

Newsletter 62: Untold Secrets of the Nazi's Rise to Power in 1933

Hello Dear Readers,

For this newsletter I want to share a chapter from a book I wrote, though never published, back in the 1990s on the role of German finance and industry in the accession to power in 1933 of the Nazi Party of Adolf Hitler. This account goes into a little-discussed role of powerful German factions of heavy industry and banking who backed Hitler as the key to control the working class and wages amid a world economic depression. That economic collapse created an essential backdrop to the rise of the NSDAP and fascism. In my book, [The Gods of Money](#), I discuss some features of this period in more detail for readers interested. I share this now as our world is once more confronted with an unfolding global economic depression and in such times the “Gods of Money” tend to try such political options as Germany underwent in the 1930’s. Today it is called Agenda2030, a blueprint for global fascism under the guise of something falsely called “sustainable development.”

If you are considering support for my continued work in these times of turmoil and mass censorship please go on my homepage, www.williamengdahl.com to see the books I have available or consider support via the Paypal button at the top of my website.

I wish you all the best and for our world, a more just and peaceful era.

Warm regards,

William Engdahl

www.williamengdahl.com

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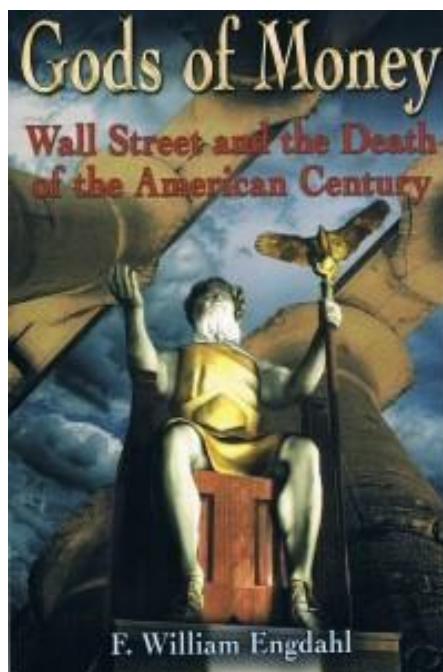
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'TRAGIC, IF PREDICTABLE, GERMAN DEVELOPMENTS'

"Four pillars support a Weimar facade"

After Britain had left the Gold Standard in 1931, world developments took quite a turn. The decisive lever on events for the following decade-and-a-half was no longer to be economic and financial, but increasingly, military and political developments. The world chess board had been re-arranged, and British geopolitics was once more moving into the center of those developments. How this played itself out, was gravely misunderstood by every British rival at the time, from Stalin's Russia, to France, to Germany, and many in the United States, to say nothing of the overwhelming majority of Britons who were utterly unaware of the role they were about to play.

In Germany itself, where the decision was made to remain with the restrictive gold standard, even as the economic crisis reached unbelievable dimensions by 1932, conditions were becoming ripe for radical change. Because of Germany's decision to maintain the gold straight-jacket after Britain's September 1931 break with gold, and the German government's decision to continue orthodox budget austerity and wage deflation, developments in Germany unfolded in a tragic, if predictable, manner.

Montagu Norman and influential members of the British Royal family, as well as leading Round Table insiders such as Lord Lothian and Geoffrey Dawson, signaled their backing for Hitler's NSDAP well before it was obvious to most Germans that Hitler would become Chancellor.

That backing would have come to little, had there not been significant and influential internal German support for a radical change. Leading institutions of the German elite gradually, if reluctantly, came to the conclusion, towards the end of 1932, that Hitler was the only viable charismatic figure with ability to pull a large portion of the population behind their plans for change.

Despite contrary appearances, including adoption of the Weimar Constitution, and abolition of the Hohenzollern monarchy as the central State institution, there had been no democratic revolution in Germany after 1918. The "revolution" of November 1918, in the days following the catastrophic defeat of German forces in the battlefield, just prior to signing of the armistice with the victor powers, had been exaggerated vastly by propaganda on the part of

entrenched German institutions, in a calculated ploy to retain their powers and privileges in the postwar period.

Before the war, the power of the Hohenzollern monarchy had been supported by four principal institutions, a quartet of more or less permanent interests, varying in political outlook from conservative to arch-reactionary. These institutions -- the Prussian officers' corps; the Junker or Prussian landed nobility; the mandarins of the Prussian Beamtentum, or civil service bureaucracy; and, the leaders of heavy industry, in turn, controlled by a handful of powerful banks through stock cross-ownership -- these institutions, and not the Hohenzollern, were the real pillars of permanent power inside Germany, as the Kaiser admitted privately. This had been the case before, and during, as well as after, the Weimar "democracy."

Almost total control over events by these four institutions was the reality, even if the relative importance and influence among the institutions changed, with changing circumstances. Particular governments or political parties came and went, but the institutions were to remain a permanent power.

Acting together, this quartet -- the military leadership, the senior ranks of civil service bureaucracy, the Junker, and the large industrialists -- controlled the forces of public order, and of the economy, an overwhelming combination of power. The parliamentary parties of Weimar depended totally on this behind-the-scenes grouping for all major policy decisions. They never allowed Weimar democracy to be more than political theatre for the credulous.

To maintain their institutional power after 1918, these institutions united, and conspired to sacrifice the King, seeing the eccentric and unpopular Kaiser Wilhelm as a necessarily expendable pawn in their larger game of power. Wilhelm II was made focus of popular discontent in a war-weary Germany, blamed for the catastrophe of the war, in order that the institutions themselves, which had actually been responsible for that catastrophe in all significant regards, could emerge from the debacle with their power and influence largely undiminished.

A genuine revolutionary threat had never been serious, despite dramatic publicity. A sailors' Soviet in Kiel was led by a small handful of men. The Bavarian "revolution," led by Kurt Eisner, conveniently released from prison for the event, appropriately established its headquarters in a beer brewery in Munich, proclaiming Bavaria a socialist republic. As Eisner later admitted, on November 13, when a terrified Wittelsbach King Ludwig became the first

monarch to abdicate and flee, "The Wittelsbach ruled over Bavaria for seven hundred years. I got rid of them in seven hours with seven men."

