

University of Pennsylvania

**THE SILENT PARTNER:  
HOW THE FORD MOTOR COMPANY BECAME AN ARSENAL OF NAZISM**

A senior thesis submitted in partial fulfillment  
of the requirements for Honors in History

by

Daniel Warsh

Philadelphia, PA  
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Faculty Advisor: Walter Licht  
Honors Director: Michael Zuckerman

*For my family*

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## ABSTRACT

Corporate responsibility is a popular buzzword in the news today, but the concept itself is hardly novel. In response to a barrage of public criticism, the Ford Motor Company commissioned and published a study of its own activities immediately before and during WWII. The study explores the multifaceted and complicated relationship between the American parent company in Dearborn and the German subsidiary in Cologne. The report's findings, however, are largely inconclusive and in some cases, dangerously misleading. This thesis will seek to establish how, with the consent of Dearborn, the German Ford company became an arsenal for Hitler's march on Europe. This thesis will clarify these murky relationships, and picking up where the Ford internal investigation left off, place them within a framework of corporate accountability and complicity. Ford's development as a transnational entity provides a perfect subject of study to embark on such a project. Many of the major themes of post-World War I Europe – economic stagnation, nationalism, coping with the aftermath of a devastating conflict, and eventually, the rise of authoritarian states – are all present in Ford's German story, and their consequences not only resonate within the fields of American, European, and business history but also that of corporate responsibility. The lessons are still relevant today.

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# INTRODUCTION

Historical accountability and apology mark our current age. Nations all over the world are taking steps to acknowledge the wrongs of the past and, when possible, act to correct them. South Africa has actively improved race relations and strengthened democracy following the ending of apartheid. To retroactively cope with the human rights abuses, Truth and Reconciliation commissions have been established to investigate claims of brutality under apartheid, while granting amnesty to perpetrators willing to admit they had erred. In South America, Argentina and Chile have both instituted special truth-seeking commissions to investigate tens of thousands of deaths and “disappearances” under brutal 1960s and 1970s dictators. Just last year, Japan grudgingly apologized for its treatment of civilians who lived in occupied areas during the Japanese conquests of Asia during World War II, and for forcing thousands of women into prostitution for Japanese soldiers. In our own country, former members of the confederacy, Virginia, Maryland, North Carolina, and Alabama have issued official apologies for the horrors of slavery. Even New Jersey has passed a legislative resolution apologizing for its connections to the Atlantic slave trade, and it remains the only Northern state to actually accept responsibility for participating in slave trafficking.

This trend has expanded from the geopolitical sphere into the corporate world as well. With varying degrees of acceptance, many firms have admitted wrongdoing for their past behaviors. In 2005, Wachovia Bank publicly accepted blame for promoting and profiting from slavery, as one of the banks it acquired had earned revenues from the slave trade. Financial giant J.P. Morgan did the same, and went even further by creating a special scholarship fund for African-Americans from Louisiana, where one of its subsidiary firms owned slaves. In a similar vein, some firms that did business with the Nazis have publicly pledged to contribute to a

humanitarian fund designed to provide monetary compensation to individuals who worked as forced laborers producing goods for the regime. These firms include Opel, owned by General Motors, and Ford-Werke AG, the German subsidiary of Ford Motor Company.

Ford Motor Company enters the picture under this lens in 1998, when the British Broadcasting Corporation produced a documentary about the activities of Ford Motor Company's German subsidiary in the years immediately prior to, as well as during, World War II. Shortly thereafter, the *Washington Post* published an article that levied accusations against Ford and its subsidiary on the basis of their relationship to and support of the Nazi regime, the use of slave labor during the war, and the financial gains achieved by the company as a result of its wartime activities. Around the same time, a class-action lawsuit was implemented against Ford by a former forced laborer at the Cologne facility. She demanded compensation on behalf of herself and the thousands of others who had been compelled to work under horrible conditions.

Ford executives agreed that damage control was desperately needed. Ford, after all, had prided itself on its service to the nation as the "arsenal of democracy," and the company had worked hard to improve relations with the Jewish community which the company had alienated in the past. These damning indictments that the entire Ford board of directors had approved of doing business with the Nazis had serious implications for the company, both in terms of real sales and in the courtroom. Ford wanted to guarantee that, should the class-action suit go to trial, there would not be any unpleasant surprises. Thus, Ford chose to commission research not out of a human interest but a financial one. Indeed, this was the worst kind of publicity for the company, which had struggled for decades to overcome the anti-Semitism of its founder, Henry Ford. It was still very easy for Ford executives to look back on the times when Henry Ford publicly made his outlandish anti-Semitic claims in the United States. Following Ford's



outbursts, business usually suffered tremendously as he literally drove Jewish customers to the cars of other manufacturers.

Ford executives feared that the accusations raised by the BBC and the *Washington Post* could have similarly devastating effects on Ford's bottom line seventy years later, by resurrecting the faded memory of Henry Ford's despicable behavior. Ford decided to conduct an internal audit of its records as well as government archives, ignoring calls to have an independent corporate watchdog group supervise the research. The resulting study, entitled *Research Findings About Ford-Werke under the Nazi Regime*, took three years to complete, and researchers in the United States and Europe catalogued and reviewed over 98,000 pieces of paper which in some way could be connected back to the story. To add an air of legitimacy, Ford hired Simon Reich, a professor of political science at the University of Pittsburgh, to lead the research team. Reich had previously published a book about how the postwar prosperity of European automobile companies could directly be traced to their experiences during World War II. Included in his analysis was a discussion about Ford's pre-war and wartime activities in Germany and this made Reich a viable candidate for the position. Ford Motor Company agreed to make the entirety of the findings and archival resources available to the public despite their disposition, in the interest of transparency. The report was made public on December 6, 2001, but media coverage was quite limited. The resulting report, as characterized by lead researcher Simon Reich, was meant to "be purely descriptive" in addressing these claims. Reich would not interpret or even offer a historical narrative. Interested readers could draw their own conclusions by looking at the facts as they were presented.<sup>1</sup> The closest he came to providing any kind of conclusion was in his own "analysis" of the findings, which Ford attached to the document

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<sup>1</sup> Ford Motor Company, *Research Findings About Ford-Werke under the Nazi Regime*, prepared by Ford Motor Company Archives, December, 2001, p. 6.

afterwards. Almost eighty years after connections between Henry Ford and Adolf Hitler were first alleged, Ford hoped that it could finally lay the claims of collusion, anti-Semitism, and wrongdoing to rest.

In December 1922 a reporter from the *New York Times* requested an interview with a relatively unknown German politician, Adolf Hitler. The reporter was invited to Hitler's headquarters in Berlin and was granted an audience with the future dictator. The resulting article intimated a relationship between the automotive manufacturing giant Henry Ford and Hitler, but it did not provide more than a "grounds for suspicion" that a large part of Hitler's financial backing came from abroad. However, the article provides several clues that this relationship was more than a passing rumor: "The wall beside his desk in Hitler's private office is decorated with a large picture of Henry Ford." The *Times* article continues: "In the antechamber there is a large table covered with books, nearly all of which are a translation of a book written and published by Henry Ford.<sup>2</sup> If you ask one of the underlings for the reason of Ford's popularity in these circles he will smile knowingly but say nothing."<sup>3</sup> It hardly seems to be the case that "Hitler's admiration mainly had to do with Ford's innovative production techniques" as the Ford Motor Company publicly maintained in its 2001 report.<sup>4</sup>

Throughout his time as Germany's head of state, Hitler would speak of Ford and his industrial methods with affinity. Ford's virulent anti-Semitism was legendary, and he became a de facto spokesman for anti-Jewish sentiments during the third and fourth decades of the 20<sup>th</sup> century. On July 30, 1938, which happened to be Henry Ford's 75<sup>th</sup> birthday, Ford was awarded the Grand Cross of the German Iron Eagle, the highest honor bestowed upon non-German

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<sup>2</sup> The book being referred to was Henry Ford's world-famous anti-Semitic publication, *The International Jew*, which had been disseminated around the world and translated into dozens of languages.

<sup>3</sup> "Berlin Hears Ford is Backing Hitler," *New York Times*, December 20, 1922, p. 2.

<sup>4</sup> "Ford Says Study of German Subsidiary during World War II Shows Ford Didn't Profit from Slave Labor," *The Associated Press State & Local Wire*, December 6, 2001.

citizens by the German government. A personal note from Hitler accompanied the award, which read that Ford was given the award because of German popular admiration for Ford's "humanitarian ideals and his devotion to the cause of peace, like their Fuhrer and Chancellor had done."<sup>5</sup> Following widespread public outcry, Ford curiously refused to return the award and the accompanying money gift— even when it started to affect the company's bottom line as Jews and other patriotic Americans refused to purchase Ford products. Ford employees in Dearborn noted Ford's keen interest in German affairs, specifically his inquiries as to "how the Jews were faring over there," and Ford's admiration of Hitler was well documented.<sup>6</sup>

This connection is what originally piqued my curiosity about Ford's activities before World War II. Within this thesis, I will focus on Henry Ford's legacies - his sharp business sense, his bringing of the automobile to the masses, and his revolutionizing of industrial methods, and how these endeared the company to Adolf Hitler and the Nazi regime. I will evaluate how Ford company policies were influenced by Henry's distorted world view, and how Ford's new way of doing business and manufacturing products had real consequences on the world stage.

The *Research Findings About Ford-Werke under the Nazi Regime* report (hereafter just *Research Findings*) was a noteworthy attempt to exculpate Ford Motor Company for its actions. As will become apparent, however, the report fails to achieve its primary objective. Ford has missed a crucial opportunity to come clean about its past, choosing to minimize or deny actions and decisions of the past out of fear of the repercussions. Rather than use this report as a stepping stone towards acknowledging the wrongs of the past, Ford Motor Company has chosen

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<sup>5</sup> Max Wallace, *The American Axis: Henry Ford, Charles Lindbergh, and the Rise of the Third Reich* (New York: St. Martin's, 2003), p. 147. For original text of the award, see Henry Ford Museum and Greenfield Village Archives, Acc. 285, Box 2149, Fritz Hailer – Grand Cross of the German Eagle. Hereafter this source will be abbreviated as HFM.

<sup>6</sup> HFM, Acc. 880, Box 1, Mira Wilkins Papers re: V.Y. Tallberg reminiscences.

instead to produce a vague and often deceiving document that raises more questions than it actually answers. Even if all of the documents are now available for public view, the real issue of transparency revolves around accepting blame for past actions, not materials access. Ford probably assumed correctly that the press coverage would take the claims made within the report as true. After all, reporters certainly do not have the kind of time it would take to properly evaluate all of the assembled documents. The report is definitely not a “benchmark of accountability,” as Reich told reporters at a press conference.<sup>7</sup> Of note to the reader: for the remainder of this thesis, I will be referring to Ford’s German subsidiary as “Ford-Werke,” even though the name would not officially be changed to “Ford-Werke” until 1939. I have done this for the sake of consistency and simplicity, and also because most of the literature, including internal company documents and secondary sources, uses this name in referring to pre-1939 Ford operations in Germany.

In response to the allegations made against Ford by the *Washington Post*, the BBC, and class-action lawsuits, the report appears to provide answers to many of the most devastating claims. Even though the report itself does not come to any explicit conclusions, lead researcher Simon Reich cites some broad findings in his accompanying analysis. The first major argument Reich makes is that Ford-Werke management acted with increasing autonomy from the American parent company and that American executives were not well informed about activities in Germany. Ford’s German management courted the Nazis extensively for government contracts but “foundered in this regard.” Because of this failure, Ford “remained a marginal producer in terms of both volume and strategic significance to the German war effort.”<sup>8</sup>

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<sup>7</sup> “Ford Says Study of German Subsidiary during World War II Shows Ford Didn't Profit from Slave Labor,” *The Associated Press State & Local Wire*, December 6, 2001.

<sup>8</sup> *Research Findings*, p. 7.

Next, Reich claims that Ford Motor Company had no options when dealing with its German subsidiary. Short of divestment, he argues, Ford's hands were tied in helping the Nazis. Moreover, as commercial vehicle production was slowly phased out, working on government orders was the only way to continue business in Nazi Germany. Without filling German government truck orders, "Ford would have lost all of its German investment as the subsidiary withered due to lack of a market."<sup>9</sup>

Third, Reich shows that communication between Ford and Ford-Werke had ceased by November of 1941, immediately before the United States entrance into the war. Long before this, however, he claims that regular communication with the German company was strained because of the increased difficulty of transmitting information. There was no evidence of other European Ford subsidiaries acting as intermediaries with the German company. This claim is put in the context of slave labor, namely, that the American firm would have had no way of knowing or controlling the use of forced labor at the Ford factory in Germany. Fourth, Reich claims that Ford did not realize any profits from the business of supplying the Nazis. At the report's release in Dearborn, Ford Chief of Staff John Rintamaki remarked that "the statements that we profited, that Ford U.S. profited, from Ford Germany are just not true."<sup>10</sup> Any profits accrued in the first few years of the war, the report finds, were wiped out by devastating losses in the final two years of conflict. The most significant claim made by Reich, however, is the final one: "The evidence provided by the data suggests that there was no complicity on the part of Ford's Dearborn management in assisting the Nazi government's wartime effort." This is indeed a bold statement, and will constitute the heart of what this thesis seeks to examine.

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<sup>9</sup> *Research Findings*, p. 7.

<sup>10</sup> "Ford Says Study of German Subsidiary during World War II Shows Ford Didn't Profit from Slave Labor," *The Associated Press State & Local Wire*, December 6, 2001.

This thesis does not take issue with certain aspects of *Research Findings*, most notably the accusations that Ford Motor Company knowingly employed slave labor. The labor market and military requirements in wartime Germany meant that all firms, foreign or domestic, were essentially forced by the authorities to accept slave labor in the production of goods. While it is unfortunate that such labor was used by the Ford subsidiary, this is not conduct for which Ford Motor Company should be held accountable. In fact, Ford's commitment to contribute financially to former slave laborers in its German factories shows a willingness to take responsibility and attempt to right the wrongs of the past in this one respect. Unfortunately, *Research Findings* is much less persuasive when it comes to other issues, and there are some qualifications needed for the report's account of events.

The first major fault with *Research Findings* is with respect to its characterization of Ford-Werke's firm-state relations with the Nazi party and Ford-Werke's relative status under the regime. Ford's small size did not relieve it from strategic significance in the eyes of the German authorities. While it was true that the German managers of the firm actively lobbied for government contracts, the opposite was also true. The Nazis extensively courted Ford and Ford management for the use of its facilities to produce war materials. The Nazis blatantly exploited Ford's strong ties abroad for the furthering of their own war plans. Ford-Werke was the only auto company in Germany to be granted special exemptions from certain laws, hardly an indicator that the Nazis tried to run the company out of the country. Additionally, it is doubtful that Ford's claims about the loss of markets for the German firm are correct, because Ford-Werke contributed to a thriving export economy. Ford-Werke faced extraordinary pressures from the regime, and that discrimination and constant harassment were the order of the day. Unlike Simon Reich and the Ford researchers, however, I do not see this harassment as sufficient

evidence that Ford's operations were strategically unimportant to the regime. Despite the seemingly insurmountable hurdles placed before it, Ford-Werke was ultimately a valuable and vital cog in the Nazis' war machine well before 1941, so much so that the regime went out of its way to accommodate the company.

*Research Findings* states that "Ford-Werke's linkages with the Dearborn headquarters became increasingly attenuated during the course of the decade of the 1930s – and nonexistent by the outbreak of the war in the Pacific Theater in 1941." I concur that the relationship did become stressed, but not to the point of nonexistent communication. In fact, the evidence seems to prove quite the opposite. Although Ford-Werke may have acted with increasing autonomy as the 1930s progressed, Ford Dearborn remained fully informed about European activities. Ford-Werke internal documents paint a picture of a pro-Nazi company actively supporting Hitler, and as late as 1941 Ford Dearborn was providing material and technical assistance to its subsidiary, a policy over which it had full control. Following the fall of France in 1940, Dearborn was in regular communication with its French subsidiary, which had transitioned its business into supplying and repairing the vehicles of the occupying Germans. Executives in Dearborn lauded Ford's French subsidiary's efforts in making the best of a "difficult situation."

The claims made in *Research Findings* about how Ford Motor Company did not profit as a result of wartime operations are also questionable. While it might be the case that within Germany alone profits were not realized, the *Research Findings* report explicitly avoids any reference to the other Ford organizations that prospered by supplying the Nazi regime, confining itself to evaluating communication with these subsidiaries, not their financial data. Ford's ambiguously-worded report may not be wrong, but Ford Chief of Staff John Rintamaki's statement to reporters is absolutely false. Official company histories acknowledge that such

profiteering happened, yet the commissioned study conveniently chooses to ignore these facts. Perhaps even more crucial to this point is the fact that Dearborn was aware of how its companies in Europe were supplying Hitler and took no action to stop them. Ford's decision to claim dividends from its German subsidiary after the war strongly challenges the claim that the company did not benefit from wartime production.

On its most basic level, *Research Findings* seems to fall short with regard to the question of assigning blame for Ford's actions. It is altogether unclear how, in preparing this report, the researchers defined "complicity"; this is a crucial shortcoming in the report and seriously undermines the credibility of its findings. Without a definition of complicity firmly in place, it is hard to let Ford off the hook so easily. There were, in fact, many instances of Dearborn directly aiding Hitler's war preparation, by providing material assistance as well as direct military equipment to the Nazi regime. This would meet most common definitions of "complicity."

Ford Motor Company's history in Europe mirrors that of many other American corporations that were becoming transnational entities at the time, except for one crucial detail: doing business in Germany, especially after 1933, presented a unique set of circumstances that could not be replicated anywhere else in the world. At this time, the automobile industry in Germany was still a niche industry that Ford was trying to crack. Despite a number of Ford operations across Europe, breaking into the industry was not an easy task. Foreign corporations were consistently targeted with high tariffs, increased operating costs, and product discrimination. Local ordinances and laws affected how Ford's foreign subsidiaries could operate, and these laws in turn shaped the relationships between foreign operations and the parent company. Inevitably, politics entered the fray, and the forces of nationalism exerted pressure on Ford to conform. One of the major tasks of this thesis is to clarify these relationships



and place them within a framework of corporate accountability and complicity, and Ford provides a perfect subject of study to embark on such a project. Many of the major themes of post-World War I Europe – economic stagnation, nationalism, coping with the aftermath of a devastating conflict, and, eventually, the rise of authoritarian states – are all present in Ford's German story, and their consequences resonate not only within the field of business history but also within the realm of corporate accountability.

# CHAPTER 1

## INTERNATIONAL EXPANSION: NATIONALIST GERMANY AND FORD-WERKE AG (1925-1933)

### **Versailles, Economic Reform, and Banking Crisis under Weimar**

Before any analysis about the establishment of Ford-Werke AG in Germany can proceed, it is necessary to provide some context. This chapter will primarily seek to provide the necessary background for the rest of this thesis. What defined the German economy during the interwar years? What factors contributed to one of the worst economic crises in Germany's history? When considering these questions, the overarching issue that this chapter will seek to address is why Ford remained in Germany, even though, as Ford historian Allan Nevins writes, "After the financial collapse of 1931...and still more after the Nazi revolution, the efforts of Ford of Germany to conduct a business justifying its great outlay at Cologne became a prolonged torture."<sup>1</sup> The economics of the interwar period not only raise important questions about industry and economic policy in general, but also have much explanatory power in understanding Adolf Hitler and the Nazi regime's dramatic entrance into German politics. Indeed, this unique set of circumstances is vital to understanding not only the position of Ford-Werke but also the entire German automotive industry. It is with these considerations in mind that a brief foray into German economic history is necessary.

