Röchling to Göring, 27 mars 1937).

25. R13I/621 "Besprechung im Kleinen Kreis."; NI3517 (Flick to RWM, 7 Oct. 1940); NI3463 "Herrn Flick zur Rücksprache, 13.7.43"; NI-5395 "Notiz für Herrn Flick, 26.6.41; NI 31 "Biography of Dr. Flick."; NIK "Besprechung im Kleinen Kreis," 7 June 1940.
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28. R2/30287 "Betr.: Eisenhüttenwerke in Lothringen und in Luxemburg."; 400101306/27 WgEsI, Rundschreiben Tgb.Nr. 11788 R/Mu, 26 Juli 1940."
29. HR13 "Circulaire Tgb. Nr. 11788 R/Mu 6 Aug. 1940."
30. 400101306/27 RWM II EM 3-31132/41 III, 21 Feb. 41. Betr.: Eisenhüttenwerke in Lothringen und Luxemburg, 21 Feb. 41; also 400101306/27 and in ZfG, 7/77, p. 825f.
31. HR 79 Röchling to Hanneken, 1 Feb. 41.
32. HR 78 Röchling to Körner, 24 Jan. 41.
33. 400101306/27 Röchling to Reichert, 6 August 1940.
34. "Affidavit Paul Hahmel, 13.3.48."
35. R7/839 "RWM III, Wog 17927/40, 23 Sept. 1940; R2/30287 "Betr. Eisenhüttenwerke in Lothringen und in Luxemburg"; R2 30287 fol 1. "Bericht vom 11. Februar 1944, ARBED"; R7/840 fol. 1 "Verordnung zum Schutz der Wirtschaft in Luxemburg, 30 Jan. 1941." NI 966 (Bormann to Lammers, 9.6.41); NI 343 (Simon to Lammers, 5.6.41); NI 344 Simon to Körner, 15 May 1941; 58-1/2 "File note Kurzmeier, 16 Nov. 1941."; "File note Abs, 3 April 1941; Schröder to Abs, 29 April 1941; "File note Abs to Kurzmeier, 21 Sept. 43."  
R2/30287 "Eisenhüttenwerke in Lothringen und Luxemburg."
36. SEF609 (Göring VO, 26 Aug. 1940); R7/839 "Wirtschaftsbericht über die Lage der MVW in Frankreich, Sept. 1940."
37. 400101306/27 "Poensgen to Hanneken, Betr. Erzzuteilung in Lothringen, 14. Mai 1941; 400101306/27 (Hanneken to Röchling, 30. Mai 1941, Hanneken to Poensgen, 30 May 1941).
38. Gillingham, op. cit. in passim; Adrian I. Manning, "The Position of the Dutch Government up to 1941." Journal of Contemporary History, v. 13 No. 1, Jan. 1978, pp. 117-36.

39. Gillingham, op. cit.
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41. TGD714 "Attestation de Jacques Laurent (Dir. Gen., Sol. Lorraine des Aciéries de Rombas," 25 July 1946.
42. "Notes de Plaidorie. Présentées par Maître Charles Levy"; "La Vie de la France sous l'occupation (1940-1944) t. 1 (Paris 1957); R24/745 Karlrobert Ringel, "Die organisatorischen Grundlagen der französischen Wirtschaftspolitik."
43. TGD64 "Déclaration de M. Humbert de Wendel (SFF673).
44. TGD 1261 "Vernehmung von Eugène Roy," Gen. Dir. Aciéries de Longwy, 3.3.47; TG 164 "Déclaration de M. Humbert de Wendel."
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46. TGD 588 "Déclaration Friedrich Amende, le 28 mars 1948."
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51. Gillingham, Belgian Business, op. cit.; Milward, op. cit.
52. "Berichte über die ... Sitzungen des Westkohlenausschusses, 8. August 1941, 9. Dezember 1941."; "Dok. 143," Eidesstattliche Erklärung Otto Steinbruck, 19.1.48.
53. Ibid.; FD3045/49 Sc. 146, File 7/173 "Für Europakränzchen am 16.12.43"; FD 3045/49 Sc 146 file 7 "Denkschrift betr. europäische Wirtschaftsplanung, 13.9.43."

54. Martin, All Honorable Men, op. cit. in passim; "Martin archives" (Possession of author).
55. 58-1/2 "Extract from weekly Intelligence Report No. 93, OMGUS. Office of the Division of Intelligence, D.T.D., 21 February 1948.