And, he might have added, with the quiet backing of key German institutions, who cynically used the appearance of growing revolutionary chaos in those critical days to firmly reestablish their power over the emerging postwar Germany. Their goal was at all costs to prevent a genuine republican revolution from emerging from the ashes of their disastrous war. Their success was remarkable, and quite complete. Any serious opposition which threatened to create independent genuine reform was mysteriously silenced or murdered during the postwar years, often by small bands of "Fememord" paramilitary assassins, who received remarkable protection from the judiciary.

Immediately after the military General Staff and other leading institutions had succeeded in using the fear of a spreading Bolshevik revolution to force the Kaiser's abdication, the Social Democrat, Friedrich Ebert, was made Chancellor. The move was part of a ploy, to present the allied victors with a plausible appearance of change, in hopes of securing the best peace terms possible.

Conditions given for Ebert's governing were simple. Ludendorff's successor, General Wilhelm Groener, had asked Ebert if he was willing to work with the military command to restore order in the Reich. Ebert replied without pause, "Yes!" The Social Democrats were then, in effect, used as the facade behind which the institutions worked to suppress any genuine force for republican revolution after 1918, on the pretext of suppressing danger of a Bolshevik revolution which in fact never had been real.

The Weimar Constitution of August 1919, created a system of government even more centralized than that of the Kaiser's Germany. The power of the same aristocratic families which had earlier determined much of the destiny of pre-Weimar Germany, was in no way diminished, but rather, enhanced, during Weimar.

The Weimar Constitution, appearing to be a major step towards democratization of power, and away from monarchical structures, in fact, gave extraordinary central powers to one person, the Reich's President. True, that president was directly elected. But, under Weimar rules, it was the President who then appointed the Chancellor, who held the enormous daily powers of governing.

The President, as well, was supreme military commander, had power to dissolve parliament, and was given emergency powers under the Weimar Constitution's infamous Article 48, to rule by decree, and to suspend constitutionally guaranteed civil liberties.

Under the Weimar constitution, a benevolent President had great latitude to introduce constructive change. After Marshall Paul von Hindenburg succeeded the Social Democrat, Friedrich Ebert in 1925 as President, the darker potentials of the Weimar Constitution emerged. The President, von Hindenburg, himself a life-long monarchist, the popular war hero who defeated the Russians at Tannenberg in 1914, became, in effect, a surrogate Kaiser until his death in 1934.

For most of the 1920's, the controlling power of the institutions remained largely behind-the-scenes. After the humiliating Versailles defeat, Germany's big industry and banking, as well as the structures of the state, required thorough reorganization. With the loss of Germany's colonies, loss of the Saar coal region, most of East Prussia, and with French military occupation west of the Rhine, this was not an easy task.

To this end, a facade of Weimar democracy was viewed as a necessary expedient, with the labor-based Social Democrats and the Catholic Center Party appearing to hold the political power. This arrangement had been viewed as necessary, in order to give the elite families and their institutions, breathing space and the circumstances to regroup after Versailles.

The world outside Germany was given the illusion that fundamental social change had taken place. But behind that facade, every major policy of government in Weimar Germany was ultimately determined by an anti-democratic elite of families, the same families tied to the same largely reactionary institutions which had existed under the Hohenzollern monarchy.

The key figure representing the interests of these institutions, most especially of big industry, in every government from 1923 until 1930, was the founder of the German Peoples' Party, DVP, Gustav Stresemann. Stresemann's DVP was predominantly the party of large industry. The industrialist Hugo Stinnes, until his death in 1924, had been one of its major financiers, as was Friedrich Flick, the Ruhr steel and mining entrepreneur.

German large industry had been able to benefit from the devastating hyper-inflation of 1923, as were wealthy individuals who possessed assets in banks

abroad. The vast majority of ordinary citizens, small businessmen and shopkeepers, had their savings wiped out by the same inflation, while large companies were able to repay their debt in devalued, worthless Reichsmarks, at the nominal value that the pre-inflation debt had been incurred during the war. This disguised form of looting the public purse was accepted by the Reichsbank, which willingly continued to print the worthless money.

During the inflation crisis, the biggest industrialists, such as Hugo Stinnes, Thyssen, Krupp and others, thereby erased most of their debts and emerged, ready to take American loans after 1924, under the Dawes Plan, to rebuild their plants and industrial capacities. That phase of the postwar reorganization, which the institutions dubbed the "fulfillment policy," lasted until the 1929 Wall Street market crash brought the foreign capital inflows to a halt.

On the 3rd of December 1932, Reichspresident von Hindenburg named General Kurt von Schleicher as Chancellor, replacing Franz von Papen, who had held power only six months. It was one in a series of ongoing palace intrigues, all conducted outside the parliamentary or democratic process. This rule by presidential emergency decree had begun in 1930, with Brüning's exercise of the Article 48 emergency powers clause of the Weimar Constitution. Soon, that constitution would exact its ultimate anti-democratic logic.

General von Schleicher simultaneously held the positions of Defense Minister, Reich Commissioner for Prussia and, now, Chancellor. Power rivalries had turned von Papen and von Schleicher into bitter enemies. Von Schleicher had been decisive in removing von Papen from office, by announcing that the German Army no longer had confidence in the Chancellor, and convincing the near-senile Hindenburg to name von Schleicher to replace von Papen.

Von Papen, for his part, had cut off potential popular support for his regime. One of his first acts as Reich's Chancellor was a drastic reduction of State outlays for social welfare, with the caustic remark, "The State must not become a welfare agency!" He then moved to reinstate the hated tax on salt, and rescinded Brüning's last act, a ban on the militant SA paramilitary arm of the National Socialists, in a bid to court the support of the fast-growing NSDAP.