June 28, 1919 is a crucial date in world history. With the signing of the Treaty of Versailles, Germany was forced to accept its defeat at the hands of the victorious allies. The agreement, while far-reaching in its scope, was problematic in practice. The framers of the

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<sup>1</sup> Allan Nevins, *Ford: Expansion and Challenge 1915-1933* (New York: Charles Scribner's Sons, 1957), p. 559.

Treaty, perhaps most notably the French, who were eager to avenge the humiliation of the peace agreement concluding the Franco-Prussian war, included the pivotal Section VIII, which dealt solely with the issue of reparations for the war. The section opened with Article 231, or the infamous “War Guilt Clause”:

“The Allied and Associated Governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies.”<sup>2</sup>

The rest of Section VIII outlines the responsibilities of Germany from a financial standpoint. Under the agreement, Germany had to pay hefty reparations to the allies, which at the time were unquestionably harsh. Indeed, this section and perhaps most directly the War Guilt Clause is what stoked the rhetoric of the nationalists in Germany, among them Adolf Hitler and the Nazis, who saw this large-scale embarrassment for Germany as an inexcusable mistake on behalf of a few weak politicians who signed it. Hitler made no secret of his disdain for Versailles in his defining work, *Mein Kampf*:

“The Peace Treaty of Versailles, was taken as an attack on the Republic and a sign of a reactionary if not monarchistic attitude... They did not want to hear or understand that Versailles was a shame and a disgrace, and not even that this dictated peace was an unprecedented pillaging of our people. The destructive work of the Marxists and the poison of enemy propaganda had deprived the people of any sense. And yet we had not even the right to complain!”<sup>3</sup>

The burden of the reparations payments weighed heavy on post-World War I Germany. It not only hobbled German economic development but also fostered deep resentment of the Treaty among the general population. Germany was powerless to stop such actions as the French

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<sup>2</sup> Yale Law School Avalon Project: *Versailles Treaty June 28, 1919*, last updated March 19, 2008, accessed January 21, 2008 [<http://www.yale.edu/lawweb/avalon/imt/partviii.htm>].

<sup>3</sup> Adolf Hitler, *Mein Kampf* (translated by Ralph Manheim) (Boston: Houghton Mifflin, 1971), p. 465.

occupation of the Ruhr Valley, a vital industrial and economic center of the country; one historian sees this as the “climax of the 1918-1923 agony.”<sup>4</sup> Following the crisis, German ultra-nationalism became a mainstay of German politics. Even though it was initially confined to the periphery, nationalism slowly began to seep into the rhetoric and policies of the democratic Weimar government and provided the necessary fuel for the development of radical groups such as the Nazi Party. However, this new worldview also had an unintended side-effect: an alternative foreign policy based not on “nationalist militancy” but instead on a prioritization of the economy as Germany’s conduit towards reestablishing world influence.<sup>5</sup> Of course, this would all change under Adolf Hitler, but in the decade or so prior to his rise to power, economic vitality, not military might, was seen as Germany’s avenue to greatness and return to glory among the world powers. While this focus on economics was important for a number of reasons, perhaps most important was the fact that this policy entailed a further development of financial and industrial ties with the United States.

Under the leadership of Foreign Minister Gustav Stresemann, Weimar Germany achieved one of its first major policy victories with the Dawes Plan in 1924, which directly established a formal relationship between the United States and Germany. The Dawes Plan reduced immediate reparations payments for Germany to more manageable levels and established safeguards for Germany such as the creation of the Reparations Agent, an office with the all-important power to halt reparations payments should they threaten the German currency’s stability.<sup>6</sup> The Dawes Plan fit well with Stresemann’s plans to see to it that the United States had a vested interest in German economic recovery, and indeed he correctly assumed that this

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<sup>4</sup> Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (New York: Viking Press, 2006), p. 2.

<sup>5</sup> Tooze, p. 2.

<sup>6</sup> Tooze, p. 6.

interest existed. Because of the Dawes Plan, many Germans began to put faith in America to guarantee a successful revival of their economy. This group of Germans came to be known as “Atlanticists,” and they pinned their hopes on growing American influence in Europe. As a means to this end, Atlanticists supported American involvement in the German economy and were led at this time by Hjalmar Schacht, then-president of the Reichsbank. A strong American presence in Europe coupled with a strong interest in German economic strength, they argued, would help bring about a U.S.-led reevaluation of the German war reparations as mandated by the Treaty of Versailles.<sup>7</sup> Schacht and Stresemann had similar goals and ideas about American involvement in the German economy throughout the 1920s, and until Stresemann’s death in 1929, the two men saw eye to eye on many of the most crucial issues facing Germany.

As the domestic political climate changed in the United States because of the Great Depression, however, the Atlanticist strategy began to fall apart. The passage of the Hawley-Smoot Tariff in 1930 and the lack of political will for reducing reparations in the Hoover administration signaled that the United States would become less involved in European politics.<sup>8</sup> The Dawes Plan’s successor, the Young Plan, was altogether unsuccessful. While it had its merits, the plan fell victim to the stock market crash of October 1929. Many of its provisions became impossible to fulfill. The plan was a severe blow to the credibility of the so-called Atlanticist group. The Young Plan failed miserably to fulfill the hopes of Atlanticists such as Schacht, who were looking for generosity and found none. The 2.5 billion mark reparation payment was only reduced to just over 2 billion, far less than what was desired. The “Reparations Agent” was removed, and with it the ability of a “neutral” agency to determine when was acceptable for the Germans to halt payments. Finally, the decision-making power

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<sup>7</sup> Tooze, p. 13.

<sup>8</sup> Tooze, p. 14.

formerly conferred on the Reparations Agent was transferred directly to the German government. This provision was of great concern to investors, especially those with funds tied up in Germany. In theory, the Young Plan's issuance of bonds to reduce the reparations debt was a good idea. In practice, however, after the crash in October 1929 and the subsequent withdrawal of American credit from Germany, it became quite clear that these debts would not be repaid any time soon. There was simply no market for the bonds. This sparked concern among foreign investors and contributed to even more withdrawals from German banks.

Along with the Dawes Plan, between 1924 and 1929, the German Reichsbank had implemented a series of policies that both fostered a short-term recovery of the ailing banks and set the stage for the spectacular failure that would befall the banks in 1931. The "Kreditstopp" of April 7, 1924 effectively put a ceiling on the value of the central bank's portfolio. This signaled a German commitment to exchange rate stability.<sup>9</sup> It also assuaged international fears that inflationary policy would be pursued again, as it had been in the early 1920s. In conjunction with this, a high interest rate was maintained by the bank. These interest rates attracted much foreign investment in Germany, and in turn many businesses seeking to expand their operations (including Ford) saw this time as apt to move into Germany on a more permanent basis. This emphasis on foreign investment would be the Achilles heel of the entire system.

Foreign investment had two unique aspects that created a particularly dangerous situation for the German economy. The first was its short-term nature. Banks used these short-term deposits to bolster their own liabilities that had been wiped out by the inflation. By 1928, over 43 percent of *all deposits* in German banks were foreign and short term.<sup>10</sup> Banks then proceeded to make long term loans with this money to cities and other sectors. With the Great Depression,

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<sup>9</sup> Theo Balderston, "German Banking between the Wars: The Crisis of the Credit Banks," *The Business History Review*, 65.3 (1991), p. 567.

<sup>10</sup> Balderston, p. 564.

and the growing inability to repay their debts, banks had to pay out matured short-term foreign loans, but the capital to do so had effectively been lost. The second problem was that so much of this investment came from outside of Germany. Almost half of the money in German banks at this time was foreign, so if (and when) that money was removed, bank supplies of currency would rapidly decline. If German domestic withdrawals accompanied this foreign withdrawal even in small amounts, the entire system could easily become destabilized.

Following the stock market crash of October 29, 1929 and the collapse of world financial markets, capital flight from Germany became a real problem. One historian posits that 50 to 60 percent of the total deposit contractions from mid-1930 to July 1931 came from foreign withdrawals: this amounted to almost 5 billion RM.<sup>11</sup> This rapid outflow would prove problematic in two respects. First, the banking climate in Germany during the late 1920s was increasingly competitive. Smaller banks, in order to avoid mergers or takeovers, had to relax their borrowing restrictions in order to remain competitive, as they were losing money when the foreign withdrawals began. Especially following the deflationary policies of Heinrich Brüning, who came into office in 1930, the smaller supply of money in circulation compounded this problem by undermining banks' basic positions of liquidity. The second aspect was the speculative nature of many banks' lending practices. The Darmstädter and Dresdner banks, two of the banks that would spearhead the banking crisis, loaned large sums of money to the risky textile and municipal sectors. They used the influx of foreign, short-term money to finance high-risk, long-term investments. Once the foreign withdrawals began, they could not compensate for that huge loss of capital.

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<sup>11</sup> Harold James, "The Causes of the German Banking Crisis of 1931," *Economic History Review New Series*, 37.1 (1984), p. 77.

Towards the end of the 1920s when it became clear that the United States could not fulfill the role Schacht and Stresemann hoped it would, both men grew impatient with the United States' lack of commitment to Europe and Germany. Stresemann began to stray from his initial policy of making Germany a key U.S. ally and economic partner. Schacht, disillusioned and frustrated, resigned from German politics in March 1930, and would not make his return until Adolf Hitler's rapid rise to power. A new course of unilateral German assertion and self-promotion – against U.S. interests where necessary – would be taken by the later governments of Franz von Papen, Kurt von Schleicher, and even Adolf Hitler.

### **Setting the Stage for Nazism**

With the Great Depression came even more problems for the German economic recovery. 1930 saw the election of Heinrich Brüning, a nationalist Catholic candidate who inherited a complicated and difficult financial situation. Brüning implemented a series of deflationary measures from 1930 to 1932, and accompanying these were extreme hardships for the German population. He sought to roll back wages, prices, and rents to their January 1927 levels, but his initiatives failed almost entirely. In his account of the German economic recovery in the early 1930s, historian Richard Overton provides an accurate picture of the economic woes facing Germany at the time. The indices of current prices stood at 62 percent for national income, 61 percent for total industrial production, and 78 percent for consumer goods production as compared with the levels in 1928. German exports halved in the same amount of time, with 12.3 billion RM in 1928 to 5.7 billion RM in 1932. Unemployment in Germany was high, with 5.6 million Germans unemployed in 1932 as opposed to 1.4 million in 1928. German gross national



product (GNP) dropped from 91 billion marks in 1928 to 72 billion marks in 1932.<sup>12</sup> These figures show a struggling and desperate economy in the midst of serious contraction; how much of this can be directly attributed to Bruening's deflationary policies is unclear. Even though, as economic historian Adam Tooze indicates, this "brutal process of adjustment" was a normal feature of adjustment to the gold standard for Germany's currency, it remains unclear what the situation would have been without these policies.<sup>13</sup> As unemployment and poverty spread across all sectors, major industries such as insurance and engineering faced "spectacular failures" and currency controls came into effect, mandating that all foreign currency be turned into Reichmarks.<sup>14</sup> The situation was bleak, but at this point, not hopeless.

When Bruening asserted German nationalism, further strain was added to an already limping financial system. By turning his rhetoric against the French in particular, and by subsequently issuing a demand for the end of reparations on June 6, 1931, Bruening panicked foreign investors. There was great anxiety that Germany was about to announce a unilateral moratorium on its reparations payments – which, ironically, was a right afforded to the German government under the new Young Plan. Bruening's provocative statement triggered a run on the Reichsbank's reserves, which saw 2.6 billion RM fall to only 1.9 billion in a few weeks, dangerously close to the minimum required for gold-exchange banking.<sup>15</sup> Because of the heavy bias towards foreign investment, this rapid outflow of currency depleted banking stocks to dangerous levels.

The combination of all of these factors produced a severe banking crisis that came about in mid-July, 1931. The failure of the Young Plan, foreign investment withdrawals and some

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<sup>12</sup> Richard Overly, *The Nazi Economic Recovery 1932-1938 (2<sup>nd</sup> ed.)* (Cambridge: Cambridge University Press, 1996), p. 14.

<sup>13</sup> Tooze, p. 17.

<sup>14</sup> Tooze, pp. 17-21.

<sup>15</sup> Tooze, p. 19.

domestic withdrawals, deflationary financial policies, and nationalist rhetoric all worked to push the German banking system to its limits. The largest commercial bank in Austria, the Vienna Creditanstalt, closed on May 11, 1931 – a month before the opening of Ford’s new factory in Cologne – and further destabilized the German economic situation.<sup>16</sup> Many Germans saw the collapse of the Creditanstalt as the first real signals of impending trouble in Germany, and it created a “panic” of sorts and induced substantial domestic withdrawals from German banks.<sup>17</sup> Correspondingly, the difficulties already faced by German domestic banks came to a head, as evidenced by trouble at Dresdner and DANAT (Darmstadter und Nationalbank), two major national banks, that emerged as early as June 7.<sup>18</sup> DANAT declared insolvency on July 13, 1931, and by late summer 1931, all of the major state banks were under national control. The situation did not improve under either of Bruening’s successors, despite a large-scale work initiative program initiated under General Kurt von Schleicher. However, Schleicher’s plan had as its main goal the rebuilding of crucial infrastructure needed to sustain a military rearmament campaign, not an economic recovery. While it is noteworthy that Schleicher’s plan failed to solve the German economic problems, perhaps more directly relevant here is the fact that, as early as 1932, German rearmament had already started on a limited scale. American corporations did not seem to notice.

### **The Establishment of Ford Motor Company and Ford-Werke AG**

The Ford Motor Company entered an economically unstable Germany in 1925, two decades after the company had emerged as a pioneer and most successful car manufacturer in the United States. The company was the brain child of Henry Ford. The son of an Irish farmer, Ford

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<sup>16</sup> Frank Hill and Mira Wilkins, *American Business Abroad: Ford on Six Continents* (Detroit: Wayne State University Press, 1964), p. 234.

<sup>17</sup> James, p. 71.

<sup>18</sup> Tooze, p. 19.

went against the wishes of his father and instead sought a career in engineering. Ford had been fascinated with mechanics since a very young age. In his youth, Ford enjoyed repairing broken watches for fun and challenged himself to fashion his own toys out of washers, bolts, and metal trinkets. Indeed, the defining moment of his childhood was encountering an agricultural road engine when he was twelve: “It was that engine which took me into automotive transportation,” Ford wrote in his autobiography.<sup>19</sup> When he got older, Henry Ford was notorious for tinkering in his shed late into the night, trying to perfect his “horseless carriage.” In May 1896, at the age of 40, Ford built his first “quadricycle.”<sup>20</sup> The Ford Motor Company was eventually founded in 1903 as an extension of Henry Ford’s design and small-scale production of motor vehicles. The company began in a humble converted factory in Detroit with an initial investment of \$28,000 cash from twelve investors, Ford included.<sup>21</sup> The first production vehicle was the Ford Model A, which had “great merits of simplicity, lightness, and efficiency...its main features certainly conformed to principles that Ford had always championed.”<sup>22</sup> Model designations would change until 1909, when the first Model T was introduced.

The Model T was single-handedly responsible for Ford’s resounding success throughout the second and third decades of the 20<sup>th</sup> century. It was originally produced at the Piquette Road Manufacturing Plant, the first company-owned factory.<sup>23</sup> The company soon outgrew the small facility, however, and moved to a new plant in Highland Park, near Detroit. As demand for his cars began to skyrocket, especially from the upwardly mobile middle class, Henry Ford tried to capitalize on the new technologies available to provide more cars for this market. The new

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<sup>19</sup> Henry Ford, *My Life and Work* (New York: Doubleday, Page and Company, 1922), pp. 22-23.

<sup>20</sup> Allan Nevins, *Ford: The Times, the Man, the Company* (New York: Charles Scribner’s Sons, 1954), p. 156.

<sup>21</sup> Nevins, p. 238.

<sup>22</sup> Nevins, p. 241.

<sup>23</sup> Ford Motor Company, *Research Findings About Ford-Werke under the Nazi Regime*, prepared by Ford Motor Company Archives, December, 2001, p. 5.

Highland Park plant boasted all of the newest assembly line and mass production technology, much of which had been developed by Ford himself. The successes of production soon became tangible. In 1911, the first full year of Model T production at the new factory, the company sold 34,528 vehicles. By 1917, this number had jumped to 730,041.<sup>24</sup> By 1925, Ford sat atop the American automobile industry, commanding an astonishing 45 percent of the market.<sup>25</sup> These new technologies established Henry Ford as a leading innovator for all of industry.

In order to cope with the rigors of this new and intense production schedule, Ford introduced a sweeping series of labor reforms in his business. The mechanized nature of production increased worker turnover tremendously. Whether he sought to prevent unionization or simply because he had a genuine concern for his employees, Ford announced on January 14, 1914 that the new minimum wage for Ford workers would be \$5 per day, instead of the then-current \$2.34 per day.<sup>26</sup> Splashed across the headlines of the nation's newspapers were loud proclamations of Ford's generosity. Overnight, he became a national celebrity. "Even the boy who sweeps the floors will get that much," exclaimed the *New York Times*.<sup>27</sup> Ford had, with this proclamation, changed the industrial and consumer landscapes forever. He empowered a whole new group to participate in the mass consumption culture that was sweeping across America. Ford told his critics that the higher wages would provide for a more efficient work force and would thus increase profits. Despite worried claims from the rest of industry that this was little better than socialism, Ford's business philosophy proved fruitful, and Henry Ford became a billionaire as sales surged and productivity increased exponentially.

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<sup>24</sup> Nevins, *Ford: The Times, the Man, the Company*, p. 644.

<sup>25</sup> *Research Findings*, p. 5.

<sup>26</sup> Max Wallace, *The American Axis: Henry Ford, Charles Lindbergh, and the Rise of the Third Reich* (New York: St. Martin's, 2003), p. 9

<sup>27</sup> "GIVES \$10,000,000 TO 26,000 EMPLOYEES: Ford to Run Automobile Plant 24 Hours Daily on Profit Sharing Plan," *New York Times*, January 6, 1914, p. 1.

The Ford Motor Company's first foray into the European market was through distributors; that is to say, whole components were manufactured completely in the United States and reassembled by one of Ford's distributors in mainland Europe. Ford advertised in local newspapers in France, Germany, and elsewhere in Europe to promote its product. This gave the company an opportunity to break the negative stereotypes about American cars that had been in place since the early 1900's, namely, that they were cheap and poorly constructed. In these early years, Ford established itself as a reputable company with a competitively priced product, and as early as 1907, Ford sold forty-one cars in Germany.<sup>28</sup> Until the mid-20's, entire cars were produced in America, broken down and crated, and simply reassembled by the foreign subsidiary. The assembly plants of Ford subsidiaries were not manufacturing plants which produced their own parts using local supplies and materials. In fact, the German plant was the only foreign Ford subsidiary that engaged in assembly of vehicles, as the rest in Europe were relegated to sales and service of Ford products.<sup>29</sup> This system worked to Ford's advantage, as it allowed the company to avoid investing much capital in its European infrastructure and instead merely provide its dealers and distributors with a product to sell.

With the Dawes plan and the easing of the post war economic uncertainty, many American companies welcomed the opportunity to invest in Germany, Ford included. In 1924, Ford's subsidiary in Denmark sent four employees to Germany to find new dealers and resume the operations that had been interrupted because of the war. It was in this fashion the German branch of the Ford Motor Company was born, in a three room office with ten employees and twenty dealers. On January 5, 1925, Ford Motor Company Aktiengesellschaft (AG) was established in Berlin. At first, vehicle parts were shipped in from Denmark to be assembled in

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<sup>28</sup> Hill and Wilkins, p. 28.

<sup>29</sup> Hill and Wilkins, p. 140.