The policies of von Papen's regime were not surprising. His Cabinet consisted of representatives of reactionary circles of the aristocracy, advocates of restoration of the Hohenzollern monarchy, or ultra-conservative representatives of banking and heavy industry. The Cabinet included as Foreign Minister Freiherr, or Baron von Neurath; Interior Minister was Baron von Gayl,

with close ties to the East Prussian Junker nobility; Finance Minister was Count Schwerin von Krosigk, a reactionary Prussian civil service mandarin. General Kurt von Schleicher, close friend of the Hohenzollern Crown Prince, became Minister of Defense; Labor Minister was Bruening's former minister, Hermann Warmbold, director of the giant IG Farben chemicals trust; Minister of Post and Communications was Baron Eltz von Ruebenach, Agriculture Minister was Junker landowner, Baron von Braun. Von Papen's government, not surprisingly, had little affection from ordinary citizens. It was appropriately dubbed in the popular press as, "The Cabinet of the Barons."

Von Papen had every intent of pursuing his agenda without undue concern for even the superficial niceties of Weimar democracy. He planned a Constitutional reform which would have enabled him to rule independently of the will of Parliament, and began plans for possible military dictatorship.

However, he cut his own political life short, when he callously declared the wage contracts of the trade unions with employers to be null and void in September 1932, making a bitter enemy of the Social Democratic unions, as well also of the Catholic Center, who had an influential conservative trade union base, and of the NSDAP.

At that point, von Papen staged an anti-democratic putsch. He ordered the Army to come into Prussia, the largest state of the Reich, where the Social Democrats had firmly held electoral power since the war. Von Papen removed duly-elected Socialist officials, and replaced them with his people. He created a new non-elected post, Reich's Commissar of Prussia, with his hand-picked man, Kurt von Schleicher, to run the state, which comprised some 60% of the territory of the entire Reich. Fatefully, the SPD and its paramilitary workers' defense group, Reichsbanner, responded to this anti-democratic putsch with impotent silence.

Despite the lack of organized resistance from the side of the Social Democracy, von Papen managed to make his already-isolated regime even more isolated from the broader layers of the German population through his various actions, setting the basis for his downfall and von Schleicher's entry.

These power maneuvers between von Schleicher and von Papen were all executed in extra-parliamentary cabals, in which the son of Hindenburg, Colonel Oskar von Hindenburg, and a senior Prussian civil servant, Dr. Hans-Otto Meissner, as Secretary to the Reichspresident, played a crucial role in influencing the 82-year-old Hindenburg.

Meissner, one of the most influential mandarins of the Prussian state bureaucracy, went on to serve Hitler as Secretary, just as he had earlier served Reichspresident Ebert, before serving Hindenburg. Dr. Hans-Otto Meissner, in his own person, embodied the institutional continuity of the influence of the Prussian civil service on state policy from 1919 until 1945.

"Von Schleicher's ill-fated coup"

On becoming Chancellor in December 1932, von Schleicher proceeded with plans to impose a military dictatorship, as his solution to the crisis. The details of the military coup had been worked out earlier, under von Papen, whose term in office was too short to allow its implementation. Code-named, "Project Ott," or "Planspiel Ott," for the Lt. Colonel in the Defense Ministry who had developed the detailed plans for a military coup, the plan had divided the country into 7 separate military districts, each with a specific focus for the military to control, such as potential trade union revolt in the Ruhr steel area, harbor strikes in Hamburg, and other specific measures, varying with local conditions.

Schleicher also held secret meetings with Ernst Roehm, then head of Hitler's para-military SA, to try to arrange an incorporation of Roehm's powerful SA forces into the Reich's still-undermanned army, which Schleicher effectively controlled.

He also met secretly at the end of 1932 with Gregor Strasser, the powerful head of the NSDAP party organization, in an effort to split the Nazis in the Reichstag, and win a faction of them to backing von Schleicher's military dictatorship. In this power game, Hitler's NSDAP had one decisive advantage which von Schleicher lacked, namely, a broad mass-based grass-roots organization, and the largest bloc of seats in the Reichstag, with 230 seats in July 1932. Von Schleicher's maneuvers failed miserably.

It was the time of the nobles, embodied in the aristocratic clique around von Hindenburg. It was anything but a noble time for ordinary Germans, as even the facade of Weimar democracy was finally discarded by the powerful institutions of the military, big industry and finance, acting in concert with the Prussian bureaucracy and Junker landed nobility.

"Take it from the living"

The basic reasons these institutions reached a consensus to scrap any democratic pretense of the Weimar years, were not that difficult to identify. As the international economic crisis deepened after 1930, Chancellor after Chancellor, from Bruening to von Papen to von Schleicher, all held power with virtually no support of the elected Reichstag parties, let alone from the broader population. The main mission of those governments had been to impose a policy demanded by large industry and the banks, and to retain the backing of the military and the Junker nobility, in the deepening crisis.

The pattern for this form of government had been set in July 1930, when Bruening dissolved parliament. That, after the Reichstag had condemned Bruening's use of Article 48 emergency powers to impose economic deflation against the will of the Reichstag, a situation for which Article 48 had never been intended.

The essence of the orthodox deflation policy, from Bruening to von Papen, with slight differences in emphasis, was simply, that the costs of the crisis were to be borne by the population at large, and not by large industry or the banks. The balance sheets of the giant steel, machinery, chemicals and banking sector, were the priority in their mind.

To hide the reality of who was directly behind the growing social misery and unemployment that resulted from their deflation policy, the leading figures in industry and banking initially encouraged Alfred Hugenberg, then head of the German National Peoples' Party, DNVP.

Hugenberg had been a man of the German institutions throughout his career. A Krupp director since 1909, at the end of the war in 1918, he had headed Hugenberg-Konzern, a Ruhr coal mining company, and was leader of the influential Bergbauverein, the mining industry association. He was sent into politics to build up the DNVP, and gradually built up control of numerous regional press, as well as of the large German motion picture company, Ufa, and the national press newswire service, Telegraphen Union. By the early 1930's Hugenberg owned or controlled three of every four newspapers in all Germany. Through this enormous media influence, Hugenberg developed an extremely powerful campaign of propaganda, directed at persuading and manipulating ordinary Germans.

The problems of Germany, Hugenberg's media argued, were the fault of "a stab in the back," from what Hugenberg labelled, "the Three Internationals -- the Gold international of the Jews, the Red International of the Socialists, and the Black International of the Catholics." These three forces, Hugenberg argued, had formed an unholy triple alliance against Germany, whose very alliance was symbolized by the black, red, gold flag of the Weimar Republic.

Hugenberg was encouraged to blame both the Social Democrats and the Catholic Center Party for Germany's ills, along with "Jewish finance." The Center Party and the labor-based SPD had both previously been used by the same institutions, especially after 1918, as instrumentalities for their policy, so long as the real power of the institutions was forced to remain in the background in the years after the war.

At no time had either party, Center or the Socialists, been incorporated into the institutional structure of German power. They had been deliberately kept on the outside, as sometimes useful pawns or surrogates. However, by 1932, both parties had outlived their usefulness to the institutions, and were becoming positive obstacles, especially to the evolving policies of the military and certain large industry leaders.

Of course, left unspoken, behind Hugenberg and his pandering to the raw prejudice and rage of the population, stood the forces of the entrenched institutions. As the Catholic Center Party and the Social Democrats exhausted their usefulness to the institutions, Hugenberg's attacks against the "Weimar stab in the back," escalated. The head of the Center Party, Heinrich Brüning, was ousted as Chancellor in May 1932, as noted, just weeks before winning Germany's reprieve from the Versailles debt reparations obligation at the Lausanne Conference. After that, the power of the Center Party in German politics was drastically reduced.

By December 1932, after von Schleicher's intrigues with Otto Meißner and others to manipulate Hindenburg, had won him his coveted position of Chancellor, he alienated the Junker elites by promising land reform and help to small farmers and certain unemployed; it was a bid to win popular backing for his isolated regime. To try to gain backing of a part of labor, he had alienated heavy industry, by lifting von Papen's annulment of the wage contracts of the unions. His attempts to split a powerful faction of the NSDAP in the Reichstag over to his side, by wooing Gregor Strasser and Ernst Röhm, dissolved, when Strasser abruptly resigned from all party posts on December 8, five days after von Schleicher became Chancellor.

Even had he wanted to at that time, von Schleicher could not annul the system under which President von Hindenburg held the trump card of replacing the Chancellor. The cabal around Hindenburg, led by a bitter von Papen, intriguing with Meißner and Oskar von Hindenburg, convinced the President over a period of weeks of arguing, that his beloved von Schleicher too had to go. Visible parliamentary political options were narrowing considerably. ⁱ

"Failed alternatives"

It would be wrong to say there were no other serious options discussed in these months. Alternative proposals to the Brüning-von Papen deflation, proposals which called for productive credit and employment generation through innovative state measures, were put on the table by an influential circle of economists from among industry, as well as from the higher ranks of the German civil service. Von Schleicher himself was known to be receptive to some of these unconventional proposals, especially ones aimed at improving the unemployment crisis and thus, giving his regime a desperately-needed political base.

In September 1931, in the depths of the economic chaos, a select group of German officials and economists, including Reichsbank president Hans Luther; Wilhelm Lautenbach of the Economics Ministry; Edgar Salin, founder of the Friedrich List Gesellschaft, an influential economic circle; Hans Schaeffer, Secretary of State in the Finance Ministry, and Dr. Ernst Trendelenburg, Secretary of State in the Economics Ministry, met in a closed-door seminar convened by the List Gesellschaft in Berlin. Their purpose was to draw up emergency proposals to stop the deflation crisis and the snowballing unemployment. The meeting took place only days before Britain's surprise announcement that it had abandoned the Gold Standard.

Some weeks after this conference, a group led by Luebeck industrialist, Heinrich Draeger, and the influential economists, Robert Friedlaender-Prechtl and Wilhelm Grotkopp, founded the "Studiengesellschaft fuer Geld-und Kreditwirtschaft," to promote similar proposals for an active state role in reviving the economy, through job creation and productive credit generation.

Friedlaender-Prechtl published a detailed emergency economic program on September 30, 1930 in his economic weekly magazine, "Die Wirtschafts Wende." The program called for a cancellation of German war reparations debt, a radical restriction of imports, and full export promotion to secure

capital surplus in order to revive industrial production and employment. The Reichsbank should immediately be freed from the restrictive Gold Standard in its credit generation, he argued, and issue credits to the German industry for "productive investment which benefits the population." Capital flight would be controlled, and priority would be to reopen idle plants closed by the crisis.

Friedlaender-Prechtl argued something then quite controversial amid the prevailing gold deflation orthodoxy, namely, that in the existing crisis, where private economic initiative had been so severely damaged, it was necessary for the state to step in to initiate, finance and control construction of various large investment projects, which could then stimulate private initiative as the economy recovered.

Finally, Friedlaender-Prechtl called for an immediate end to the savage deflation policy of the government. Contrasting inflation with deflation, he noted that, under inflation, there is an "excess of money in comparison with the needs of the economy, while deflation implies a deficit of the same. Inflation means over-employment, excessive investment, dearer prices, devaluation of money, damage to the interests of capital owners and creditors."

On the other hand, he insisted, "Deflation, in contrast, means a deficit of jobs, lack of necessary investment, falling prices, inflation of money value, and a destruction of the general welfare of the population to the advantage of that of owners of capital and creditors, combined with chronic unemployment." His conclusion was that, faced with these two alternatives, "deflation is by far the more dangerous sickness, because in the end, it suffocates to death the entire economy." ⁱⁱ

"The ultimate logic of Article 48"

Despite the precedent that had just been established by Britain's leaving the Gold Standard in September 1931, and despite the clearly urgent need for a different economic policy to halt the social chaos in Germany, the deflation policy was to continue. The Reichsbank under Hans Luther, held to gold. The Gold Standard remained state policy until well into 1933, when large parts of Friedlaender-Prechtl's program became the actual, if unacknowledged, basis for much of the Third Reich's emergency economic program, under Reichsbank President Hjalmar Schacht, and Economics Minister Kurt Schmitt, after mid-1933.