Germany. In early 1926, a warehouse was rented in Plotzensee, a suburb of Berlin, and this site became the main assembly plant, as well as corporate headquarters, of Ford Motor Company AG. Truck assembly began in April 1926, and Model T's followed in June of that same year.<sup>30</sup> Along with General Motors and Chrysler, German operations for American automobile manufacturers were firmly in place in the Berlin area, although the German Opel was still far and away the best-selling car in Germany.<sup>31</sup>

This arrangement would not last, however, as the political situation changed in Germany. Ford had to cope with the lasting legacy of Schacht's economic reform program, namely, the refocusing on German industry. Schacht hoped to reinvigorate native businesses through a policy of raising tariffs on foreign-produced goods, including automobiles. Barely in its second year of operations at this point, Ford's manufacturing operation in Germany was dealt a severe blow. In 1927, a drastic increase in tariffs required that companies not only assemble but also produce the parts of their vehicles in Germany. The *New York Times* characterized this new tariff as disastrous: "In the declared view of the heads of the factories concerned, the death knell of American automobile assembly plants operating in Germany was sounded this afternoon when the Reichstag passed...the bill raising the tariff duties on automobile parts to the same rate charged for finished cars."<sup>32</sup> This among other factors induced a reexamination of Ford's position in Germany and in Europe as a whole, and the subsequent 1928 restructuring plan called for the establishment of an actual company (not just a manufacturing facility) in Germany. Through the new 1928 plan, Ford England (Ford Motor Company Ltd.) would control 60 percent of the shares of each of the nine European affiliates, with the remaining 40 percent of shares being offered to the public in each respective company. In a similar arrangement, Ford Motor

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<sup>30</sup> Hill and Wilkins, p. 139.

<sup>31</sup> Hill and Wilkins, p. 140.

<sup>32</sup> "High German Duties on Auto Parts Pass," *New York Times*, December 17, 1927, p. 6.

Company (United States) held a 60 percent share in the British firm, with the remaining stock going to the British public.

It is worth noting here that Henry Ford's well-known practice of paying American factory workers high wages to help them afford his product (mass consumption) was not well received in Europe. Ford paid much higher wages than was average not only in European industry as a whole but also in the automotive industry, and this had especially reverberant effects in places where there was a high sense of nationalist sentiment, including France and Germany. These countries (France especially) were starved for labor, and Ford's high wage policy placed extraordinary pressure on his competitors. French critics at the time had "gone so far to say that in his wage policy Ford intends to drive his rivals to the wall because he has sufficient resources to make profit a negligible consideration..."<sup>33</sup>

Henry Ford was cognizant of the nationalist grumblings over his wage policies, and he took steps to encourage European acceptance of his company and policies, such as distributing stock to the European public. Ford structured his foreign subsidiaries in this way largely because he hoped that national participation in ownership would quell nationalist sentiments that were becoming all too powerful in Europe. In theory, he calculated that partial ownership might cause Europeans to embrace Ford not as a foreign operator but as one of their own.<sup>34</sup> Ford stock was distributed to the major corporations in each host country, and in Germany a 15 percent block of the stock went to I.G. Farbenindustrie, one of Germany's biggest industrial corporations. Ford's plan was moderately fruitful, and all of the Ford companies established in Europe successfully stamped their own national character onto the process of producing automobiles in some way. With this company policy in mind, and with an understanding that a more permanent base of

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<sup>33</sup> "Ford Companies in Europe," *Barron's*, July 14, 1930, p. 28.

<sup>34</sup> Hill and Wilkins, p. 194.

operations would be necessary in Germany to ensure the company's longevity, it was decided that a permanent facility was needed in Germany. Against this backdrop, it was decided to construct Ford's first factory on the continent.

In addition to distributing ownership to foreign nationals, Ford sought to implement these procedures in staffing as well. Company directors were hand-chosen from the most eminent citizens of each country. When the German company was founded, Henry Ford asked the director of Ford of Britain, Sir Percival Perry, to find "the best lawyer, the best farmer, and the best industrialist" to head the German company's board. Perry filled all three roles without too much trouble. For the farmer, Perry picked prominent German agriculturist Alwin Schurig. Dr. Carl Bosch, general manager of German industrial giant I.G. Farbenindustrie, was asked to sit on the board as industrialist.<sup>35</sup> Ford's German operations were thus directly linked with the most important industrial firm in Germany.

For the lawyer, Perry found Dr. Heinrich Albert, an attorney who often represented American interests in Germany and had served as Germany's ambassador to the United States immediately after World War One.<sup>36</sup> Albert had the trust of the Americans, and Ford historians Mira Wilkins and Frank Hill write about him that "writing and speaking English with ease, widely traveled...and familiar with the automobile industry, he had unusual talents for shaping company policy."<sup>37</sup> Albert would turn out to be a truly controversial personality. He would stay with the company through the war, and from very early on, Albert would also be the most vocal proponent from within the Ford organization of working with the authorities. Other board

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<sup>35</sup> Hill and Wilkins, p. 196.

<sup>36</sup> Hill and Wilkins, p. 196; *Research Findings*, p. 7.

<sup>37</sup> National Archives and Research Administration, Record Group 407, Entry 368B, Box 1032, "Report on *Ford-Werke Aktiengesellschaft*," Exhibit 3, Memo by Robert Schmidt on relations between Albert and himself, August 13, 1945. Also see Hill and Wilkins, p. 271. Hereafter within this chapter, footnotes from this source will be abbreviated as NARA and referred to as the Schneider Report.



members included Robert Schmidt, purchasing director, whose importance in the plant and status would grow with the arrival of the Nazis, and Edmund Heine, a German-born American citizen.

At this juncture, it is necessary to raise an important question. As the German economy was uncertain at best, why did Ford choose this time to build these brand new facilities in Germany? The answer, of course, is not simple, but much of it can be explained in terms of Ford's growing profitability. Ford Germany brought in a profit of 2,219,000 RM (\$528,333) in 1929, and there was no indication at the time of an impending banking crisis.<sup>38</sup> Indeed, the factors were all in motion for the banking crisis to occur, but few could have predicted if and when it would occur. In 1930, the German Ford Company was the second largest manufacturer of automobiles in the country; 11,500 of the new cars distributed in the German market were Fords (out of a total 79,140 total distributed in that market) – and of all the total cars already on the road and registered in Germany, 20 percent of them were Fords.<sup>39</sup> 1930 saw a continued swelling, with Ford reaching its highest market share that it ever had reached thus far in Germany (and would ever reach), with a total 13,216 vehicles produced out of a total 66,500 produced in Germany.<sup>40</sup> With these numbers, Ford clearly had Opel in its sights and it saw a bright future in Germany. Charles Sorensen, Ford's global head of production and the German company's main contact in Dearborn, lamented in the fall of 1930 how "the way the other makers, including Americans, have beat us there is shameful," implying a firm belief that real progress was not only desirable but absolutely possible.<sup>41</sup> The new factory at Cologne, with its 150-car a day capacity would be the perfect jumping-off point for such a venture, and clearly

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<sup>38</sup> "Ford Companies in Europe," *Barron's*, July 14, 1930, p. 28.

<sup>39</sup> "Ford Progress in Europe," *Barron's*, May 18, 1931, p. 20.

<sup>40</sup> E.J. Palumbo, "Survey of German Motor Vehicle Industry, April 15, 1948," Ford Motor Company Archives, FMC AR-98-213541, Box 131, Appendix: "Production Statistics." Of note to the reader: The Palumbo Report and Barron's don't have matching numbers, one (or possibly both) of them is incorrect. I have included both here for the sake of argument.

<sup>41</sup> Allan Nevins, *Ford: Expansion and Challenge 1915-1933*, p. 553.

Ford saw itself as a major competitor in the German auto industry. Profitability can be seen not only in Germany but throughout the entire European market; in 1929 and 1930, Ford companies in Europe all paid dividends on their shares of 10 percent or more, even after subtracting reserves and extra costs. Total earnings from the European division were up 6.3 percent between 1929 and 1930, from a healthy \$10,281,000 in 1929 to \$10,931,000 in 1930.<sup>42</sup> Even though Ford-Werke was relatively small as compared with the other European subsidiaries, the company's profits jumped 50.8 percent between 1929 and 1930. Such remarkable gains, when other industries in Germany were languishing, made it seem like Germany was a fertile ground for profits.

October 2, 1930 was a milestone date for Ford in Germany, as this was when work began on the new manufacturing facility in Cologne, on the Rhine River. Henry Ford strategically chose this site, despite its proximity to the Western front and France. Access to major water transportation routes was certainly a consideration, not only to receive parts and supplies from the British company but also for distribution purposes—this new plant would produce certain parts for shipment to much of Eastern and Central Europe.<sup>43</sup> The land was cheap enough, and a large and unemployed labor force was available in the city. Perhaps more importantly, the mayor of Cologne, Konrad Adenauer (much later, President of West Germany) guaranteed vast tax concessions for six years, should the company agree to “take your workmen and office employees, as far as possible, from the district of the city of Cologne.”<sup>44</sup> The company agreed, and the fifty-two acre site was purchased.

In the midst of economic difficulties in Germany, Henry Ford himself laid the cornerstone in a rare visit to Europe. Within seven months, the first unit rolled off the line in

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<sup>42</sup> “Ford Progress in Europe,” *Barron's*, May 18, 1931, p. 20.

<sup>43</sup> “Dagenham and Cologne Hold Keys to Ford's European Expansion,” *Business Week*, May 10, 1930, p. 31.

<sup>44</sup> Hill and Wilkins, p. 204.

May 1931.<sup>45</sup> Shortly thereafter, with the Depression at its peak in Germany, production would grind to a halt. German management looked to the prospect of a war debt payment moratorium as good news, a sign that the recovery would surely begin shortly thereafter, but their enthusiasm would be short-lived. The plant, at this time only operating at 13 percent capacity, closed on July 13 for the national bank holiday, and as Percival Perry, head of Ford Motor Company Ltd, wrote to Charles Sorensen, “Everything is at a standstill in Germany...our business is completely stopped.”<sup>46</sup> With the tough economic times came a slump in sales. The balance sheets were reporting losses in the millions of marks. In May and June of 1932, Ford commanded 1.9 and 1.3 percent of the market, respectively (compared to first place Opel, which had close to 20 percent), and Ford fell from second to ninth among German auto manufacturers for the entire year.<sup>47</sup> The German operation had lost over \$500,000 in the first six months of 1932 alone.<sup>48</sup> These were indeed the worst of times for the company, and the future did not look any brighter.

This situation raises two important questions. First of all, how did Ford fall so far, so fast? Total production in 1931 was only 6,021 units (down from 13,216), but it still held a respectable 9 percent of the market. For the entire year, 1932 was the low point for Ford, producing only 1,968 units out of a total 53,257 produced in Germany – a depressing 3.7 percent of the new car market for the year.<sup>49</sup> The banking crisis and the collapse of German credit meant that the normal means available to a corporation for raising funds were not available. Consequently, Ford Germany was forced to pay for materials using notes, and owed over

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<sup>45</sup> Palumbo, p. 9.

<sup>46</sup> Hill and Wilkins, p. 235.

<sup>47</sup> Hill and Wilkins, p. 235.

<sup>48</sup> Hill and Wilkins, p. 247.

<sup>49</sup> Palumbo, Appendix: “Production Statistics.” It is worth noting here that Palumbo’s figures do not match those provided by Ford historians Frank Hill and Mira Wilkins, as they have German production for 1932 totaling 1,728 units (p. 436).

6,000,000 RM (\$1,500,000) to the American and British companies.<sup>50</sup> There is no doubt that once the banking crisis hit, and the general economy succumbed to the depression, there was little consumer purchasing power left for cars. This, however, is only part of the story. The financial situation in Germany amplified all of the nationalist criticism and harassment that the company had already been subject to, albeit in a more muted form. Now, Ford faced an assault on all fronts. German motor interests began to loudly denounce Ford for its “foreign” status. The implications of this will be discussed in more detail below and in subsequent chapters, but it is important to note that this intense pressure placed on the German public not to buy “foreign” products had very real impacts for the company’s sales figures. The prospects certainly looked dark, yet Ford Dearborn made a decision to stay – a decision largely inexplicable on economic grounds.

The second major question that must be asked here once again is why Ford did not leave following the 1931 banking crisis. Even considering the rosy outlook in 1930, it is still a wonder how after seeing the realities of the post-crisis world with their dwindling market share and an expensive factory producing products for a shrinking economy company, executives decided to stay in Germany. Or is it? First, Ford had just completed its expensive and state-of-the-art factory. Leaving such a facility, with its high production capacity and brand new machinery, would have cost the company at least \$4 million dollars, the value of the facilities alone at Cologne. The Ford Germany Balance Sheet for 1931 shows a loss of over 1.6 million Reichsmarks (\$400,000), and in 1932 more than 6 million Reichsmarks (\$1,500,000).<sup>51</sup> Despite

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<sup>50</sup> Nevins, *Ford: Expansion and Challenge 1915-1933*, p. 560.

<sup>51</sup> Henry Ford Museum and Greenfield Village Archives, Acc.38, Box 6, “Ford-AG Balance Sheet 1931 and 1932.” Hereafter within this chapter, footnotes from this source will be abbreviated as HFM. For purposes of this thesis, I will use the exchange rate of about 4.2RM = 1 US Dollar at the time. In 1934 the United States devalued its currency, and the new exchange rate was about 2.5 RM = 1 US Dollar. For an exact exchange rate timeline, see Harold Marcuse’s Historical Dollar-to-Marks Currency Conversion Page, accessed February 20, 2008: [<http://www.history.ucsb.edu/faculty/marcuse/projects/currency.htm>]

losses in Germany in 1931, the entire European operation brought in more than \$3,500,000 that year.<sup>52</sup> Ford was a privately owned company, so it was not compelled to release balance sheets. However, a conservative estimate of Ford's total assets worldwide in April 1931 amounted to \$781,000,000.<sup>53</sup> In comparison to such a staggering number, it seems all the more likely that Ford Germany's losses were considered merely a drop in the bucket. Maybe this was why the losses in Germany were not taken more seriously, or used to justify leaving the country altogether.

Additionally, uncertainty over market conditions dissuaded any drastic decisions, such as a total withdrawal from Germany. In a letter to Charles Sorensen, Percival Perry perhaps summed up the situation best: "Just at the present time international business is awful and no one can tell from one day to the other what is likely to happen."<sup>54</sup> Perry had resigned himself to the German troubles, and he had extensive American financial support helping to absorb the German losses. Perhaps he did not think seriously about closing the operations, hoping merely to ride out the impending storm. The very uncertainty of the future coupled with the very recent memory of sales success both likely contributed to a hesitancy to take any significant action.

### **An Unlikely Role Model for German Industry**

Perhaps another explanation for why Ford chose to stay in Germany, even when the situation seemed desperate, is that it felt that its strong reputation would be sufficient to buoy the company during the tough economic times, at least until the outlook improved. Even before it had an official subsidiary in Germany, Ford Motor Company was well-respected in Germany for its revolutionary methods of production (if not for its cars). Nationalist diatribes against its

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<sup>52</sup> Hill and Wilkins, p. 252.

<sup>53</sup> "Matches, Groceries, Fords," *Time*, April 20, 1931.

<sup>54</sup> Hill and Wilkins, p. 252.

foreign status aside, Ford Motor Company's mastery of production line techniques attracted much praise within German political and industrial circles. Moreover, the technology itself significantly helped Ford carve into the German automobile market once operations had been established, as Ford could undercut its much less modern German competitors with regard to vehicle production costs.

In 1924, while the economic situation in Germany was languishing, discussion about the American economic "miracle" and the revolutionary ideas of Fordism was already widespread throughout German industrial and economic circles. The wild success of American industries, attributed largely to assembly-line techniques and the utilization of the latest technologies, fascinated many Germans with an interest in improving their own economy. As historian Mary Nolan explains, Germans saw America as the "success story" of the 1920s, and that success was "attained by means of rationalization – to use the German term – or efficiency – to employ the American one."<sup>55</sup> Germans saw this success as something attainable, and as former masters of efficient production techniques themselves, they admired the American ingenuity that had allowed for this rapid expansion through productivity. In addition, Germans had the luxury of picking and choosing from the American system what aspects they would try to emulate as they sought to rewrite their own futures. America provided not only the context but also a live case-study to evaluate when determining how Germany should move forward following the chaos of the post-war period.<sup>56</sup>

As the discussion of how Germany should seek to modernize itself through the utilization of these new techniques intensified, there was a growing practical relationship between German corporations and American economic interests. Major firms of all types looked

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<sup>55</sup> Mary Nolan, *Visions of Modernity: American Business and the Modernization of Germany* (New York: Oxford University Press, 1994), p. 6.

<sup>56</sup> Nolan, p. 9.

to America and American methods with an increasing degree of seriousness. Over fifty books were published on American production techniques, technology, and mass consumption, and the topic was examined by publications from academic journals to popular newspapers. They all used America as fodder for their speculation and exploration.<sup>57</sup> Individuals of different professions, including journalists, engineers, businessmen, and even labor leaders traveled to the United States and reported on their findings. These “pilgrimages” became synonymous with progress in German industry at the time. Weimar industrialists went to America in increasing numbers, and as one professor at the Berlin Technische Hochschule who was on one of these trips observed, “at first a few leading personalities came individually...soon the passenger lists of the beautiful ships of the Hamburg-Amerika line and the North German Lloyd looked like a register of the leading industrial firms in Germany.”<sup>58</sup> To this end, German-American academic exchanges started in 1924, and through the program German students were invited to work at American firms for two years following their graduation.<sup>59</sup> Clearly, America was a role model for Germany, but the question remains: why?

This growing fascination with America and its industries was part of a larger trend of growing cooperation between the two nations at this time. However, cooperation aside, America seemed to be the only logical model for the fledgling industrial sector in Germany, which had gone from being an innovative leader to a stagnant and reactionary industrial behemoth. Inflation in the German economy was rampant at this time, yet even the investment that was encouraged because of this inflation did not solve the efficiency crisis. Capital investment went to outdated plants employing old methods of production, and productivity stagnated as Germany struggled to come to terms with smaller markets for German goods both at home and abroad. In

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<sup>57</sup> Nolan, p. 4.

<sup>58</sup> Nolan, p. 18.

<sup>59</sup> Nolan, p. 19.

short, Germany was in the midst of what one observer called a “crisis of competitiveness and a crisis of industrial backwardness.”<sup>60</sup> Almost by default, the Germans looked to Ford and the American auto industry as the pinnacle of American success. German engineer Paul Riebensahm noted that “Henry Ford was not identical to America, but a great deal of what one found at Ford was to be found elsewhere in America.”<sup>61</sup> This statement stemmed from the widely held conviction of the *Frankfurter Zeitung* – namely that Fordism was a valuable tool to be utilized in the reformulation of modern German economic life.<sup>62</sup> Henry Ford’s methods and the American auto industry as a whole were crucial components in understanding America at this time, as it so profoundly shaped all aspects of life there. Yet, despite this fascination with the operations of American car manufacturers, the German auto industry remained plagued by inefficiency.

### **Economic Nationalism and the Rise of Nazism**

In 1932, the National Socialists swept into power on a tide of nationalist sentiment. The German population, weary of hard economic times, voted for the party which promised them a better life. The Nazis gained the majority in Parliament, and on January 30, 1933, Adolf Hitler was appointed the Chancellor of Germany. The Reichstag fire followed a month later, and provided the new chancellor with the grounds to consolidate his power. The Reichstag proceeded to pass laws granting Hitler ultimate authority in matters of state. Political parties were outlawed, as were trade unions. Following the death of President Hindenburg in August, there was no longer anyone in the government to challenge Hitler’s dictatorial tendencies. The Nazi state had begun its reign of terror.

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<sup>60</sup> Nolan, p. 22.

<sup>61</sup> Nolan, p. 31.

<sup>62</sup> Nolan, p. 31.



With the rise of Hitler and the Nazis the most drastic economic changes would be instituted in Germany. While it is very easy to simply write off the improving economy under Hitler as a result of rearmament, this is an overly simplistic account of the multi-faceted recovery. A full-scale economic recovery would not come until later in 1933. A closer look at the policies of the Nazis shows quite clearly that many of the massive worker mobilization efforts and other reforms, while excellent fodder for the propaganda reels, actually had little impact on the economy. As historian Richard Overby posits, there was no one factor responsible for the recovery of the Germany economy. The aforementioned labor mobilizations, natural movement in the business cycle, an increased demand for consumer goods, and new government interventions all played a role in the recovery.<sup>63</sup> For our purposes here, however, the government intervention component is worth a second look. Understanding corporate responses to both Weimar and Nazi policies illuminates much of the behavior of our subjects of study, namely Ford-Werke AG and the auto companies in Germany.

As I have described above, Weimar Germany was characterized by instability and unpredictability, on both the geopolitical and national levels. And much to the chagrin of nationalist elements in Germany, including the Nazis, this was largely a result of Germany's dependence on foreign markets and economic factors outside of their control. The economic nationalists made a primary goal of changing this fact, and by means of widespread intervention and autarky, sought to assert government control over the economy. The Nazis and their anti-liberalism suited this venture perfectly, and in this matter the interests of the Nazis coincided with those of major German corporations. As Hitler wrote in *The Secret Book*, economic

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<sup>63</sup> Richard Overby, *The Nazi Economic Recovery 1932-1938 (2<sup>nd</sup> ed.)* (Cambridge: Cambridge University Press, 1996), p. 24.

institutions should primarily serve the needs of the state, especially as they pertained to the military.<sup>64</sup>

The Nazis brought a much desired stability to Germany, as Hitler announced that he did not want to pursue any radical economics but instead develop and strengthen Germany's industrial core. In truth, this stability was only superficial, as the economy was now the hostage of Adolf Hitler and Nazi politicians rather than market forces. Still, this semblance of stability, especially when compared with the last turbulent years of Weimar, was welcomed in Germany. No longer did ordinary Germans have to bring suitcases full of bills to buy bread, and the trains were finally running on schedule. Hitler pleased business interests and common citizens alike when he solemnly explained at a party gathering in July 1933 that "the economy...must be treated with extraordinary cautiousness."<sup>65</sup> Moreover, the destruction of trade unions and the freeze on wages satisfied businesses and encouraged confidence.<sup>66</sup> If the Depression had proven one thing to Hitler and German citizens alike, it was that economic self sufficiency was necessary to German survival. A large part of this quest for self sufficiency stemmed from an even deeper racist ideology obsessed with the purification of the Aryan race, but that is beyond the scope of this study. Hitler's policies with respect to industry would have a profound impact in the years following his rise to power, and these would have direct implications for the American companies doing business in his country.

### **New Challenges: The Regime's "New" Economic Plans**

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<sup>64</sup> William Carr, *Arms, Autarky, and Aggression* (London: Camelot Press, 1972), p. 29.

<sup>65</sup> Richard Overy, "Unemployment in the Third Reich," *War and Economy in the Third Reich* (Oxford: Clarendon Press, 1994), p. 57.

<sup>66</sup> Overy, *Nazi Economic Recovery*, p. 25.

Accompanying Hitler's plans for reinforcing German industry were far reaching new laws regarding international trade, and behind them all was Hjalmar Schacht, former Atlanticist and Weimar politician. When Hans Luther, the Weimar carryover president of the Reichsbank, refused to give Hitler more than 100 million marks for military spending in 1933, Schacht was tapped to replace Luther in that position.<sup>67</sup> Not only did Schacht give Hitler almost unlimited funds for rearmament during his four year tenure as president of the Reichsbank, but his theories on mobilization would guide Nazi economic policymaking for years. Schacht saw Nazism as a third way between capitalism and communism. He wrote that "the essence of my task... is to move step by step to a new but practical form of national economy in which private initiative and public control are brought into a working synthesis."<sup>68</sup> Schacht's "New Plan" focused largely on trade regulation. Imports had to be brought in under license, capital could not be freely transferred abroad, and perhaps most important for American corporations, all earnings in Germany were kept in special blocked accounts. Moreover, the withdrawal of funds from these accounts was heavily penalized and subject to unfair exchange rates to a point that made the removal of profits impossible – effectively forcing these earnings to be reinvested in the German economy through the purchase of German goods and services.<sup>69</sup> As the decade progressed, Ford and General Motors (which acquired the German automobile firm Opel in 1929) found themselves extremely profitable with the upswing in the German economy and auto industry, but this new money was out of reach for them. Hoping that eventually they could access this money, they used it exactly as Hitler expected by expanding facilities – facilities that would prove crucial to Hitler's rearmament efforts.

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<sup>67</sup> Carr, p. 24.

<sup>68</sup> Amos Simpson, *Hjalmar Schacht in Perspective* (Paris: Moulton, 1969), p. 120.

<sup>69</sup> Overy, *Nazi Economic Recovery*, p. 26.

In concert with the Nazis' attempts to assert control over the economy, especially heavy industry, the Nazi government gave a much needed boost to the German auto industry. While Hitler himself had a personal interest in automobiles – indeed, the Volkswagen was his pet project and he was a regular attendee of the Berlin Motor Show – automobiles played a vital role in Hitler's propaganda and economic recovery plans. The policy of *Motorisierung*, or the application of motor vehicles to the German economy, has been stressed as one of the key sectors of economic growth without which recovery would have been impossible.<sup>70</sup> While this essay will not go into a lengthy analysis of the implications of this mass motorization policy, it is important to understand that without it, the responses of the American auto companies might have been much different when Hitler came to power. Perhaps it is even feasible to suggest that if the auto industry was not booming to the degree that it was – and this boom came not only because of a better economy but because of the economy's direct emphasis on automobiles – the companies would have written off their losses as misguided investments and pulled out of Germany altogether.

The German government under Hitler played a crucial role in creating the environment friendly to the auto industry. First and foremost, it made car ownership easier. On April 20, 1933, a crucial new law was passed, and read as follows: "Personal motorcycles and motor vehicles, and general omnibuses driven by internal combustion engines, which come into operation for the first time after March 31, 1933, are freed from tax."<sup>71</sup> What this effectively meant was that the heavy burden of automobile ownership taxes that had previously kept many of those in the working and middle classes from ownership was eliminated. A 1933 study prior to this new law calculated that a car costing 2800 RM would cost about that much to run and

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<sup>70</sup> Overy, "Unemployment in the Third Reich," p. 63.

<sup>71</sup> Bernard Bellon, *Mercedes in Peace and War: German Automobile Workers, 1903-1945* (New York: Columbia University Press, 1990), p. 221.

repair each year because of those taxes.<sup>72</sup> A similar law passed in May opened up the used car market as well, by allowing all taxes to be paid up front in one lump sum.<sup>73</sup> Industries could now deduct the purchase of new vehicles. The effect was immediate, and as car and truck sales boomed, by 1935 auto plant productivity was running at 93 percent of capacity, which was far ahead of the rest of German industry as a whole.<sup>74</sup> By using a combination of subsidies, tax breaks, and direct investment, the Nazi government spurred the sector to unprecedented levels of profitability and production; in 1934, production was already 50 percent higher than the previous peak which had been reached in 1929, and infrastructure expenditures (roads) were 100 percent higher than in the peak years of the 1920s.<sup>75</sup> Indeed, as part of the motorization initiative, 7,000 kilometers of new superhighways were to be built, and thousands were put to work. In 1934, at the height of the unemployment crisis, road construction employed over a hundred thousand men.

As profit extraction became increasingly difficult, Ford managers inexplicably chose to stay in Germany. The solidification of Hitler's power and the Nazis' grasp on Germany certainly represents one final opportunity where Ford might have pulled out of Germany altogether. There is little doubt that executives on both sides of the Atlantic realized that in the first years of the regime, the company was floundering and costing Dearborn thousands of dollars in carrying costs. Ford had lost not only its promising market position but the very advantages that had propelled it to the top of the auto market in the late 1920s. While the Depression presented difficulties for everyone, for Ford, it became a political question. This was a debate that would play out over the course of several years, during which specific events would all converge to not

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<sup>72</sup> Richard Overy, "Cars, Roads, and Economic Recovery in Germany 1932-8." *The Economic History Review New Series*, 28.3 (1975), p. 474.

<sup>73</sup> Overy, "Cars," p. 474.

<sup>74</sup> Overy, "Cars," p. 475.

<sup>75</sup> Overy, *Nazi Economic Recovery*, p. 47.

only solve the profitability crisis but greatly enhance Ford Germany's operations and position in Germany. Ford's decision-making was much more long-term than short-term in nature, as they were willing to ignore huge losses in the short term. Ford ended up staying largely because management came down on the side of hoping that the regime would warm up to their operations. Additionally, with over \$4 million dollars invested in the facilities at Cologne, the prospect of pulling out completely would mean the loss of that initial investment, and even with losses, the value of the facilities alone was worth a substantial amount.

Moreover, the losses seen at Ford in 1931 and 1932 were not unique to Ford. The entire sector, even market-leading Opel, faced difficulties during this time. Ford managers, in their long-term mode of planning, accepted the state of affairs as a low point in the economic cycle. However, considering this, it is hard to fathom what possible success they saw on the horizon, as nationalist sentiments swirled around Germany and the new factory in Cologne operated at a fraction of its peak capacity. Certainly Dearborn saw no signs of a friendly German government. In May 1931, *Barron's* commented that "taxes bleed the German company more severely than for any other Ford unit in Europe," and the German firm paid an astounding 41 percent tax rate (the next closest was Finland, where Ford paid a 29 percent tax rate).<sup>76</sup> Such high taxes further call into question the judgment of Ford executives, who were barely keeping more than half of the revenue earned in Germany. In this instance, Ford Dearborn was willing to gamble on the fortunes of its German subsidiary and the odds were decidedly against success. Eventually, under Hitler, Ford became a profitable entity again as the regime rearmed, although Ford executives certainly could not have foreseen this in 1931 and 1932 when they hesitated to cut their losses and leave Germany altogether. The conscious choice to accept government orders in later years was preceded by a major managerial shakeup, and by 1935 the company was on the

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<sup>76</sup> "Ford Progress in Europe," *Barron's*, May 18, 1931, p. 20.

path towards profitability again. The decision to stay in Germany during these troubled years cannot be explained by economics alone; there must be other forces at work.

If the first years of Hitler's regime were characterized by the restoration of confidence in the German economy, the later years (especially after 1935) marked the beginning of a trend towards war and rearmament. Hitler made no secret of his intentions, and by the middle of the 1930s, a series of correct guesses made about the Allied responses to his efforts confirmed his suspicions that he could rearm with negligible consequences. In fact, the German government was now able to impose its own rules on the world community, especially with regard to trade, and thus the stage was set for unchecked Nazi aggression. Spearheading the way into the Sudetenland and Poland would be Ford trucks – some of them made in the United States of America.

## CHAPTER 2

# ENTER HITLER AND THE NAZIS: IMPLICATIONS FOR THE GERMAN AUTO INDUSTRY AND FORD-WERKE AG (1933-1936)

The Nazi party rose to prominence on a nationalist agenda. Even though strong German nationalism was evident long before Adolf Hitler, it became a centerpiece of Nazi politics. Pro-German slogans pervaded Nazi rhetoric and policy positions. In practical terms, this would have several implications for foreign-owned business in Germany, especially in the automotive industry. As a keystone of the German economic recovery and crucial cog in Hitler's war machine, the sector's importance within Germany is undeniable. Moreover, Hitler's personal interest in automobiles complicated matters, and the auto industry's strategic position warranted extra scrutiny from the officials. A plethora of regulations, laws, and procedures governed everything from the composition of Boards of Directors to the shape of fender liners. For Ford-Werke AG, this translated into a harsh business environment. Throughout the early and mid-1930s, Ford faced an assault on all fronts, not only from outside but from within as well.

The responses of the auto industry to the new regime varied markedly. Daimler-Benz, the German auto company with perhaps the most visible connection to the Nazi party, welcomed the new government with open arms. Not only did Nazism solve its ongoing problem with labor unions disrupting production in its factories, but also it is quite clear Daimler-Benz managers willingly accepted the regime's new racial ideology as well, as evidenced by several non-Aryan trustees leaving the board in 1933-1934.<sup>1</sup> The fledgling company which had been at 23 percent

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<sup>1</sup> Bernard Bellon, *Mercedes in Peace and War* (New York: Columbia University Press, 1990), p. 220.



capacity in 1932 suddenly found itself with not only a new order for tanks and armored vehicles, but also contracts for aircraft engines, and an infusion of government money for new factories and expansion of existing ones.<sup>2</sup> Under Nazi classifications, Daimler-Benz secured the title of “armaments factories” for many of its facilities, which further guaranteed the company’s stability in the form of raw materials supplies in Nazi Germany. Daimler-Benz’s experience was largely emblematic of the auto industry as a whole under Hitler – quick turnarounds from disaster were followed by huge profits and the gradual transition to arms and military production. As a native German corporation, Daimler-Benz enjoyed the maximum benefits afforded to corporations under the Third Reich, and with close confidantes of Hitler on the board, the company cemented its place in history as a subservient producer for the Nazi regime.

The responses of the American-owned Ford and Opel were certainly less positive. While there is no official record of a response at General Motors, which owned the majority stake of Opel, it is quite certain that the future looked ominous. Opel had been the subject of nationalist diatribes against foreign business in Germany ever since General Motors entered the picture in 1929, and was perhaps targeted directly by the Nazis when the National Socialist Car Corps, a Nazi organization dedicated to automotive concerns, discouraged the purchase of foreign cars (this affected Ford as well). Additionally, Opel had refused Hitler the use of its racetrack and grandstands during a campaign rally, and because of this the company became the subject of Nazi hostility.<sup>3</sup> Moreover, Opel’s contribution to the war effort in World War I made it an attractive target to Nazi officials bent on rearmament. With its modern factories and dominant position in the German auto industry, Opel certainly represented a lucrative entity for the government to take over. In 1932, Hermann Goering bluntly told an American embassy official

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<sup>2</sup> Bellon, pp. 221-222.

<sup>3</sup> Henry Ashby Turner, *General Motors and the Nazis: The Struggle for Control of Opel, Europe’s Biggest Carmaker* (New Haven: Yale University Press, 2005), p. 8.

in Berlin that there would be no way that Opel would remain under American control following the Nazi attainment of power.<sup>4</sup>

Interestingly, on the ground level, Opel factory management displayed some initial resistance to the Nazis and their policies. As the racial politics of the regime escalated, Opel at first resisted, hiding their one Jewish employee from official government surveys and directly avoiding confronting the subject. As pressure mounted, however, they dismissed him – but helped him secure a position in Britain with GM subsidiary Vauxhall, thus saving him and his family from certain death.<sup>5</sup> They also delayed to the extent it was possible the implementation of Nazi workplace regulations, such as propaganda dissemination. Whereas Daimler-Benz enthusiastically welcomed the new regime, Opel's reaction (via GM) showed hesitancy to conform to the new situation. However, Opel too would realize the benefit of working with the Nazis, and any initial hesitation disappeared as profits and market shares increased with the boom in the economy.

Ford was like GM inasmuch as it was an American company with operations in Germany. Curiously, however, it was spared the brunt of the pressure placed on other foreign companies like Opel. There are several explanations for this, including the fact that Adolf Hitler was a great admirer of Henry Ford, but more importantly, the establishment of Ford-Werke AG had not involved an outside takeover of a German firm.<sup>6</sup> This did not mean that Ford had been free from discrimination as nationalism increased in Germany – in fact, quite the opposite was true. The League of German Auto Manufacturers had issued an order against Ford from

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<sup>4</sup> Turner, p. 8.

<sup>5</sup> Turner, p. 22.

<sup>6</sup> Tuner, p. 8.

advertising its new car, the “Baby Ford,” as a true German product in 1932.<sup>7</sup> The difficulties faced under the ultra-nationalist Nazis intensified considerably, and Ford was faced with tough decisions about their operations abroad. The German company wanted to call their new model in 1934 the “Volkswagen.” This was met by a strict rebuke from German automobile industry representatives, who wrote in a letter that “You know how important this name is to us, after the Fuhrer’s speech.”<sup>8</sup> These were just a few of the challenges faced with regards to the “German-ness” of Ford products, and as will be explored in subsequent chapters, proving the German nature of their cars would be one of Ford-Werke AG’s biggest problem in later years.

In much the same way Opel management tried to subvert the Nazis, so was the case at Ford. Right up until the war, Ford-Werke was somewhat successful in dodging Nazi pressures to conform to national automotive standards and production of war material. Percival Perry, Ford of Britain’s director and chairman of Ford-Werke’s board, was ardently against Hitler, and whenever he could, he instructed company officials to not comply with the Nazis if possible. Ford was partially able to circumvent Nazi auto part standardization laws and compulsory labor practices, claiming that they would severely hobble its industrial capacities. When business pressures mounted, however, it became clear to both American and German Ford managers alike that cooperation with the authorities was necessary, and by the end of the decade, Ford-Werke AG was hard at work filling Nazi orders for nonmilitary goods, namely, trucks. As an already small company and one that was still a relative outsider in the German automotive production scene, it depended on government orders for its economic health. This is a perfect example of

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<sup>7</sup> Henry Ford Museum and Greenfield Village Archives, Acc.38, Box 14, Minutes of the Board Meeting September 6, 1933. Hereafter within this chapter, footnotes from this source will be abbreviated as HFM.

<sup>8</sup> Frank Hill and Mira Wilkins, *American Business Abroad: Ford on Six Continents* (Detroit: Wayne State University Press, 1964), pp. 272-273.

business interests and the promise of profitability trumping neutrality, and indeed Ford would become a crucial link in the German rearmament chain.

### **Ford Falls Out with the Nazis**

The situation for Ford in the early 1930s was complicated. A slumping German economy and nationalist outcry against purchasing foreign vehicles weighed heavily on Ford sales numbers, but the sales in Continental Europe were doing very well. Discrimination against the company, both official and unofficial, was rampant because of the firm's foreign ownership. This led to several clashes between the Nazis and Ford-Werke. One prominent incident was when Ford refused to open a new factory in Hamburg, as desired by Nazi economic officials bent on moving vital industries away from Germany's vulnerable western border. After careful deliberations, the Dearborn management decided in August 1934 that the Cologne factory was "ideal" and that a factory in Hamburg would not be constructed.<sup>9</sup> Even though Ford was still a relatively small company inside Germany, the Cologne plant was, aside from the Opel Rüsselheim factory, "the most important and best-equipped single motor vehicle plant in Continental Europe."<sup>10</sup> After Ford's initial outlay of capital to construct it, building another one was simply out of the question. But it was policy decisions such as this one that raised suspicion among Nazi officials of Ford's American ownership. Actions such as the Hamburg refusal demonstrated the extent to which the German Ford subsidiary was subject to direction from non-Germans.

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<sup>9</sup> Ford Motor Company, *Research Findings About Ford-Werke under the Nazi Regime*, prepared by Ford Motor Company Archives, December, 2001, p. 19.

<sup>10</sup> National Archives and Research Administration, Record Group 407, Entry 368B, Box 1032, "Report on *Ford-Werke Aktiengesellschaft*," File: Ford-Werke AG, GED Report, February 1946. Hereafter within this chapter, footnotes from this source will be abbreviated as NARA and referred to as the Schneider Report.