Before 1933, the proposals of Friedlaender-Prechtel, of Lautenbach and others arguing urgent policy change, had fallen on largely deaf ears. The power behind the Weimar government of Brüning and subsequent regimes, in short, the German elite institutions, maintained rule through their man, von Hindenburg, and governed by emergency decrees. The discomfort of the broader German population was clearly of secondary concern to them.

The policy of savage deflation remained for several reasons. State outlays for unemployed, for social welfare, were slashed to the bone, while wages of trade union members and ordinary employees were drastically reduced. A permanent end to Germany's international reparations obligations, which was successfully ratified at the European debt conference in spring of 1932 at Lausanne, had been only one goal of the deflation policy. The second goal was a freeing of large German industry, especially in the Ruhr, from dependence on foreign capital. Autarchy and deflation went hand-in-hand in this perverse situation.

The predictable consequence of almost three years of catastrophic deflation, was a dramatic radicalization of the German population. People were desperate for relief, for work, for stability, for order.

The institutions were active, if inconspicuous, looking to channel the growing radicalization at every step. On October 11 1931, less than one month after England had gone off gold, and after the meeting of the List Gesellschaft in Berlin, the "Harzburg Front," an alliance of the various groups of right nationalists, was formed. Little-publicized was that at the founding were representatives of the leading financial and industry elite of the nation.

The gathering at Bad Harzburg featured speeches by Hitler, Alfred Hugenberg, and, to the surprise of the national press, former Reichsbank president, Hjalmar Schacht. The Front included the NSDAP; the nationalist DNVP party of Hugenberg; the numerically powerful veterans' organization, Stahlhelm Bund; and the Junker-controlled agriculture organization, Landbund.

Ernst Brandt, head of the Ruhr coal industry association, Bergbauverein, a spokesman of heavy industry who in 1930 had been influential in convincing Brüning to go with the deflation policy, was also at Bad Harzburg. As well, the influential Ruhr steel baron, Fritz Thyssen; construction magnate Erich Luebbert of Dyckerhoff & Widmann; Hamburg shipbuilder Rudolf Blohm, and Deutsche Bank executive Emil von Stauss, were among the top leaders of industry and

banking present. The Junker landowners were represented by Wilhelm Freiherr von Gayl and Graf von Kalckreuth of the Reichslandbund.

To complete the register of the fateful Bad Harzburg gathering, no fewer than twenty retired generals and admirals, personally summoned by Lt.-General Hans von Seeckt, attended, as well as Prince August Wilhelm von Preussen, Prince zu Lippe and a number of other prominent members of high-ranking nobility. The four pillars of German institutional power were represented, though few understood the significance of their presence, as such. Instead, media coverage concentrated on individual personalities, especially Hitler, Hugenberg and Schacht.

The stated aim of the Harzburg Front was to mobilize unified opposition to growth of communist power, to end German reparations obligations, and to lift the disarmament provisions of the Versailles Treaty. In reality, the Front was little more than a cover for a darwinian power struggle among the competing groups and personalities of the right, to demonstrate which was more worthy of financial and political backing by the institutions.

Wide and one-sided publicity of the gathering in German and international media, also served the German institutions by providing a bogeyman, helpful to them in arguing the dire consequences, were Britain and France to refuse an end to their German reparations demands.

By 1932, it was becoming increasingly clear to the institutional powers, that Hitler's NSDAP was the emerging force to be reckoned with in German politics. On January 27, 1932, Hitler was invited to make an appearance before an audience of more than 650 leading industrialists at the influential Duesseldorf Industrialists' Club, defending the Nazi economic and political program and his vision of a new Germany. He told the powerful heads of German steel, coal and heavy industry that his party, the NSDAP, could "free the economy from strikes...and make industry directors once more masters in their own house." He told them, "I will deliver to you the German people. You deliver to me the arms!"

The response of the industry leaders to Hitler's Duesseldorf speech was notable. After the event, Josef Goebbels noted in his diary, "German big capitalists had found their man in Hitler. As the result of generous contributions, we were finally able to free ourselves from financial pressure, and unleash a propaganda offensive which, financially, was impossible for the

Marxist parties to compete with." Fritz Thyssen had organized Hitler's Duesseldorf success.

Thyssen was son of the well-known steel magnate, and a board member of the large United Steel Works in the Ruhr. Together with Deutsche Bank director, Emil Georg von Stauss, and Hamburg cigarette producer Philipp Reemtsma, as well as Ruhr industrialist Friedrich Flick, these influential men had been the first large industrial and banking patrons of the NSDAP in the early 1930's, enabling the party rapidly to assume the dimension of a mass-based party, with all the financial demands that required.

The step from General von Schleicher's intended military dictatorship in December 1932, to Hitler's accession as Reich Chancellor in January 1933 was, in a very real sense, not that great. Hitler did not "seize" power on January 1933 by military force. Rather, the doors to the Chancellorship were opened wide for him to walk in.

Industry's financial backing for the NSDAP, which had existed since Hitler and Hess had come out of prison in 1924, had been temporarily and deliberately cut off just before the November 1932 elections. The lack of funds resulted in a sharp loss of Reichstag seats for the Nazis, who lacked the cash for a sufficient vote mobilization. The NSDAP remained the largest bloc in parliament, but with 2 million fewer votes. In the crisis conditions at the time of the November election, the Communists temporarily profited from the NSDAP weakness, and scored a significant vote gain.

With the NSDAP thus properly humiliated, leading figures of the institutions, especially industry, felt that Hitler could be safely brought into a government, and controlled, as a useful figurehead for their further policies -- especially for the rollback of the Versailles Treaty's territorial losses, and for the German rearmament. After his party's November losses, Hitler agreed for the first time to participate in a coalition government, something he had earlier rejected out of hand. It appeared the humiliation had succeeded.

Von Hindenburg, von Papen, together with leading figures of the Prussian civil service such as Dr. Otto Meissner, head of Hindenburg's Presidential Office, and Dr. Ernst Trendelenburg, State Secretary in the Economics Ministry until 1932, as well as Dr. Hjalmar Schacht former Reichsbank head, all became prominent and essential players in the transition from von Schleicher to Hitler. Their role was to provide the new Chancellor with the proper economic policies, friendly to large business and finance, and, of course, always with an eye to the

important international financial powers of the City of London and Montagu Norman's Bank of England.

On January 30, 1933 von Hindenburg, after much hesitation, was finally convinced by Meissner, von Papen and his son Oskar, to name the 43-year-old Hitler as Chancellor, in a regime which would include von Papen as Vice Chancellor and Commissioner for Prussia, Goering as Minister without Portfolio, and the NSDAP's Wilhelm Frick as Interior Minister. Alfred Hugenberg held posts of both Economics Minister and Agriculture Minister, and General Werner von Blomberg replaced von Schleicher as Defense Minister.

Initially, there was scarcely a shot fired in this revolution, and when so, mainly in isolated street fights between Nazis and communists. This surprisingly smooth transition from von Schleicher to Hitler as Chancellor, took place only because powerful reactionary elements of the German institutions had decided to bring Hitler directly into the power equation, as a last resort, when von Schleicher failed to win a mandate for his emergency rule in a manner to their liking.

The composition of the NSDAP Reichstag members in late 1933 indicated why the institutions felt confident with the Hitler option. In addition to the Hohenzollern Prince, August Wilhelm, son of the deposed Kaiser, as Nazi member of the Reichstag the NSDAP also could point to some of the most noble names in the Reich, including the Duke of Sachsen-Coburg-Gotha, Count von Bismark, Crown Prince zu Waldeck-Pyrmont, Count Reventlow and numerous other figures from high nobility. As well, a number of prominent retired generals, colonels, and other senior officers filled out the ranks of Nazi Reichstag members. In 1933, Hitler was to all appearances, a bought and bound creation of the reactionary circles of the German institutions, whatever else might be said.

Meanwhile, influential circles in Britain, including Montagu Norman and the Round Table group, followed these developments with keen interest, and active, if careful support. Another major piece in the global political chess game was coming into play. These English circles fully comprehended what the secret agenda of the German institutions was intended to be. However, the British institutions intended to use the new German situation in order to advance their own grand strategy, so-called British interests.

"A profane marriage"

A little known, but vital component of the decision on the part of the powerful institutions, to tilt the balance in favor of Hitler's accession in 1933, came from an influential organization called the Evangelische Bund. Representing the militant nationalist wing of the German protestants, a right-radical organization within Germany's protestant umbrella church organization, the Bund had been founded in 1886 for the express purpose of taking on the Catholic Church more aggressively than did the established protestant organizations during the infamous "Kulturkampf" of the Bismark era.

In 1917, the Evangelische Bund had played a major role in driving General Ludendorff's suicidal "total victory" push, against the just peace initiative of Pope Benedikt XV. That total victory exhortation of the Bund and Ludendorff, allowed Britain and France to claim justification for imposing the carthaginian dictates of the Versailles Treaty in 1919. German Chancellor, Georg Michaelis, had replaced Bethmann-Hollweg in 1917, just long enough to sabotage the papal peace initiative. Michaelis had himself been a devout member of the Evangelische Bund, as well as a member of the small but enormously influential German peitist sect, Herrnhuter Brudergemeine, sometimes also called, The Moravian Brothers of the Order of Religious Freemasons.

In 1924 the Evangelische Bund created an organization, the Evangelische Beamtenbewegung, headed by Prof. Hermann Kremers. Its aim was to organize the protestant Prussian Beamtentum for the Bund's politico-religious mission. As Prussia and northern Germany was overwhelmingly protestant, most Beamten were, as well. With onset of the economic crisis in the late 1920's, Kremers' Bund had been able to recruit a substantial base among the layers of the Prussian bureaucracy.

With the deepening of the economic and social crisis after 1930, the message of the Bund changed accordingly. In 1931, at their annual meeting at Magdeburg, Kremers delivered a speech, "National Socialism and Protestantism," in which he told the broad membership, "never, since the Reformation, has such a political movement (as the NSDAP) emerged out of German nationalism." He called the Nazi party, "an eruption of a stronger, more focussed force, an outcome of the best kernel of all German history."

At the time of his speech, Kremers and most of the Evangelische Bund were members of Hugenberg's DNVP. In the course of that year, Kremers, who was soon to head the overall Evangelische Bund, became an ardent supporter of

the NSDAP. He sought a merger of the two organizations, the NSDAP and the Evangelische Bund, to create the fuller basis for a new Germany. The Evangelische Bund, Kremers argued, would bring to the Nazi movement an essential, "mystical, religious christian basis." The two groups were meant to be joined, he argued to his followers.

And join, they did.

In 1932, at their annual meeting in Cassel, the Bund formulated, under Kremers' guidance, their Kasseler Erklarung, officially titled, "The Awakening of the Nation." In this declaration, Kremers wrote, "We say, Yes! to the Third Reich and their social and political program." He favorably contrasted the Hitler Reich to the "romantic and unrealizable" empires of the Holy Roman Empire or Pan-Europa, calling the Hitler state, "actual and realizable."

By 1933 Kremers, as vice president of the Evangelische Bund, organized to bring the Evangelische Bund and, with it, its Evangelische Beamtenbewegung, into the orbit of National Socialism, proclaiming the NSDAP as "the chance" for Germany.

The significance of that little-noted event was enormous. An entire portion of the vital civil service bureaucracy was organized to support Hitler on a fanatical religious and emotional basis. Without the backing of these crucial layers of the bureaucracy, the radical and mistrusted Hitler regime would likely never have lasted more than a matter of months. The civil servants of Kremers' Evangelische Bund, the institution of the Beamtentum, played a decisive early role in consolidating the power grip of the NSDAP.

Not that the moral stance of the German Catholics, at least as represented through the influential Catholic Center Party, in the first days of the Hitler period, was any dramatic contrast in opposition to Hitler's authoritarian takeover of state powers, from that of the Evangelische Bund.

A new Reichstag met on March 23 1933, following elections. The Nazis, by force, excluded all Communists and 30 Socialist deputies, a total of 109, and demanded the remaining members pass an "enabling act," which would give Hitler's government four years to rule and power to legislate by decree without presidential signature or constitutional restrictions.