As a product of a wider xenophobic and nationalist ideology, the Nazis were especially wary of foreign-owned corporations with American staff members visibly in charge. Ford's actions prompted a close examination of its business operations, as the German government felt that Ford was actively subverting its agenda. While not unique to Ford, policies implemented by the Nazis sought to control foreign influence at foreign-owned corporations. The Nazis hampered communication, censorship was employed, and vital information could not legally be transmitted back to parent companies abroad. German Ford staff members could not discuss certain "sensitive" matters with the Americans, such as military vehicle designs. In some instances, non-German board members and employees were denied access to certain facilities.<sup>11</sup> This meant that, especially drawing nearer to the outbreak of war, more decisions fell directly onto the German Ford management, and in order to run the business, they had to interpret brief, semi-coded cablegrams from America as to how they were to proceed with certain transactions.

The penalties for foreign meddling in how a German subsidiary operated were quite steep. If the Nazis deemed an American company's intervention in affairs of its German counterpart to be too extreme, they could levy sanctions against both the American and German operations. In a 1935 letter to Charles Sorensen, Dr. Heinrich Albert advised Dearborn that because of a change in German tax law, foreign involvement in company policy could mean additional taxation for the German company. The tax code allowed the Nazis to decrease a corporation's profit if it had direct or indirect economic relations with a foreign business organization.<sup>12</sup> In addition, Albert recommended that Dearborn should not order any changes to management structure or salaries, and that "in the future such things are exclusively done

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<sup>11</sup> A common theme in the postwar interviews of Ford Germany's employees was the veil of secrecy surrounding certain projects. Especially for the Americans working in Cologne, limited access was the norm.

<sup>12</sup> HFM, Acc. 507, Box 98, File: Cologne 1934-1935, Albert to Sorensen, February 8, 1935.

through the intermediary of a German member.”<sup>13</sup> To this end, he concluded, Ford Motor Company Dearborn should not give instructions but only advice. This course should be followed, he recommended, to avoid upsetting the authorities. Dearborn hesitated to relinquish so much control, however, and Albert’s advice fell on deaf ears.

### **A German Enterprise from Assembly Line to Board Room**

Under the Nazis, the key to profitability for foreign companies like Ford was convincing not only the authorities but also the German people that a given product was sufficiently German in origin. In March 1933, even before the forthcoming elections that would sweep Hitler into power, internal documents showed that Ford managers were attuned to the changing winds of nationalism in Germany: “It was the principal pursuit of our advertising to propagate Ford cars in Germany as ‘German products.’”<sup>14</sup> Following the election, another manager’s report stressed that it became a top priority for Ford-Werke to appear fully German: “The general election of March 5 of the Bundestag resulted in a clear majority to the nationalist parties...this makes it absolutely essential to use in Cologne production local material to the greatest amount to overcome obstacles arising out of national feeling.”<sup>15</sup> Ironically, only a few years later, Ford-Werke was absolutely dependent on its American parent company for foreign-sourced raw materials, including rubber and certain metals.

The major hurdle to success faced by Ford in Germany was being recognized as a German operation. Earning the label of “German” would prove to be the defining struggle for Ford-Werke throughout the 1930s. Despite a massive effort to appear German, Ford-Werke was

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<sup>13</sup> HFM, Acc. 507, Box 98, File: Cologne 1934-1935, Albert to Sorensen, February 8, 1935, also see *Research Findings* p. 14.

<sup>14</sup> HFM, Acc. 38, Box 14, Ford-AG Manager’s Report, February 1933.

<sup>15</sup> HFM, Acc. 38, Box 14, Ford-AG Manager’s Report, March 1933.

still labeled as a foreign firm both officially and unofficially. Undoubtedly, official circles held Ford's operations in low esteem. Upon coming to power, the Nazis issued corporations "Certificates of German Origin," which essentially signaled that the goods being produced met German labor and raw materials standards. As early as 1932, the Nazis established that materials used in the production of vehicles had to be 90-95 percent of German origin.<sup>16</sup> By mid-1933, the German Ford operation merited official certification, but the government withheld it.<sup>17</sup> By 1934, it was suggested that the name be changed from Ford Motor Company AG to Ford-Werke AG.<sup>18</sup> The definition of what a "German" product meant changed countless times, with each definitional alteration forcing Ford to play catch-up with the rest of the industry.

Ford Dearborn was concerned about these trends. Charles Sorensen feared that the German government's plans "will regulate makers and give quotas to each manufacturer...Prices will be determined by them, and they are even talking about design. *I am not sure that Mr. Ford would accept this plan anywhere in the world.*"<sup>19</sup> Sorensen was referring to Henry Ford's very simple business model that Dearborn should control the design and approve all final plans for vehicles manufactured under the Ford name. Henry Ford was adamant about maintaining control of this aspect of his business. In his view, no government had the right to control how or to what specification his vehicles were produced. Sorensen's keen observation would turn out to be the case only a couple of years later, when the German government introduced strict standardization requirements for automotive manufacturers. At the time, however, Ford-Werke still enjoyed

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<sup>16</sup> HFM, Acc. 38, Box 14, Ford-AG Manager's Report, March 1933.

<sup>17</sup> Hill and Wilkins, p. 272.

<sup>18</sup> National Archives and Research Administration, Record Group 407, Entry 368B, Box 1032, "Report on *Ford-Werke Aktiengesellschaft*," Exhibit 38, Board Meeting Minutes August 31, 1934. Hereafter within this chapter, footnotes from this source will be abbreviated as NARA and referred to as the Schneider Report. The name would not officially be changed until 1939.

<sup>19</sup> Hill and Wilkins, p. 274.

enough freedom in their operations that Sorensen and the Ford Motor Company failed to act on these concerns.

By 1935, the definition of what made a car German had predictably changed again. The German Automobile Association now proclaimed that a car could not be called truly German unless it “had a German origin of the motor and the firm was controlled by German capital, German norms, and German personnel.”<sup>20</sup> Ford tried to meet these standards, and each year used more products from local suppliers instead of importing them from England or America as it had before. By May of 1935, Ford had produced an all-German car with a four-cylinder engine called the Köln; the more popular V-8 model was still in the process of being transformed over to German manufacture.<sup>21</sup> In early 1936, Ford announced that foreign materials in its Eifel and V-8 models had been reduced to .4 percent.<sup>22</sup> Still, this was not enough.

In addition to the material “German-ness” of their product, Germanization of the corporate structure became increasingly important for Ford Germany in the mid-1930s. Heinrich Albert wrote a letter to Percival Perry in 1935 that it would be advisable for the company to take on the appearance of a German-controlled business. In May 1935, Dr. C.W. Hauss of Berlin joined the Board.<sup>23</sup> This small step was not sufficient to placate the Nazis, and stronger action was encouraged by Albert. To that end, Ford should go “the whole length and create a German majority on the board,” with Albert himself as chairman.<sup>24</sup> In a letter to Charles Sorensen, Albert repeated this idea: “As you will remember my advice for some time now has been to raise the number of German members (on the Board) to five forming a German majority.”<sup>25</sup> On June

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<sup>20</sup> HFM, Acc. 38, Box 33, Minutes of the Board Meeting May 13, 1936. Also see HFM, Acc. 38, Box 28, Albert to Sorensen, August 23, 1935.

<sup>21</sup> Hill and Wilkins, pp. 276-277.

<sup>22</sup> Hill and Wilkins, p. 277.

<sup>23</sup> HFM, Acc. 38, Box 28, Board Meeting Minutes May 1935.

<sup>24</sup> HFM, Acc. 38, Box 28, Albert to Perry, July 2, 1935.

<sup>25</sup> HFM, Acc. 38, Box 28, Albert to Sorensen, December 6, 1935.



11, 1937, Perry retired from the Chairman position and Albert replaced him, the first German to hold that position.<sup>26</sup> Interestingly, despite the German majority on the Board, immediately before and during World War II, the company remained 52 percent American-owned. The Nazis and the Ford-Werke employees saw inherent benefits for the company as well as the regime to American majority ownership of the corporation.

Nazi officials based much (but certainly not all) of their hostility towards Ford on problems with Ford's management. The first manager of Ford-Werke, Edmund Heine, was German-born but a naturalized American citizen. The Nazis saw him as haughty and disliked his seeming lack of effort to ingratiate himself and the company with Nazi officials. As the situation at Ford-Werke deteriorated and huge losses mounted, he was fired. Replacing him in 1935 was Erich Diestel. Diestel was respected for his managerial abilities and had recently been the mayor of a Hamburg suburb, Altona.<sup>27</sup> He was highly recommended by Heinrich Albert, who had worked with him at Holland-America shipping. Valentine Tallberg, an American supervisor at the Ford Cologne factory, did not share Albert's enthusiasm. Diestel, he remarked, knew nothing of cars or the automobile business. He "couldn't drive a car; he never even owned one...He wouldn't know a blueprint from a piece of steel." Despite a general ignorance of company policies and unfamiliarity with the industry, he was confirmed as manager on May 28.<sup>28</sup> Following Diestel's appointment, the Nazis continued to complain about incompetent foreigners controlling the company, and Ford's standing with the Nazis remained low.

Under Diestel, the company began a slow turnaround. Production numbers improved and profits began to increase. Concurrently, however, a personal antagonism developed between Diestel and Albert. This came to a head when Albert discovered that Diestel was of Jewish

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<sup>26</sup> HFM, Acc. 38, Box 37, Board Meeting Minutes June 11, 1937.

<sup>27</sup> Hill and Wilkins, p. 275.

<sup>28</sup> Hill and Wilkins, pp. 275-276.

ancestry; he appealed to Dearborn for his dismissal. Albert wrote in a letter to Edsel Ford in 1935 that “only recently I was taxed once more by a government department with the composition of our leading staff: a half-Jew at the head...the next two men foreigners [referring to E. Vitger and R. Sorensen (no relation to Charles), both Danes] and only the head of purchasing [R. Schmidt]...a full blooded citizen.”<sup>29</sup> The Nazis did not hesitate to interfere with the Diestel affair, and took action of their own to deal with it. Three months after Diestel’s appointment, a Ford employee was sent to Cologne from Dearborn to help with sales. This employee, E.J. Diefenbach, became aware that Diestel was of Jewish ancestry from a former associate of Diestel’s in Hamburg. Apparently, Diestel’s mother’s paternal grandfather was described as a “Jewish merchant,” and Diestel had been forced to resign his job at the Berlin Electrical Works when it was discovered that he had claimed Aryan descent in his application for membership in the Nazi party.<sup>30</sup>

Around the same time as this became publicly known within Ford circles, several Nazi officials came to Diefenbach “in an attempt to open a direct line of communication with Dearborn.”<sup>31</sup> Diefenbach took it upon himself to become an intermediary of sorts between the Nazis and Ford Dearborn. Diefenbach proceeded to write a long letter to Dearborn, in which he elaborated on the Nazis’ concerns about Ford, their disapproval of Diestel as a manager and their distrust of Albert.<sup>32</sup> Diefenbach wrote that apparently Albert had promised the German commerce minister that in choosing a new manager for the company, the Nazis would be pleased with the selection. The selection of Diestel, with his inexperience and (by definition) Jewish

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<sup>29</sup> HFM, Acc. 880, Box 8, Albert to Edsel Ford, August 17, 1936. Parantheticals mine.

<sup>30</sup> HFM, Acc. 38, Box 28, Cologne List E, Ohlsen to Diefenbach, August 19, 1935 and Director of Hamburg Electricity Works to Ohlsen, August 19, 1935.

<sup>31</sup> *Research Findings*, p. 9.

<sup>32</sup> *Research Findings*, p. 9.

heritage, infuriated the minister, who reported directly to Hitler.<sup>33</sup> While embarrassing for Albert, the letter held little sway in Dearborn. Charles Sorensen remarked in a letter back to Albert that Diefenbach was a “fool” for going over his (Albert’s) head when he had specific instructions not to do so. In his reply back to Sorensen, Albert assured him that he would “fight every effort...to interfere with our private business.”<sup>34</sup> He observed that the “Jewish question” could turn into real sales resistance, even it is without merit, but that Ford had to take such things seriously in Germany “according to the present mentality of the people.”<sup>35</sup>

This raises the question why Ford chose to hire such a controversial person to be its leading manager in Germany during this time, and following the pressure placed on the firm by the authorities, why they retained him. The recently revived German economy at this time was booming, and the automotive industry was a major beneficiary of this newfound prosperity. Ford-Werke, however, was still classified as a foreign company, so finding a native German industry insider to leave a German firm for Ford-Werke was impossible. Diestel’s industry outsider status was seen as a major plus for his candidacy. He could learn Detroit methods and would be less apt to try and run the business his own way.

Diestel is an interesting character in the saga of Ford-Werke. Into the later 1930s before his dismissal by Ford, he actively courted German military officials for contracts. Diestel represented the company at many government meetings, and served as liaison with high-ranking officials. As he settled in to his post, however, he became the object of Heinrich Albert’s scorn. It is probably the case that the objections raised by the Nazis as communicated by Diefenbach were overstated, and represented more of an attempt by Albert to push Diestel out. Dearborn’s

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<sup>33</sup> Ford Motor Company Industrial Archives, AR-98-213541, Box 131, File: Supplemental – Excerpt from Ford-Cologne - 1930s, Diefenbach to Roberge, September 12, 1935. Hereafter within this chapter, footnotes from this source will be abbreviated FMC.

<sup>34</sup> HFM, Acc. 38, Box 28, File: Cologne List E, Albert to Sorensen, October 2, 1935.

<sup>35</sup> HFM, Acc. 38, Box 28, File: Cologne List E, Albert to Sorensen, October 3, 1935.

anger over Diefenbach's overstepping his role in Cologne cast another layer of doubt on the claims levied against Diestel. Diestel's managerial abilities were quite good, and throughout the war the Nazi officials used his efforts elsewhere in the war planning economy.<sup>36</sup> Robert Schmidt recalled that during the war, Diestel was appointed by the Nazis to supervise a Dutch firm operating in Germany. His official appointments call into question the degree to which Diestel's Jewish heritage actually mattered with the authorities. The reality was that Diestel turned against the man who brought him in and began to run the company as he saw fit. Ford documents fail to elaborate on the nature of the personal conflict that developed between the two men. One account cites Diestel's recommendation that Albert receive a lesser salary for his work from Dearborn.<sup>37</sup> However, it can be intimated from the limited information that Albert became frustrated with Diestel's boldness and a perceived lack of respect for Ford company policy.

While German Ford managers pushed for Diestel's removal from his post, Dearborn stood firm and insisted on retaining him. The Americans refused to allow what they believed to be a racially-based and irrational German policy to determine who led their company, and this was magnified by the fact that under Diestel, the company had thus far enjoyed growing profits and better standing in the German automobile market. Total sales in 1935 were over 42,000,000 RM, a 50 percent improvement over the previous year. 1936 saw another 50 percent jump in total sales, to almost 65,000,00 RM. Production numbers were similarly promising. Between 1935 and 1936, Ford-Werke almost doubled its total production of motor vehicles, from 12,768

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<sup>36</sup> This casts doubt on Diefenbach's claim that he "infuriated" the Nazis. See *Research Findings*, p. 12, footnote 61, for detailed information about Diestel's activities upon leaving Ford-Werke.

<sup>37</sup> See *Research Findings*, p. 11, footnotes 56-57 for a more detailed account of the personal quarrels that developed between Albert and Diestel.

in 1935 to 20,289 in 1936.<sup>38</sup> For the Americans, who made decisions based on profit margins, Diestel was doing a good job.

Once again, Dearborn miscalculated by putting its faith in Diestel. Diestel's management of the plant became more and more unacceptable to Dearborn and Cologne alike. His tendency to be "dictatorial" and act like he knew everything (despite having absolutely no knowledge only a short time earlier) earned the enmity of his colleagues. Diestel was pushing the company in an unfavorable direction. This was epitomized when in June 1938 he applied for Ford-Werke to be a member of the Reich Automotive Association (it was not a member at this time) without the approval of the board of directors.<sup>39</sup> In July, he crossed Dearborn as well. In a move that greatly infuriated Sorensen, Diestel violated a Ford directive when he chose to revive a wood fuel generator program for the German government that Sorensen had ordered shut down.<sup>40</sup>

In November of 1938, Diestel was fired. It is unclear, however, whether this newfound success was *because of* or *in spite of* Diestel's presence at the company. Much of the profitability that had been realized under Diestel was more a direct result of the financial restructuring of Ford-Werke operations before his arrival as well as internal production improvements; in Dearborn, however, isolating the exact cause of the German success was difficult. Dearborn saw a stronger bottom line and associated it with Diestel rather than these other factors, which in hindsight, seem to be a more reasonable explanation of Ford-Werke's new success in the middle to late 1930s. Diestel was the company Chairman, and thus the most

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<sup>38</sup> E.J. Palumbo, "Survey of German Motor Vehicle Industry, April 15, 1948." FMC AR-98-213541, Box 131, Exhibits C and G-a, Ford-Werke Total Sales and Production Statistics.

<sup>39</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 147A, letter from Albert to Diestel, June 18, 1938.

<sup>40</sup> HFM, Acc. 38, Box 40, File: Germany Jul-Dec 1938, Sorensen to Diestel, July 29, 1938; Also see Sorensen to Albert, July 29, 1938.

visible figure associated with the company both within Germany and the United States. He was the man who could claim the credit for success, and take the blame for failure.

The Diestel affair was one of the first cases of a split between the two Ford managements. The German managers, led by Albert, sought to accommodate the Nazis' wishes. The Americans, however, were adamant in maintaining their control over Ford-Werke's affairs, and to that end, sought to separate business and politics. While the Diestel matter had relatively little fallout for the company, it demonstrates two key points about the realities of conducting business in Germany. First, there was now a rift between German and American management, which would only widen as years would go by. Albert seemingly had two personalities, and they showed themselves in the Diestel affair. When dealing with the Americans, he was a champion of company interests, the man who would stand up to the Nazis and defend the basic rights of Ford-Werke. Albert played a dangerous double game, however, and sought to ingratiate himself and the company with the regime as much as he could within the bounds of Ford policy and without upsetting Dearborn. Albert was not a Nazi but a pragmatist, and he realized that the future of business in the Third Reich would require working with the authorities and meeting their demands. Second, escaping the political situation in Germany was becoming increasingly difficult for Ford as the Nazis wove ideology into every sphere of life – not even business was immune. It had already been decided years earlier in Dearborn that leaving Germany was not an option, and leaving now that the company was profitable was ruled out altogether. As would soon become apparent, however, continuing operations presented a whole new host of demands.

### **Corporate Cooperation**

Another way that corporations, including Ford, sought to combat discrimination was through strategic alliances and partnerships with already established German firms. A 1934 article in *Business Week* explained that this kind of commercial cooperation was becoming more common for American companies doing business in Germany: “Branch operations are seeking refuge in an alliance with powerful German companies...Ford was the first to inaugurate this practice when he offered a substantial share of his new Cologne plant to I.G. Farben.”<sup>41</sup>

Cooperation could be accomplished in a number of different ways. The first was taking over a pre-existing German enterprise. This was the course taken by General Motors, which purchased Adam Opel AG, a well-respected German automobile manufacturing company, in 1929. GM was involved in the day to day running of Opel and sent staff members from Detroit to assist the company. By taking over a firm with a solid German reputation while outwardly maintaining the company’s autonomy (even if behind the scenes they were very much involved in running the business) a good relationship with the German people was maintained. Furthermore, from the very beginning of the Nazi regime, Opel sought to fulfill the wishes of the Nazis, guaranteeing a steady flow of government contracts. It was able to do so because of GM’s corporate model of brand decentralization, which differed significantly from Ford’s, which called for top-down control. Whether it was complying with standardization regulations, providing cheap transportation to the German public, or constructing a new truck factory in central Germany (at Rüsselheim) according to the authorities’ demands, Opel was the darling of the regime. By allowing the government a considerable amount of influence in company policy, General Motors curried favor within the regime, and Opel was spared much (but certainly not all) of the harassment faced by Ford in the early and mid 1930s.