Under the Weimar Constitution, such a law required a two-thirds majority, and thus could have been defeated, had only a small minority of Center Party

deputies voted against it. Hitler spoke in the Reichstag for the act, and after, was followed by Otto Wels of the Social Democrats, who explained why his party was refusing to support the act. Then, Monsignor Kaas, head of the Center Party, announced that the Catholic Center would support Hitler's call for dictatorial powers, leaving the Social Democrats as the only recorded opposition, in a 441-94 vote.

Tragically, the two large social organizations of the Weimar era who were outside the institutional establishment, and which had sufficient combined political power to force a shift in the ominous course of German politics after 1930--the Center Party and the SPD--both compromised themselves irreparably at different times. Brüning had been manipulated by the institutions against the Socialist Chancellor, Müller, in 1930. The resulting jealousies and mistrust prevented any cooperation between the two large parties to halt Hitler's march into the Reich's Chancellor's office.ⁱⁱⁱ

"An economic basis for military revival"

Once in office, Hitler lost little time pursuing his plans. The Nazi 25-point party program of 1920, earlier pronounced by Hitler himself to be "unchangeable," with its demands to abolish the "servitude of interest" and calls for nationalization of the large industrial trusts, disappeared, shortly after Hitler became Chancellor.

By 1933, Hitler's economic policy dropped all earlier pretense of anti-capitalist radicalism, and, most important, never again challenged the traditional power of large industry and banking in Germany, or their profitability. In effect, Hitler represented a "conservative revolution" for Germany, and many, like Hermann Rauschning, backed him for that reason. Hitler's policies towards labor and the economy were directly aimed to protect the primacy of industry and finance, in the midst of the deep economic crisis which had catapulted the NSDAP into power.

Hitler needed a strong heavy industry base to achieve his long-term agenda for Germany. The radical voices of Gregor Strasser and Röhm and Otto Wagener, were soon silenced within the NSDAP. Business orthodoxy became the by-word, and a strict anti-inflationary monetary stability policy, under Schacht, as Reichsbank head, was to be an essential part of that policy.

German private large industry was not nationalized, and the giant internationally active chemical and steel trusts, were untouched. Indeed, the reality of the Hitler years was that the position of big industry was strengthened during the Third Reich. This was the only sector of society in which the Nazi "leadership principle" was not imposed, and, where Nazi party control was not attempted, except in the loosest sense. The powerful association of big industry, the Reichsverband der Deutschen Industrie (RDI), and its affiliated employers' organization, Vereinigung der Deutschen Arbeitgeber-Verbaende, after an initial attempt by Wagener's radical socialist wing of the NSDAP, to place two of their people in the board, was also largely left untouched after 1933.

Signaling their satisfaction with developments in the first months of Hitler's rule, the head of the Reichsverband der Deutschen Industrie, the influential steelmaker, Gustav Krupp, wrote to Hitler on April 25, 1933, just after the elections and Hitler's March 23 de facto Reichstag coup, "The turn of political events is in line with the wishes which I myself and the Board of Directors have cherished for a long time."

With well over 6 million Germans unemployed, Hitler moved swiftly to make "full employment" highest priority, but scrupulous to never threaten business profitability, in doing so. On May 2, 1933 trade unions were abolished by decree, and replaced with the German Labor Front (DAF), headed by Robert Ley. No longer could labor be permitted the luxury of striking for higher wages. The DAF instead focussed members on redecorating factories, or working for minor improvements in working conditions. Wages nationally were effectively frozen by the government after 1933, something Bruening and his Weimar successors never achieved.

Simultaneously, retail prices were strictly controlled, with symbolic arrest of small shopowners who defied the controls. Needless to say, in such conditions, inflation was little threat.

In addition, a work-creation program by the State was initiated, financed in a concealed manner through certificates, Steuergutscheine. These certificates could be used by a company which added workers, to reduce future taxes, and were discountable by the banking system. Women were discouraged from entering the labor force and encouraged to remain at home as mothers, freeing up more jobs for unemployed men. Those receiving unemployment were forced to take work, in many cases at below minimal wages. A large-scale

public works program, centered around construction of a national network of Autobahns was initiated.

Beginning already 1933, under yet another concealment technique, a major employment program in the German armament industry was initiated. Schacht's Reichsbank had developed the idea to hide this spending from the rest of the world through a mechanism known as the Mefo-bill, in order that the large sums involved not show up in the Government's published Budget deficit.

The Mefo-bill scheme used an earlier technique developed under Bruening, termed pre-financing (Vorfinanzierung). At that time, construction companies, anticipating future revenues from a completed project, received bills from the government-guaranteed Deutsche Bau-und Bodenbank, bills which could then be discounted in exchange for legal tender in the banking system. In late 1933 the state created the innocuous-sounding Metallurgische Forschungs GmbH, the Metallurgy Research Company, which was known by the abbreviation of MeFo, using it to apply the same pre-financing principles to the arms industry.

Under the Mefo scheme, bills drawn on Mefo by arms suppliers were then accepted by the Mefo, and discounted as commercial paper by Schacht's Reichsbank. Once discounted, they received a Reich guarantee. Thereby, Mefo remained in debt to the Reichsbank, and the Reich was able to delay paying for up to five years. It allowed the government to proceed in a concealed manner with its considerable rearmament program after 1933. This Mefo scheme was to remain the major financing vehicle for German arms buildup, even after 1937.

As well, the Reich covertly channeled private savings in savings banks, without informing the savers, into de facto forced purchase of Reich bonds. This served to finance government programs, while avoiding having to resort to major new international loans, as had been necessary in the 1920's. And the strict policy of wage restraint allowed companies to gradually become self-financing and largely debt-free, permitting new investment, which triggered yet greater employment.

In such manner, with a tragic irony, major elements of Friedlaender-Prechtl's emergency economic program were being implemented in the earliest days of the Hitler government, at the same time the SA and the interior ministry was making dissent minimal. Because of Friedlaender-Prechtl's partial Jewish ancestry, his role was deliberately hidden by the Nazis, and he remained in

quiet house arrest during the entire Third Reich, kept as a possible economic resource.