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<sup>41</sup> “Branch Plants Hit,” *Business Week*, October 20, 1934, p. 27.

Ford, on the other hand, took a different course. Ford was susceptible to widespread official and unofficial discrimination because of its policy decisions that were at odds with the goals of the regime. Whether those decisions actually were at odds with the regime is debatable, but what mattered was the perception that Ford was subverting Nazi wishes. Henry Ford's ambition to produce a product for the world market, and not specifically for the German one, upset the German public and government alike. However, Ford sought to rectify the situation from a very early stage through inter-corporation cooperation. Ford's philosophy on his foreign subsidiaries was that while the majority stake should always be held by Dearborn, the minority shares should be controlled by the populations of the country where the subsidiary was domiciled. In much the same way that good wages could help his workers in America afford his product, so he hoped the situation would unfold in foreign countries. Especially in Germany, this policy earned the enmity of Ford's native German competitors, who felt that Ford's lofty wages and ability to absorb larger losses would drive them out of business. Even before the Nazis came to power, the German government was wary of these concerns, and often acting through unofficial channels such as automobile associations, discouraged the purchase of Ford's products.

In 1929, Percival Perry decided that selling a large block of shares to the German industrial giant I.G. Farbenindustrie would help the company gain traction in their new German market, while remaining true to the philosophies espoused by Henry Ford. Dr. Carl Bosch, chairman of Farben, sat on Ford-Werke's Board of directors; upon his death in 1940, he was replaced by Carl Krauch, who had become chair of the corporation.<sup>42</sup> Edsel Ford was awarded a reciprocal position on the board of General Aniline and Film, I.G. Farben's American subsidiary, although he never attended any board meetings and resigned from the position following the

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<sup>42</sup> *Research Findings*, p. 6.



outbreak of war in 1941.<sup>43</sup> Farben was the second largest shareholder of Ford-Werke. At its height, the industrial giant owned a 15 percent stake in Ford-Werke. In an interview with Ford company historians Allan Nevins and Frank Hill in 1952, Perry explained that

“When you come to Germany, you do it very differently. The best way to get in to the German public, as a public, is to issue not all the shares but a big block of them [to] I.G. Farben ... the biggest industrial undertaking in Germany. ... We did issue a big block of shares to I.G. Farben. That was the shortest way I knew of getting into the German public. ... The German public were very heavy shareholders in I.G. Farben.”<sup>44</sup>

Even though this protective measure taken by Ford had some initial success, with the rise of the Nazis came even more intense pressure to Germanize. The alliance with I.G. Farben was no longer a sufficient corporate tie to shield Ford from the worst of the prejudice. At this point, company executives began to explore the possibility of merging with or acquiring another German firm. The shield of having another corporation’s interests tied up with those of Ford-Werke was no longer sufficient to protect Ford-Werke from harassment. Moreover, it was not enough to have another German firm (Farben) as a shadowy owner of stock, relegated to the background. A more perceptible joint operation with a German firm was required.

Company executives, especially on the German side, hoped that a highly visible union with an established German company would alleviate much of the pressure that was being placed on Ford at the time. The firm that presented itself for the venture was Stoewer-Werke AG, an outside automobile manufacturer based in Stettin. Stoewer management approached Heinrich Albert in 1935 to discuss the possibility of a merger with Ford-Werke. Stoewer had many government contracts with the Nazis, but because of cash flow issues, was having difficulty

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<sup>43</sup> NARA, RG 60, Entry 285B, Box 78, File: General Aniline and Film, History and Analysis of the Control of General Aniline and Film Corporation, October 1, 1941.

<sup>44</sup> *Research Findings*, p. 117. Full text of the interview can be found in HFM, Acc. 65, Box 52, File: 65, Interview with Lord Percival Perry, March 28, 1952.

filling those orders. The merger even caught the attention of Adolf Hitler himself, as Wilhelm Keppler, Hitler's economic advisor, communicated to Ford executives that Hitler had taken a personal interest in the merger discussions.

Managers on both sides of the Atlantic were excited about the prospect of this merger, for it represented a valuable opportunity to solve many of the problems Ford-Werke had been facing. Albert concisely observed of the merger that "the individual advantages (Germanization of the name, solution of the location problem, etc. etc.) would support this... We should have access to... buyers. Orders would be placed with us by the authorities."<sup>45</sup> This merger would sufficiently ingratiate the company with the government, whose approval and official recognition had still not been bestowed on the German Ford operations. By doing something both the officials and Party desired, he wrote, opposition to Ford on the grounds of its foreign ownership could disappear; the merger would be a meaningful service to the "Government and all Ministries concerned, the Fuhrer and Chancellor himself taking a personal interest in the matter."<sup>46</sup> American executives liked the fact that Stoewer had an auto body factory, which would make Ford-Werke less dependent on other suppliers. In addition, they noted, Stoewer had valuable government contracts that Ford-Werke had been unable to access thus far.<sup>47</sup> Approving the merger in principle, Ford Dearborn went ahead and made a loan of 500,000 RM to the ailing Stoewer, pending a further investigation of the company and its financial situation.

While these discussions were taking place, Ford's fortunes in Germany improved substantially. Irrational behavior from Hitler, usually Ford-Werke's biggest obstacle to success in Germany, worked in favor of the company and helped jump-start sales. In February 1936, Hitler visited the Ford display at the Berlin International Automobile Exhibition and posed for

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<sup>45</sup> HFM, Acc. 38, Box 33, Albert to Sorensen, January 20<sup>th</sup>, 1936. The parentheses are Albert's, not mine.

<sup>46</sup> HFM, Acc. 38, Box 33, Albert to Sorensen, January 20<sup>th</sup>, 1936.

<sup>47</sup> Hill and Wilkins, p. 278.

pictures with Erich Diestel. In his opening speech at the show, Hitler went on to praise Henry Ford as an industrial pioneer and whose methods should be followed by the German auto industry.<sup>48</sup> Shortly thereafter, Hermann Goering purchased a new Ford car, and dealers took orders for 2,000 units in March 1936 – an unprecedented figure for the company.<sup>49</sup> Albert remarked during this time that during the time of the pending merger, “nobody dared attack us.”<sup>50</sup>

Unfortunately for Ford, further investigation of Stoewer-Werke revealed that Stoewer was a deeply troubled company. A report compiled by Erhard Vitger of Ford-Werke in July 1936 revealed that the company was all but bankrupt. It had operated at a loss for years, had large debts, and the 500,000 RM loan had been largely used up only in a matter of months. Upon learning this, the American executives firmly refused to pour more money into the venture. With the growing restrictions on the flow of money in and out of Germany, Ford Dearborn reasoned that the chances of recovering the investment necessary to make Stoewer into a profitable enterprise were too low to warrant additional funding, and did not complete the merger. Even though the merger fell through, Ford Germany was still realizing a number of tangible benefits from the talks of it alone. In the interim, sales of trucks had doubled and the company held the second place position (behind GM-owned Opel) in truck registrations. In passenger cars, the company held a respectable fifth place.<sup>51</sup> Much of the prejudice had receded into the background, and while still present, was interfering less with the sales of Ford products. In this way, Ford was able to achieve many of the benefits of a full merger without assuming the heavy burden of Stoewer’s debt.

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<sup>48</sup> Hill and Wilkins, p. 278.

<sup>49</sup> Wilkins, p. 278.

<sup>50</sup> HFM, Acc. 6, Box 97, File:1935 - Cologne, Albert to Edsel Ford, August 17, 1936.

<sup>51</sup> Hill and Wilkins, p. 278.

However, behind the scenes, the respite from official discrimination was brief, and the authorities slowly began ramping up pressure on the company once more. Ford was still not officially recognized as a German operation, and in the increasingly government contract-dominated automotive market in Germany, this was a very large area of the market that Ford-Werke was unable to access. Government regulations began to come down from above regarding what kinds of cars could legally be driven on German roads. The lack of official certification began to impact sales numbers for Ford, especially after the merger fell through. Following the collapse of merger talks, it looked as though Ford would be completely shut out of government contracts forever. And despite (or perhaps in spite of) its corporate relationships, Ford was still not reaching its full potential in Germany. The final hurdle it needed to clear was meeting the new standardization regulations, and finding its footing within a regime bent on rearmament.

### **Standardization Woes**

At the Berlin Motor Show on March 9, 1934, Adolf Hitler fired what came to be regarded as the opening salvo against the German auto industry. In a characteristically nationalist speech, he called for the entire German auto industry to standardize parts: “all the chief parts of any manufacturer’s car should be interchangeable with those of all other makes.”<sup>52</sup> Following Hitler’s lead, the German automotive trade association issued a subsequent decree in 1935 that all automobile parts sold in Germany be made in Germany of German raw materials.<sup>53</sup> Additional decrees would call for German labor to have produced the parts, and that they fit other vehicles with only minor alterations to their design. The entire German auto industry

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<sup>52</sup> Hill and Wilkins, p. 272. Hitler’s speech can be found in the *Voelkischer Beobachter*, March 9, 1934.

<sup>53</sup> Simon Reich, *The Fruits of Fascism* (Ithaca: Cornell University Press, 1990), p. 112.

rallied to Hitler's call, and at least in principle, subjected itself to the standards established by the government – with the glaring exception of Ford. Even though at this time Ford was producing an all-German 4-cylinder car, it would be Ford's attitude – characterized by the Nazis as a disdain for meeting standardization requirements – that would be the biggest obstacle to the acknowledgement of Ford as a genuine German product.

“Standardization” meant that a number of criteria had to be met by the auto manufacturers. In addition to the requisite amount of German materials and origin of designs, all parts had to become interchangeable. Measurements had to be uniform, in metric dimensions. Essentially, whether a wheel, driveshaft, or speedometer was produced by Ford, Opel, Benz, or any of the other manufacturers, it should be able to fit other models with only minor modifications. Meeting this new “German Industrial Standard,” or DIN standard, became a necessary element for getting government contracts, which were becoming increasingly valuable as Germany began its rearmament program. The significance of standardization at this early stage was less about military expediency than political propaganda. At least initially, compliance was a demonstration of submission to the Nazis above all else. Ford historian Mira Wilkins explains that “no German firm applied it [standardization] fully; the important thing was to accept it in principle and practice it within reason.”<sup>54</sup> The military aspect of standardization would not be pushed by the authorities until later.

Why did German authorities care so much about standardized parts? At least officially, it was a matter of bringing the industry under the influence of the regime. Hitler was passionate about automobiles, and as a product of his enthusiasm, looked upon the German auto industry in its then-current state with great disappointment. He wanted to turn an annual production of 500,000 units to 3,000,000; the best way to do this was to standardize parts and eliminate much

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<sup>54</sup> Hill and Wilkins, p. 279.

of the waste that plagued the industry.<sup>55</sup> Behind the grandiose rhetoric was a much larger plan. V.Y. Tallberg, a Ford employee at Cologne, contended at the time that these new regulations were an early clue of Hitler's military and political intentions:

“I don't think there is any question at all that Hitler was thinking of military matters...the very fact that they were so persistent in following what they called the DIN norm, indicated that they were thinking that later on that would be an interchangeability affair...with a few modifications, you could make the parts interchangeable. I have no doubt that the German Government had that in mind and that is why they were so persistent...that we keep to the standards.”<sup>56</sup>

Tallberg's suspicions about the military nature of the Nazis' automotive regulatory policy would prove to be warranted, and standardization became a centerpiece of the Nazi regime's automotive regulatory policy.<sup>57</sup>

Standardization regulations were particularly tough for Ford to meet. During 1935 and 1936, Ford-Werke faced mounting difficulties because of its failure to meet standards established by the government and German automotive trade association. The trade association published a report in 1935, in which it spelled out a list of traits that made a company distinctly non-German, and on that list was failure to comply with standardization regulations. Ford company policy at this time required that the parts produced for any vehicle, no matter where in the world it was produced, be usable on Ford vehicles elsewhere. This meant that they could not produce parts unique to the German market, what the regulations required. As recent as 1928, in the massive restructuring of his European organization, Henry Ford had made it clear that his goal was to bring the “Ford Dream” to Europe, in much the same way as he had done in America. Adapting Ford cars to the particulars of the German market certainly did not fit within this business model.

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<sup>55</sup> Hill and Wilkins, p. 272.

<sup>56</sup> HFM, Acc. 880, Box 1, Mira Wilkins Research Notes regarding Reminiscences of V.Y. Tallberg.

<sup>57</sup> Palumbo, p. 4.

Ford's opposition, therefore, was not to the concept of standardizing *per se*. Rather, standardization had to be done within the Ford organization, not to German standards.

This translated into a semi-paternalistic relationship in which Dearborn supplied the designs and foreign subsidiaries (Cologne included) built vehicles to those specifications. Ford-Werke manager Robert Schmidt remarked that "We did nothing but copy during the early years at Cologne." He added that even Ford's German suppliers copied American designs.<sup>58</sup> Dearborn preferred to keep its subsidiaries on a fairly tight leash with regards to the design of Ford products.

Aside from its philosophical opposition to standardizing to the *German* criteria, Ford faced a multitude of practical difficulties to conform to them. Tallberg remembered how much of a hardship meeting standards, even on a basic level, was for the company: "(Our) German company had to hire a large Engineering staff to cope with this [standardization]... We had to practically take all the drawings that were normally sent to the vendors and rework them into millimeters... which, of course, was expensive and took a lot of manpower."<sup>59</sup> In an appeal to avoid these costs, Albert wrote to the Vehicles Industry Trade Group that the "complete adoption of German standards would involve for our company a radical technical reorganization and the expenditure of very large sums."<sup>60</sup> Ford management in Dearborn was unsure if the investment in the necessary retooling was even worth it. Percival Perry wrote to Charles Sorensen soon after the initial standardization speech given by Hitler: "The real problem is whether to take action to line up with political conditions now existing, or struggle with them under the belief that they will be only temporary and that reconstruction when it comes will be influenced by old

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<sup>58</sup> HFM, Acc.880, Box 8, Mira Wilkins Notes, Interview with R.H. Schmidt, July 18, 1960.

<sup>59</sup> HFM, Acc 880, Box 1, Mira Wilkins Research Notes regarding Reminiscences of V.Y. Tallberg. Parentheticals added for clarification.

<sup>60</sup> HFM, Acc. 38, Box 33, Albert to the Vehicles Industry Trade Group, January 13, 1936.

industrialists...<sup>61</sup> This uncertainly fueled Dearborn's hesitancy to approve cooperation with government authorities, which in turn angered the authorities further. It was a vicious cycle for the struggling Ford-Werke, which was trapped between a hesitating Dearborn and an insisting Nazi government.

Meanwhile, the German management under Albert was heavily in favor of cooperating with the authorities and standardizing the parts as per German regulations. This was a growing tension point between the two managements, but the Germans, bound by the decisions of Dearborn, could not act on their own. As early as June 1934, Albert was pushing cooperation with the authorities and urging early parts standardization.<sup>62</sup> In a lengthy letter dated January 20, 1936, Albert wrote Sorensen in Dearborn of the complexities surrounding the standardization question. Referring to the official prejudice against Ford-Werke products, "the discontinuance of the discrimination is conditional on our introduction of standardization." He described a meeting he had with Wilhelm Keppler, Hitler's economic advisor, who bluntly informed Albert that "Ford was handling the matter in a wrong way. We [Ford] only came to demand something; never were we prepared to do anything which the government desired."<sup>63</sup> This letter was at least partially responsible for prompting the Stoewer merger explorations. Albert closed the letter by informing Sorensen of the state of affairs in Germany at the time: "In the meanwhile, conscription has been introduced in Germany; thus Germany is under the rule of principles of military economy; consequently the question of standardization has now an importance such as it never has before and which we could not expect."<sup>64</sup> There is little doubt that Ford executives,

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<sup>61</sup> Hill and Wilkins, p. 272.

<sup>62</sup> Hill and Wilkins, p. 274.

<sup>63</sup> HFM, Acc. 38, Box 33, Albert to Sorensen, January 20, 1936.

<sup>64</sup> HFM, Acc. 38, Box 33, Albert to Sorensen, January 20, 1936



both in Germany and in Dearborn, clearly suspected the military purposes of standardization. Yet, they seemed totally unfazed by the repercussions of going along with German demands.

Despite the obstinate management in Dearborn, Albert appealed to the Nazis to understand the difficulties imposed on the German subsidiary of the Ford Motor Company. Writing to the Reich Economic Minister, Albert addressed what he (and Ford) felt to be unfair treatment of Ford's operations. He described the standardization of parts as a "vicious circle" for the company. Official harassment hurt sales, and poor sales made raising the huge amount of capital needed to re-tool the factory impossible.<sup>65</sup> Nazi officials consistently referred back to the case of Opel, which willingly submitted to German standards as soon as they were announced despite their American ownership. Opel, unlike Ford, produced models that GM did not sell elsewhere, and having German-specific parts did not affect their global market. At first, this was not a compelling argument with the Nazi authorities. With every month that passed, it appeared as though standardization would be the only escape from the discrimination. After much haranguing, Albert's appeal was successful, as the loss of Ford's automotive markets abroad was an unpleasant reality for the Nazis who were desperate for foreign exchange.<sup>66</sup>

No matter how urgent Albert made his letters sound, Ford officials in Dearborn remained hesitant. They needed hard evidence that there would be a real problem for the sales numbers before they agreed to the huge task and investment of standardizing. Albert reminded Dearborn that not only were the authorities placing their orders with other car manufacturers, but new laws meant that public officials could not even use Ford cars: "No one who is in the public service or on the staff of a Party department or any semi-official department...no member of an undertaking financed by the Government or of any of the industries with which Government

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<sup>65</sup> *Research Findings*, p. 20, and Ford-Werke Records, Albert to Reich Economic Minister, September 3, 1935.

<sup>66</sup> For more information on the German decision to accept Ford-Werke's appeal and the importance of foreign exchange to the German economy, see Chapter 3 of this thesis.

orders are placed...would dare to use a Ford car.”<sup>67</sup> The Ministry of the Interior forbade sales of non-standardized vehicles to post office personnel and court bailiffs. This amounted to an official ban on Ford products, and threatened to spill over to the private sector. In a letter to Edsel Ford, Albert voiced a concern that private citizens might not continue purchasing Ford products considering the plethora of regulations against driving non-standardized vehicles.<sup>68</sup> There was even the widespread perception (it is unclear if it was actually law) that it was illegal to park a Ford car in a public place during these years.<sup>69</sup> With the “public mind against them,” Ford executives on both sides of the Atlantic were forced to critically evaluate their position on the standardization issue.

After a long and drawn out process of wrangling and back and forth negotiating, a compromise was reached between the accommodating German management and the hesitating Americans. A partial standardization was agreed upon. The official Ford policy would be that the “company should follow the German standards with the exception of motors or other important parts where it cannot be done without changing the designs.”<sup>70</sup> In functional terms, this meant that certain parts could easily be standardized; for example, nuts, bolts, and screws, sizes of holes, wheels, tires, etc. Some parts, however, especially in the engines, could not be, including pistons, crankshafts, and connecting rods.<sup>71</sup> In addition, Ford changed its blueprints and tools into metric measurements wherever it was possible. This amounted to meeting about two thirds of the standards, and by May 1936, the standardization of Ford-Werke’s signature

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<sup>67</sup> HFM, Acc. 38, Box 33, Albert to Sorensen, January 20, 1936.

<sup>68</sup> HFM, Acc. 6, Box 297, File: Subject File - 1935 - Ford Motor Co. - Subsidiaries - Cologne, Albert to Edsel Ford, August 17, 1936.