Without question, the adopted policies produced an astonishing economic turnaround from the depths of the crisis of late 1932. Within four years, much as Hitler had promised, indeed, unemployment had vanished. By July 1935 unemployment had fallen to 1.8 million, and by 1936, a problem of serious shortages of labor was increasingly the concern.

The problem with this extraordinary turnaround in Germany's economic situation was that it moved the entire economy, relentlessly, in a definite political direction. In one of his first statements to his Cabinet, February 8 1933, Chancellor Hitler had declared, "The next five years must be dedicated to the rearmament of the German people. Every publicly supported work-creation scheme must be judged from the standpoint: is it necessary for the restoration of the military strength of the German people?"

The postponed promises implicit in the proliferation of Mefo bills and the various other financing techniques, were to be ultimately paid with the blood of Europe's young soldiers, on the battlefield, after September 1939.

This rearmament, in strict violation of Versailles and other agreements, was concealed in ingenious ways, despite the fact that, in October 1933, Germany formally withdrew from the Geneva disarmament negotiations. Until Germany was in a position to remilitarize the Rheinland in 1936, she went to great lengths to conceal the buildup. Roads to a concealed armaments work at Fuerstenberg in Brandenburg were built under other pretext, for a center which would also serve as a base for a later push into Poland and the lands of East Prussia, taken under the Versailles Treaty. Numerous military projects were disguised as "public works" or job creation, including construction of military training sites (often disguised as land reclamation projects), protection of arms factories against possible air attacks, and development of extensive aluminium production for the aircraft industry.

By 1935, the Defense Ministry's Wehrwirtschaftsstab, or Defense Economy Unit, was essentially in control of all German work-creation programs. Between February 1933 and March 1936 an estimated 10 billion Reichsmarks or 5% of Gross National Product was spent on rearmament, twice the sum allocated to official work creation projects. The economic impulse coming from the expansion of this effort was immense, even before the major military buildup which began after 1936. A few months after Hitler's assumption of power,

Krupp recounted that he had, "the honor to report to the Fuhrer that Krupp stood ready, after a short warm-up, to begin the rearmament of the German people without any gaps of experience."

Germany had emerged from the 1929 economic crisis, ready to act out a tragic script, much of which had been written far from Berlin. The consequences were to be staggering, as British geopolitics provided the essential road map for the course of events after 1935.

Endnotes:

ⁱ Background on the role of the reactionary institutions of the pre-Weimar Reich in the events of the 1930-33 period are available, but most often, obscured. Useful in clarifying the period are Bennecke, Heinrich, "Wirtschaftliche Depression und politischer Radikalismus," Guenter Olzog Verlag, Munich, 1968; Engelmann, Bernt, "Das Reich zerfiel, die Reichen blieben," Deutsche Taschenbuch Verlag, Munich, 1975. Also useful is, Berghahn, Volker, "Der Stahlhelm Bund der Frontsoldaten," Droste Verlag, Duesseldorf, 1966; Schaeffer, Hans, "Erinnerungen Hans Schaeffers an Ernst Trendelenburg," in "Vierteljahrshefte fuer Zeitgeschichte," no. 4, October 1977, Munich. Important information on the role of paramilitary secret Fememord organizations in the post-1918 period are elaborated in Gumbel, Emil I., "Verschworer," Malik Verlag, Vienna, 1924.

ⁱⁱ The background on the important debate in Germany during the period 1930-33, between the orthodox deflationist conservatives and the productive credit faction of Lautenbach, is contained in Borchardt, Knut and Schoetz, Hans Otto, "Wirtschaftspolitik in der Krise: Die (Geheim-) Konferenz der Friedrich List-Gesellschaft im September 1931 ueber Moeglichkeiten und Folgen einer Kreditausweitung," Nomos Verlagsgesellschaft, Baden-Baden, 1991.

A useful and detailed account of how Hitler's NSDAP took up this same credit-generation program, to produce one of the most astonishing economic recoveries in modern history, is detailed in an account by a Jewish economist from the Tel Aviv University, Barkai, Avraham, "Das Wirtschaftssystem des Nationalsozialismus," Fischer Taschenbuch Verlag, Frankfurt, 1988. The economic program of Friedlaender-Prechtl is found in his weekly magazine, "Die Wirtschafts Wende," 30 Sept. 1931, as well as in the book by Friedlaender-Prechtl, Robert, "Wirtschafts Wende: Die Ursachen der Arbeitslosen-krise und Deren Bekampfung," Paul List Verlag, Leipzig, 1931. Useful details of the 1933-1945 German economic and monetary policies is contained in Wolfe, Martin, "The Development of Nazi Monetary Policy," in "The Journal of Economic History," Vol. XV, no. 4, December 1955, The Economic History Association, New York.

ⁱⁱⁱ On the Nazi power transition, much has been written, but the all-but-unknown role of the influential Evangelische Bund in supporting Hitler's NSDAP is far less known. Useful is, "D. Hermann Kremers: zum Gedaechnis," Verlag des Evangelischen Bundes, Berlin, 1935; as well, Fleischmann-Bisten, Walter, "Der Evangelische Bund in der Weimarer Republik und im sogenannten Dritten Reich," P. Lang, Frankfurt am Main, 1989. On the Nazi economic policies in the 1933-1936 period, in addition to Barkai, op. cit., James, Harold, "The German Slump: 1924-1936" has very useful documentation. As well, Bundesarchiv Koblenz (BAK), R43II/541, 3 January 1939 on Reich Labor Ministry wage statistics 1933-1939; BAK R43II/781 January 30 1936 from Schacht's Reich Finance Ministry on the control of municipal and local debts, and more generally the BAK, series R2, on the Reich Finance Ministry, 3269-3885; BAK R43I/1459 contains the minutes of the February 8 1933 Cabinet meeting. The role of industry, particularly of Krupp is usefully detailed in Manchester, William, "The Arms of Krupp," Little, Brown & Co., Boston, 1968. As well, useful is the account in Goebbels, Josef, "Wie Konnte es Geschehen: Auszuege aus den Tagebeuchern," Max Fechner, Berlin, 1945.