<sup>69</sup> FMC, AR-98-213541, Box V, Oral History of Erhard Vitger by D.B. Tinnin, April 1987.

<sup>70</sup> HFM, Acc. 38, Box 33, Sorensen to Albert, December 17, 1935.

<sup>71</sup> HFM, Acc. 38, Box 33, Sorensen to Albert, December 17, 1935.

product, the V-8 engine, had begun.<sup>72</sup> This was sufficient to please both the managers in Dearborn seeking to retain control over design and production, as well as the Nazis.

Standardization was taken one step further in 1937, when a General Commissary for the auto industry was established. The Economic Group Vehicles Industry, or Wirtschaftsgruppe Fahrzeugindustrie (WiGruFa) had at the core of its mission the reduction of the total number of types of vehicles on sale in Germany. In the short term, vehicle standardization was a response to raw materials shortages, but in the long term, military efficiency and preparing the auto industry for an eventual war.<sup>73</sup> For example, prior to 1937 there were 150 different types of motorcycles being produced in Germany; following the introduction of the WiGruFa, that number was reduced to 30. Similar reductions could be seen in the truck segment, which reduced 113 different models to 19, and in passenger cars, which went from 54 to 30 models.<sup>74</sup> Moreover, new models had to be approved by the regime before they could be produced. This meant that managements of all auto companies (Ford included) were restricted as they had never been before. Staying in business meant filling orders to the Nazis' specifications, and Ford's management gladly accepted the request.

Ford's experience with standardization was defining. The experience comments on the value of Ford to the Nazis. Ford was never forced to fully comply with the regulations, and compromise was reached with government officials as to the degree of standardization necessary. Ford's value to the regime became apparent during this time, because the company could not simply be written off. If that were the case, full compliance would have been enforced and Ford-Werke would have been pushed right out of the country. The Nazis had *no reason* to do Ford any favors unless they saw value in the company. The fact that Ford was the only

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<sup>72</sup> *Research Findings*, p. 20.

<sup>73</sup> Neil Gregor, *Daimler Benz in the Third Reich* (New Haven: Yale University Press, 1998), p. 51.

<sup>74</sup> Palumbo, pp. 4-5.

automotive company whose restrictions were relaxed speaks volumes about the firm's status, even if outwardly it faced much criticism from the regime. The whole ordeal also showed how susceptible the firm was to the decrees issued by the Nazi regime. It was the first time that the company was compelled to conform to German standards, or for that matter, any standards other than its own. This unconsciously removed a major practical and psychological barrier to working with the regime, and consequently, Ford-Werke would become increasingly passive as time passed. What was in it for Ford Dearborn? Ford's own historians perhaps state it best: "The only road it (Ford-Werke) could take to success...was one of teaming up with the National Socialists....The iron hand gripped Cologne firmly, although the velvet glove of approbation and profits (which eventually might be taken) made it fairly acceptable."<sup>75</sup> When the Nazis stepped up their demands on Ford-Werke, first to procure raw materials and then to produce actual war material, it was much easier to simply capitulate rather than resist.

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<sup>75</sup> Hill and Wilkins, pp. 284-285. Parentheticals added for clarification.

## CHAPTER 3

# AIDING AND ABETTING: HOW DEARBORN AND COLOGNE SUPPLIED THE NAZI WAR EFFORT (1936-1939)

Ford managers on both sides of the Atlantic breathed a deep sigh of relief in January 1937. Compromises had been reached with the authorities on the question of standardization, and all parties involved were pleased with the results. The crucial Ford parts were still non-standardized, so they could be sent around the world and used in many markets. Finally, the German Ford operation had been recognized as a German operation, as the propaganda office of the Reich Ministry of Economics publicly recognized Ford-Werke's compliance with German standards. Subsequent declarations were issued on June 18 by the Army and on September 1 by the Traffic Ministry.<sup>1</sup> Even though this certification was a token gesture, its significance lies in the fact that after years of harassment and marginalization by the German authorities, Ford-Werke was finally eligible to compete for lucrative government contracts – and it would leap at the opportunity. Even though funds were still locked in Germany, the prospect of working hand in hand with the authorities was attractive. It seemed as though the difficulties of the past few years, including targeted regulation and discrimination, would cease.

Before proceeding, however, another look at the German economy is in order. Especially relevant for the story of Ford-Werke is the concept of foreign exchange and the German export economy. By mid-1934, foreign exchange reserves at the Reichsbank reached critical levels, and

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<sup>1</sup> Frank Hill and Mira Wilkins, *American Business Abroad: Ford on Six Continents* (Detroit: Wayne State University Press, 1964), p. 281. This is the same Traffic Ministry that had reportedly outlawed parking Ford vehicles on public streets only a couple of years earlier.

new measures created by the Nazis directly limited how much currency could leave the country on a month-by-month basis. Allotments of foreign exchange were controlled by a central office in Berlin, and even everyday German citizens leaving the country on holiday were restricted to 50 RM cash and 150 RM in travelers checks; agreements were reached with certain countries that raised that amount to 500 RM.<sup>2</sup> However, the restrictions extended beyond ordinary citizens. Corporations were affected as well, and the new laws directly limited how much profit could be extracted from Germany by foreign corporations. As early as 1934, the Nazis implemented a series of tight controls on German currency and how it could be spent abroad.

The importance of foreign exchange cannot be underscored enough. Without foreign exchange, business between individuals and corporations – especially those that do business in multiple countries (and thus multiple currencies) – is impossible, and the economic value of international transactions cannot be calculated.<sup>3</sup> Foreign exchange, according to one historian, is “like the circulatory system... transactions serve the medium by which vital elements of the international economic system are brought from where they are produced to where they can be used or disposed of.”<sup>4</sup> The foreign exchange clampdown should have raised several red flags for all foreign-owned companies in Germany in the early 1930s, Ford-Werke included. State controls in economic affairs were not a new phenomenon in Germany or even Europe; many of the neo-mercantilist European rulers of previous centuries concentrated on economic control as they established their regimes. Policies exactly like the one implemented by the Nazis have

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<sup>2</sup> National Archives and Research Administration, Record Group 165, Entry 77, Box 33, “Outline of Action Taken by the German Government to Restrict Allotments of Foreign Exchange and to Control Imports of Industrial Raw Materials,” July 26, 1934. Hereafter within this chapter, footnotes from this source will be abbreviated as NARA.

<sup>3</sup> Christopher Kobrak, “The Foreign-Exchange Dimension of Corporate Control in the Third Reich: the Case of Schering AG,” *Contemporary European History* 12.1 (2003), p. 33.

<sup>4</sup> Christopher Kobrak, “The Foreign-Exchange Dimension of Corporate Control in the Third Reich: the Case of Schering AG,” *Contemporary European History* 12.1 (2003), p. 33.

empirically opened the floodgates for a government to widen its control over society. The dangerous acquiescence to these early controls would prove to be fateful for Ford-Werke.

Concurrent with these new regulations, the power of the Reich Minister of Economics (at this time Hjalmar Schacht) was enhanced. Among his new powers was the ability to ration the imports of certain raw materials that could be produced domestically.<sup>5</sup> The ultimate goal of these controls was promoting German self-sufficiency in raw materials and preparation for military production. Synthetic industries especially were pushed in this climate. Imports were still allowed from abroad, but they were monitored and rationed much more carefully. For example, textiles were mandated to have only certain percentages of natural fibers, the rest being synthetics. The German government stopped using foreign currencies to procure raw materials that could either be produced domestically (synthetically or naturally) or obtained through other means (especially corporations with ties abroad). The Minister could create control boards for specific materials. The boards would then issue permits to purchase raw materials directly to each German manufacturer, regardless of its product. There was some international concern over these new restrictions, and one diplomat observed that “Germany is virtually isolating itself from the rest of the world, or at least attempting to do so.”<sup>6</sup> It is true that Germany was isolating itself, but only relatively. It still relied on foreign trade to earn its valuable foreign exchange, which had to be used on items that absolutely could not be procured in Germany.

American diplomats were keenly aware that these new stipulations had particular implications for the United States, as Germany had a largely unfavorable balance of trade with the United States. German politicians were outspoken in their criticism of U.S. trade policy

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<sup>5</sup> NARA, RG 165, Entry 77, Box 33, “Outline of Action Taken by the German Government to Restrict Allotments of Foreign Exchange and to Control Imports of Industrial Raw Materials,” July 26, 1934.

<sup>6</sup> NARA, RG 165, Entry 77, Box 33, “Outline of Action Taken by the German Government to Restrict Allotments of Foreign Exchange and to Control Imports of Industrial Raw Materials,” July 26, 1934, p. 7.

towards Germany – delivering an intimidated ultimatum that German markets would be lost to American firms if the U.S. either did not extend export credits to Germany or agree to accept more German exports and raw materials.<sup>7</sup> Anger over trade policy added even more layers to the already rampant hostility displayed towards American enterprises in Germany. Meanwhile, diplomats worried that Germany might not be bluffing. German officials emphasized their tight control over imports and loudly proclaimed that they could do without American products in their country. German officials touted the “loyalty of the German people and their willingness to make sacrifices,” which meant that despite the economic hardship such a drastic move would impose on the population, the Nazis were ready to embark on such a course should it become necessary.<sup>8</sup>

The German government’s assertion of power over corporations meant that businesses in Germany *needed* the regime for their own success, and to that end, businessmen in all industries tried to ally themselves with the regime. Under this lens, it becomes exceedingly clear why Heinrich Albert was, from a very early stage in his leadership tenure at Ford-Werke, predisposed to and vocal about cooperating with the authorities.

### **Exporting Rearmament**

While these early regulations certainly had fallout for Ford-Werke as a business in Germany, it was not until 1936 that Ford Dearborn would be pulled into the situation as well. In

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<sup>7</sup> NARA, RG 165, Entry 77, Box 33, “Outline of Action Taken by the German Government to Restrict Allotments of Foreign Exchange and to Control Imports of Industrial Raw Materials,” July 26, 1934, p. 7. The United States policy position at this time was to demand cash payments for its exports to Germany, and it refused to extend “credits” to Germany.

<sup>8</sup> NARA, RG 165, Entry 77, Box 33, “Outline of Action Taken by the German Government to Restrict Allotments of Foreign Exchange and to Control Imports of Industrial Raw Materials,” July 26, 1934, p.8. This last page is an interview with Dr. Puppe, the Reichs Commissioner for Raw Materials. It is interesting to note the report author’s comments about how coldly he (an American diplomat) was received in Puppe’s office, and the author attributes this directly to U.S. trade policy with Germany.



October 1936, Hermann Goering established the first of the Four Year Plans, which were little more than thinly-cloaked war preparation goals and objectives for industry. The Four Year Plan's provisions were not new. It merely re-codified and made coherent piecemeal legislation that had existed in the months leading up to its declaration. These far-reaching plans were designed to regulate heavy industries that would be necessary for military rearmament, and called for increased domestic production of strategic materials such as iron ore, synthetic rubber, and synthetic petroleum.<sup>9</sup> To this end, wherever possible, German native industries were reinvigorated to preserve foreign exchange. The German synthetic rubber industry and iron ore industry both developed rapidly as natural rubber was imported less and foreign ore eliminated almost entirely. The Nazis also used the Four Year Plan to pressure firms with foreign ties to procure raw materials from abroad, in a complicated scheme that would bring in the requisite products without further straining Germany's tenuous foreign exchange position.<sup>10</sup> The German government and Ford-Werke, (by default, Ford Motor Company Dearborn), entered into a series of agreements which called for the German subsidiary to export parts and vehicles in exchange for raw materials from Dearborn (and other Ford subsidiaries).<sup>11</sup> These actions directly strengthened Germany's foreign exchange position in the years leading up to World War II.

For a company to prosper under this new set of economic stipulations, exports had to be ramped up dramatically. The Nazis put pressure on all German firms to send their products abroad in an effort to improve the deleterious German foreign exchange imbalance. The facilitation of import and export trade became intertwined with a company's identification as a German enterprise. Companies failing to comply sufficiently were ostracized or pushed out of

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<sup>9</sup> Ford Motor Company, *Research Findings About Ford-Werke under the Nazi Regime*, prepared by Ford Motor Company Archives, December, 2001, p. 23.

<sup>10</sup> *Research Findings*, p. 24.

<sup>11</sup> *Research Findings*, p. ii.

the country altogether.<sup>12</sup> Utilizing a classic “carrot and stick” approach, German authorities encouraged compliance by granting extra raw materials rations as well as giving companies which did business abroad a favorable exchange rate. With regards to the auto industry, export was stressed even more than other industries, and cars, trucks, and spare parts were exported around the world as a result of this new program. Ford-Werke did its part by exporting parts that could be used abroad, even in standardized form. These included speedometers and other gauges, engine electrical components, and wheels. The most marked difference in export numbers can be seen between 1936 and 1937. In 1936, 12.4 percent of passenger cars (or about 29,825 units) and 9.5 percent of trucks (6,654 units) produced in Germany were exported. By contrast, in 1937, these numbers almost doubled, with 21.6 percent of passenger cars (57,868 units) and 17.8 percent of trucks (14,085) sent to markets abroad.<sup>13</sup> Most of these vehicles went to the rest of continental Europe, with a small fraction going to Africa and the Middle East.

The demands placed on companies by the Nazis could only be met if the regime was willing to be flexible in its policymaking. For Ford-Werke, fulfilling the export quotas dictated from the authorities meant that it could not meet the standardization regulations imposed on the auto industry by the Nazis, as the parts would not fit Ford vehicles in other countries. In a disturbing memorandum to the Nazis that envisioned German world economic power, Albert assured the authorities that there were other benefits to allowing Ford a limited degree of production autonomy: “Ford’s international network would be invaluable in resuming German export sales...and new American models would be made available for production by Ford-

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<sup>12</sup> NARA, RG 56, Acc. No. 56-69A-4707, Box 81, Report of Discussions with Mr. Albert on Tuesday, September 18, 1945, p. 1. As I have shown in previous chapters, however, meeting one criterion for acceptance as a German operation did not mean such recognition was immediately granted. This was certainly not the case for Ford-Werke, which met regime demands but still fell victim to intense campaigns of discrimination.

<sup>13</sup> Ford Motor Company Industrial Archives, AR-98-213541 European Corporate History Project, Box 60, U.S. Strategic Bombing Survey Intelligence Report: German Motor Vehicles Industry Report, p. 2 and exhibit G-2, no date given. Hereafter within this chapter, footnotes from this source will be abbreviated FMC.

Werke at no development cost.”<sup>14</sup> Desperate for foreign exchange and access to foreign markets that Ford-Werke provided the country, the Nazis accepted this argument from Ford-Werke as to why the company should not have to comply with standardization to the same degree as other manufacturers.<sup>15</sup> If Ford-Werke was so inconsequential, as *Research Findings* claims, it does not make sense that the Germans would relax their stringently enforced production regulations for the company, and it would have been driven out unceremoniously. Rather, it seems as though the loss of Ford business for Germany would have been costly enough to warrant special treatment from the regime. Ford, conversely, appeared set on staying in Germany.

In another unexpected accommodating move, the German government even went so far as to offer Ford-Werke a secret export subsidy that it could not reveal to either Dearborn or Dagenham, which allowed the company to reduce its billing prices on exported goods.<sup>16</sup> Ford-Werke manager Robert Schmidt remembered after the war that “the government invented all sorts of means to push export, both financially and otherwise.”<sup>17</sup> The net result of these policies can be seen in Ford-Werke’s healthy export numbers. 1936 was a year of record exports for the company, with a substantial increase over the previous year – 554 cars and trucks were exported as compared with 225 the year before.<sup>18</sup> 1937 was even better following the official recognition

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<sup>14</sup> Karola Fings, Reinhold Billstein, Anita Kugler, and Nicholas Levis, *Working for the Enemy: Ford, General Motors, and Forced Labor in Germany during the Second World War* (New York: Berghan Books, 2000), p. 108.

<sup>15</sup> For more information on these regulations and the tension they created between Ford-Werke and the regime, see Chapter 2 of this thesis.

<sup>16</sup> Simon Reich, *The Fruits of Fascism: Postwar Prosperity in Historical Perspective* (Ithaca: Cornell University Press, 1990), pp. 112-113.

<sup>17</sup> National Archives and Research Administration, Record Group 407, Entry 368B, Box 1032, “Report on *Ford-Werke Aktiengesellschaft*,” Exhibit 54, Memo from Schmidt on rubber and raw material agreement, August 3, 1945. Hereafter in this chapter, this report will be called the Schneider Report.

<sup>18</sup> Allan Nevins and Frank Hill, *Ford: Decline and Rebirth, 1933-1962* (New York: Scribner, 1962), p. 100. It remains unclear how Ford historians Nevins and Hill arrive at the figure cited of a 283.25 percent increase. A postwar report compiled by E.J. Palumbo on the status of the German auto industry cites 1936’s exports as 554 units for Ford-Werke, compared with 225 the previous year. This means they exported a bit more than double the amount in 1936 as 1935, but using these figures, I cannot discern how this is an almost 300 percent increase as stated by Nevins and Hill. Numbers aside, exports certainly were a bigger part of the business in the years following 1935.

by the government, and 7,325 vehicles were sent abroad by Ford-Werke.<sup>19</sup> While no numbers were kept on the total volume of spare parts sent abroad, these also contributed substantially to Ford-Werke's newfound prosperity.

Dearborn did not hesitate to provide assistance to Ford-Werke with its export program. In 1936, the company attempted to placate the authorities' demands by granting Cologne new territory for export markets. Official Ford Motor Company policy called for each center of production (e.g., Cologne, Dagenham, Dearborn, etc.) to have its own "sphere of influence," or markets where that Ford subsidiary had the legal right to supply and distribute vehicles and parts. Dearborn hoped to transfer the markets of Rumania, Bulgaria, and Denmark to Ford-Werke from Ford England.<sup>20</sup> This was not by any means a quick or easy business decision. The semi-independence of each subsidiary – a direct result of the restructuring of European operations in 1928 – meant that Dearborn had to "strongly encourage" the British company to give Cologne these areas, which had been the British company's traditional domain. Sorensen conceded in a letter to Percival Perry that "this will cut into your market considerably" but urged the English company to make the sacrifice.<sup>21</sup> In a letter back to Sorensen two weeks later, Percival Perry responded that he would not "keep off the grass entirely with the Dagenham product, so as to permit Germany to build up a monopoly for Cologne cars..."<sup>22</sup> In March 1937, Perry finally gave in to Dearborn's requests as a result of heavy campaigning from Dearborn management. In a letter to Sorensen, Perry indicated that he understood Dagenham's role in helping Cologne: "the whole world-wide Ford organization...has been trying to help the problems of Ford Motor

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<sup>19</sup> E.J. Palumbo, "Survey of German Motor Vehicle Industry, April 15, 1948." FMC AR-98-213541, Box 131, Appendix: "Production Statistics."

<sup>20</sup> Reich, *The Fruits of Fascism*, p. 112.

<sup>21</sup> Henry Ford Museum and Greenfield Village Archives, Accession 38, Box 33, Sorensen to Perry, November 20, 1936. Hereafter within this chapter, footnotes from this source will be abbreviated as HFM.

<sup>22</sup> HFM, Acc. 38, Box 33, Perry to Sorensen, December 6, 1936.

Co A/G; by buying and by assisting in the disposal of Ford products into territories which, in the ordinary course of business, are closed to Germany.”<sup>23</sup>

Thereafter, both Dearborn and Dagenham bought parts from the German subsidiary. For example, Dagenham ordered \$250,000 worth of magnetos and other parts from Cologne in 1936, which is just one example of how the other Ford operations collaborated in keeping Ford-Werke alive.<sup>24</sup> Russell Roberge, a Ford Dearborn executive who handled foreign business, was probably correct in his estimation of the situation at the time. The choice was either close the German operation altogether or help it realize more sales from within the Ford organization; more sales were preferred.<sup>25</sup> As profits were stuck in escrow accounts, the best Ford Dearborn could hope for was to purchase parts from Cologne, and then re-use those parts in the delivery of vehicles elsewhere under the Ford family of companies. It was certainly a roundabout way of doing business, especially considering that Dearborn probably could have produced the items itself and cheaper. Yet, the health of the German company remained the top priority for Ford, so the American company did what it could.

Echoing this sentiment, Ford-Werke chairman Erich Diestel emphasized that exports were directly tied to a company’s profitability in Germany: “According to present German ideas, an enterprise in Germany is only justified to exist in so far as it submits to the general political and economical requirements of the state.”<sup>26</sup> By transferring these areas away from Ford England, Ford Dearborn hoped to soften some of the harsh criticisms being levied at its German subsidiary at this time, and the policy was mildly successful in achieving this goal. Ford-Werke manager Robert Schmidt referred to these new areas as “the most important part of the globe” for

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<sup>23</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 60C, Perry to Albert, March 10, 1937.

<sup>24</sup> Nevins and Hill, *Ford: Decline and Rebirth, 1933-1962*, p. 99.

<sup>25</sup> Nevins and Hill, *Ford: Decline and Rebirth, 1933-1962*, p. 99.

<sup>26</sup> HFM, Box 2025, File: Ford Motor Co. – Germany 1937, Board Meeting June 11, 1937, Diestel to Sorensen with attached agenda, May 12, 1937.

Ford-Werke's business.<sup>27</sup> This policy made opposing Nazi domination even more difficult later on.

Beneath the veil of economics, there was also a more sinister motive to the rigorous export program advanced by the Nazis. At first glance, it might seem counterintuitive that a regime bent on rearmament would be sending valuable vehicles away. However, a closer look reveals that this was, in fact, perfectly consistent with the aims of the Nazi state. Many of these exported vehicles came with large rebates, amounting to almost 60 percent of the domestic German price. Vehicles were thus sent – very cheaply – to all of the countries the Nazis ultimately invaded, including Poland, Belgium, Holland, Switzerland, Sweden, and even England.<sup>28</sup> Pricing protections existed within each market for Ford-Werke as a member of the Ford family, so each individual German vehicle had a higher profit margin than its British, Dutch, or other comparable domestically-produced Ford counterpart. Ford-Werke was thus able to realize additional profits the other Ford subsidiaries could not, which pleased everyone. This meant that even with a large rebate, the German government still obtained substantial amounts of foreign exchange from the sale, and profited as Ford-Werke exported and sold its vehicles abroad.

Accompanying infrastructure also followed these cheap cars into the rest of Europe. Service stations, stocked with supplies of spare parts and equipment, were constructed in all of these countries, and the skills needed to repair German vehicles were disseminated among the population. Before the war, the Polish government “played into the hands of the Nazis” when it

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<sup>27</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 56, Memo by Schmidt on Rubber and Raw Materials Agreements, August 3, 1945. Schmidt's enthusiasm over these new areas counterbalances the objections of Percival Perry, who resented having to give up these fertile sales ground to the German firm.

<sup>28</sup> Palumbo, p. 5.

gave tax credits to citizens buying cheap cars or constructing service facilities.<sup>29</sup> When the Germans invaded Poland in 1939, many areas were already equipped with service stations that could repair German vehicles, and the same would hold true in other areas including the Low Countries and France. Not only was there a huge stock of vehicles being sent to these countries that could be requisitioned by the invading German army almost immediately, but a support infrastructure already existed to ease the toll of the campaigns on the vehicles.

While there is no evidence that this was a deliberate effort on behalf of the Nazis to prepare for their invasions, there is no doubt that the abundance of cheap vehicles being sold to the civilian population of Europe, both within Germany and abroad, ultimately aided the German military campaigns. It was a direct by-product of the export economy that such an infrastructure would be established. Civilian vehicles, including trucks, could be requisitioned at any time, as explained by a 1942 Ministry of Economic Warfare Report: “many European governments prior to the war embarked on a policy of building up a reserve of vehicles...these vehicles being allowed to remain in private ownership...Germany was undoubtedly a leader in this direction.”<sup>30</sup> This was the case when Germany invaded Austria in 1938, when a majority of the trucks used were simply requisitioned overnight from civilian owners in Bavaria.<sup>31</sup> Over 15,000 trucks were captured from Poland and Czechoslovakia following the invasion, and in total, the army had the capacity to requisition over 120,000 vehicles from civilian use.<sup>32</sup> The German army disguised to the world the motorization of its forces, and the true scale of the level of German force

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<sup>29</sup> Palumbo, p. 5.

<sup>30</sup> NARA, RG 226, Entry 32, Box 1, Report re: Revolution in the German Motor Vehicle Industry prepared by the Ministry of Economic Warfare, p. 14.

<sup>31</sup> NARA, RG 226, Entry 32, Box 1, Report re: Revolution in the German Motor Vehicle Industry prepared by the Ministry of Economic Warfare, December 30, 1942, p. 15.

<sup>32</sup> NARA, RG 226, Entry 32, Box 1, Report re: Revolution in the German Motor Vehicle Industry prepared by the Ministry of Economic Warfare, December 30, 1942, pp. 14 and 17.

mobilization was successfully downplayed. The bulk of German exported vehicles took on a seemingly legitimate place in private ownership.

### **Raw Materials**

The export economy pushed by the Nazi regime, especially in the case of Ford-Werke, also had a third, more indirect goal: the acquisition of increasingly difficult to obtain strategic raw materials, namely, rubber and metals. As early as 1934, with the establishment of control boards and import rationing of rubber and other supplies, the new German government had the twin goals of reducing German dependence on foreign supplies and preserving valuable foreign exchange at the top of its priorities list. In order to obtain the needed materials, the Nazis leaned heavily on firms with foreign connections such as Ford-Werke and Opel. Production quotas, set by the authorities, were directly linked to a firm's ability to bring in raw materials and use its exported goods to pay for them.<sup>33</sup> Ford-Werke's ties to Ford Motor Company would prove to be invaluable for the Nazi regime in this respect.

The first agreement reached between Ford Motor Company, Ford-Werke, and the German government came in June 1936. To ensure that Ford-Werke could deliver vehicles equipped with tires, Ford Dearborn agreed to accept responsibility for fulfilling Ford-Werke's needs with regards to rubber, a scarce and valuable resource. Ford accepted this deal with little consideration given to the economics of the deal, and Ford Dearborn's actions hardly befit those of a profit-making enterprise, but seem more appropriate to those of a charity. To the authorities in Berlin, it seemed like a natural matter of course for the parent company to participate in this process, and contribute to its subsidiary's well being inside Germany.

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<sup>33</sup> *Research Findings*, p. 24.



The system was quite complicated, as German manager Erhard Vitger elucidated this complex barter system:

“They (the German government) suggested that, since Ford was an international company, it should not be too difficult for Ford-Germany to make arrangements with their mother-company to supply Ford-America with certain parts, and in return earn foreign currency – American dollars – which could then be used for the importation of raw materials.”<sup>34</sup>

In addition to Dearborn receiving finished parts from Ford-Werke, new markets formerly held by other Ford subsidiaries were opened to Ford-Werke within which it could export finished products to help pay for the materials. In essence, the changes in export markets discussed in the previous section came as a direct result of the new raw material situation, as finished goods (in this case vehicle parts) were exchanged for raw materials (in this case rubber). The crude rubber obtained as a result of the exchange would be handed over to Ford-Werke’s dedicated German tire suppliers for use on Ford-Werke vehicles. The glaring caveat, however, was that 30 percent of the tires that were manufactured using these supplies went directly to the German government for “official use.”<sup>35</sup> With full knowledge that it was essentially supplying tires for the German government through this agreement, Dearborn raised no qualms. Only a few years earlier, Dearborn had stood up to the regime on the standardization issue, in which much less was at stake. Now, when Ford Motor Company was called upon to give supplies to the German government *without compensation*, not even a faint whisper of resistance came from Dearborn. Once again, a chance at resisting the Nazis passed by without little more than a seal of approval.

This circular exchange system raises a serious question: why would Dearborn go along with such a plan? Ford Dearborn had the largest and arguably the most advanced automobile factory in the world at its Rouge plant, yet from this agreement, Dearborn was basically

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<sup>34</sup> David Burgess-Wise, *The Making of a Multinational: I Didn't Know Enough to be Scared* (internal Ford Motor Company publication), July 1, 1987, p. 36.

<sup>35</sup> *Research Findings*, p. 24; also see Schneider Report exhibits 54 and 65.

compelled to accept minor parts that they certainly could have produced more cost-effectively in their own facilities. At a bare minimum, even if the production costs were identical, they had to shoulder the shipping cost, which from an economic standpoint seems like an unnecessary waste of resources. This is especially true considering that most of these parts were used on vehicles that were *re-exported* by Dearborn to Latin America.<sup>36</sup> This decision was not made for its economic merits, but rather it was specifically designed to keep its subsidiary profitable in Germany. Concurrent with its decision to open up new export markets for the company, Ford Dearborn's initial rubber agreement with Ford-Werke demonstrated an outright desire to placate authorities in Berlin. Rather than see their subsidiary closed and absorb the losses, Ford Dearborn explicitly chose a path that would lead to more sales, regardless of the consequences of supplying Hitler's regime with supplies. Schmidt conceded after the war that "Germany's foreign exchange position was further strengthened by American Ford's practice of placing orders with German Ford..."<sup>37</sup>

If there ever were documents proving the financial benefit to the company, they either have been destroyed or lost forever. The archival record provides no explicit explanation as to what Dearborn expected to gain other than the hopes of eventually collecting their profits. Given the economic irrationality of their decisions, there are two possible explanations for Ford's behavior. The first possibility is that Ford Dearborn received some form of secret kickback from the German government, which would have made it worthwhile to supply the raw materials. The second, and perhaps more persuasive explanation, is that Henry Ford's affinity for Hitler must have played some role.

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<sup>36</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p. 4.

<sup>37</sup> NARA, RG 260, Entry Economics, Box 24, "Ford-Werke A.G. (Ford section omitted from report submitted)," no date given.

The ink had barely dried on this new agreement when a panicked telegram arrived in Sorensen's office on August 27<sup>th</sup>, 1936; the new rubber deal would not be sufficient to cover Ford-Werke's needs after all. New regulations had been handed down from the Ministry of Economics, and all German automotive firms could expect cuts in their official allotments of rubber from the government. "Tire situation catastrophic," began the cable, "purchase of tires in Germany has already been restricted by quota for some time and is now entirely impossible. The only chance left is to import raw material ourselves and have this manufactured into tires (period) if no further compensation business can be soon arranged plant must shut down October 1<sup>st</sup> (period)..."<sup>38</sup> There is no information about whether a contingency plan existed in Cologne, should Dearborn fail to accept the new terms of the agreement. The logical explanation, however, was that Cologne managers operated under the assumption that Dearborn would step up once more, if their past behavior was any indication.

Dearborn cabled back about a month later, and responded that the "export program has been approved in principle."<sup>39</sup> The final agreement called for Ford-Werke to supply truck wheels, wheel bearings, frame extensions, automobile glass, automobile parts, and tools in exchange for the materials needed to produce tires, including rubber, soot, and cotton.<sup>40</sup> It was finalized on November 26, 1936; conveniently, Ford-Werke was dropped completely from government tire consignments two weeks later on December 10, leaving Ford-Werke 100 percent dependent on its parent company for tires.<sup>41</sup> Under the new agreement, Ford Dearborn also had to supply 5,000 tons of pig iron for use in Germany, since "suddenly the section of the

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<sup>38</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 72, R. Schmidt Rubber and Raw Materials Agreement Memorandum, June 14, 1945, p. 4.

<sup>39</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 72, R. Schmidt Rubber and Raw Materials Agreement Memorandum, June 14, 1945, p. 4. "Export Program" refers to the agreement of Cologne providing Dearborn with certain parts in exchange for the required rubber and raw materials.

<sup>40</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 78, Translation of Raw Materials Agreement for 1937 as per Letter of November 26, 1936 by Ministry of Economics, November 26, 1936, p. 4.

<sup>41</sup> Fings, p. 109.

ministry aforementioned simply had forgotten to include this amount in the plan for distribution.”<sup>42</sup> It becomes increasingly clear that the regime was taking advantage of Ford-Werke for the furthering of its own goals, but Ford Motor Company did not seem to mind.

This new agreement essentially marked a turning point in Dearborn-Cologne relations. From the time that this new agreement was reached with the authorities through the outbreak of war, Dearborn would never again say “no” to its subsidiary. As war drew nearer, Ford’s business decisions in Germany made less and less sense. Was it a naïve and misplaced hope that Hitler would suddenly change his mind and allow foreign profits to leave the country? Was Henry Ford willing to take the financial loss of supplying his German subsidiary with *no financial benefit* to himself or his company because he approved of Hitler’s politics? *Research Findings* is, unsurprisingly, silent on this issue. It offers absolutely no explanation why Ford would continually submit to this exploitation, and its silence suggests that ideology was at least partially, if not entirely, responsible for the strange behavior.

Similar agreements were extended to Ford-Werke from Dearborn in subsequent years as well. In 1938, strategic materials such as non-ferrous metals and pig iron were expressly built into the agreement. The stipulation that 30 percent of tires produced with Ford-supplied rubber would be given back to the German government was continued, but the new agreements also called for 20 percent of the pig iron supplied by Dearborn to go directly to the authorities, again for “official use.”<sup>43</sup> These stipulations did not deter Dearborn, now comfortable making economically questionable decisions. Albert once again dramatically appealed for continued support from America: “If you leave Cologne in the lurch, the effort of an increased program breaks down – not only for 1937, but also for 1938 as the negotiations with the authorities about

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<sup>42</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 74, R. Schmidt Raw Materials Agreement Memorandum, August 6, 1945, p. 1.

<sup>43</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p. 4

the again increased program for 1938 are based on your readiness to provide us with pig iron.”<sup>44</sup> “This shows,” remembered Schmidt in a post-war interview, “how with some sort of blackmailing the manufacturers were forced to push exports by all means regardless of losses.”<sup>45</sup>

The assistance did not stop with raw materials. Ford Dearborn was consistently in a position to provide technology and high-value machines for its German subsidiary, and it did so regularly. The latest automotive production techniques and methods were impressed on German managers who visited Dearborn several times a year, and this free source of information undoubtedly helped the regime. Under German law, production methods were no longer considered trade secrets, so oftentimes this new information would be disseminated to other German firms with which Ford-Werke was in direct competition. Robert Schmidt told post-war investigators that it was a common occurrence for German manufactures to collect information from American sources.<sup>46</sup> In fact, this technology made Ford-Werke’s plant at Cologne the second most advanced auto plant in Continental Europe, with the exception of Opel’s Brandenburg facility.<sup>47</sup> As late as 1941, Ford Dearborn sent machines such as metal mills and placed orders with other American firms on Ford-Werke’s behalf.<sup>48</sup> Arguably, this is the most bizarre and outlandish action Ford Dearborn had taken thus far. Why would they ever accept a state of affairs under which Ford’s competitors, including General Motors, would now have access to their most secret production techniques? Perhaps Dearborn managers did not understand the scale of how open trade secrets were in Germany, in which case it is excusable that they continued to send that knowledge and technology to Germany. This is highly unlikely,

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<sup>44</sup> HFM, Acc. 38, Box 40, Albert to Sorensen, September 20, 1937 (also reproduced in Fings, p. 110.)

<sup>45</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 74, R. Schmidt Raw Materials Agreement Memorandum, August 6, 1945, p. 1.

<sup>46</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibits 4 and 5, Statement of R.H. Schmidt (German manufacturers collecting information...), June 22, 1945 and the supplement to that statement, July 6, 1945.

<sup>47</sup> Fings, p. 111.

<sup>48</sup> Fings, p. 112.

however, and it is more plausible that Dearborn merely wanted to avoid upsetting the German authorities, especially as Ford-Werke's sales were at such high levels.

Schmidt recalled that these new agreements placed Ford-Werke in a tight bind. "If we exported vehicles with tires they would have to be procured under the raw material agreement."<sup>49</sup> This meant that it would cost Ford more to export such vehicles because they received no assistance with the tires from the government, as they were no longer on official consignment. Schmidt continued: "The relation to export one vehicle out of four was included and an average export price fixed. That was especially bad since it forced us to export trucks which meant a considerable loss."<sup>50</sup> Schmidt conveniently ignores the large export subsidy that allowed exporting at a loss to still remain profitable. Moreover, domestic sales more than made up for whatever losses were incurred by exporting trucks.

Ford's ability to access profits existed at the whim of the Nazi authorities, who determined exactly how many vehicles Ford-Werke could produce, based on export numbers. For 1937, the negotiated amount was 24,000 vehicles for domestic sale and 8,000 for export.<sup>51</sup> Again, the question of why Ford tolerated this deserves to be asked here – and the answer, unsurprisingly, rests in the balance sheet. The increased production lowered expenses, which when combined with Ford-Werke's sales allowed Ford Dearborn to write off this dictatorial intervention in their business. Profits can explain why Ford Dearborn allowed not only the requisition of its raw materials but also the mandating of its German subsidiary's production schedule. The outlook for Ford-Werke could not have been better by the end of the 1930s.

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<sup>49</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 74, R. Schmidt Raw Materials Agreement Memorandum, August 6, 1945, p. 2.

<sup>50</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 74, R. Schmidt Raw Materials Agreement Memorandum, August 6, 1945, p. 1.

<sup>51</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 74, R. Schmidt Raw Materials Agreement Memorandum, August 6, 1945, p. 1.

The numbers in the later part of the 1930s were outstanding. Ford's profits soared between 1935 and 1939, each successive year bringing in more money than before. 1935's profits had been limited to 62,779 RM (\$25,112); 1936 saw that amount increase almost 6 times, to 368,900 RM (\$147,560). By 1939, the firm's net profit was 1,287,877 RM (\$515,151).<sup>52</sup> This almost 400 percent increase in revenues delighted executives on both sides of the Atlantic, and despite corporate regulations limiting how much of that profit could be extracted from Germany, it was widely hoped that it would become possible to do so within a matter of years. Again, however, these numbers demonstrate the utter lack of economic merit in continuing to do business in Germany. Even considering 1939's record profits, these were only 60 percent of the profits of 1930, what had been Ford's peak year in Germany. In comparison to its best years, Ford Germany's profit figures for the mid-1930s seem almost trifling. Why would Ford Dearborn go through all of this trouble for a paltry profit, which at its height reached just over a half million dollars, that it could not even extract from Germany?

A similar increase could be seen in the number of vehicles sold. In 1934, the company sold just over 10,000 vehicles; by 1938, the company had sold 36,582.<sup>53</sup> These numbers, however, are unimpressive as compared with Ford's sales in the United States, which in 1938 were an estimated 598,160 vehicles.<sup>54</sup> Again, this begs the question why Dearborn was willing to go through all of this trouble, when Ford-Werke's total production was just over 1/20 of what it was in America. Ford-Werke's 1938 performance placed it squarely in fourth place for the sale of passenger vehicles, and a highly respectable second place behind Opel in truck sales.<sup>55</sup> For the first time in its history, in 1938 Ford-Werke paid a dividend to its shareholders, and with

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<sup>52</sup> Reich, *The Fruits of Fascism*, p.117.

<sup>53</sup> Hill and Wilkins, p. 436.

<sup>54</sup> Nevins and Hill, *Ford: Decline and Rebirth, 1933-1962*, Appendix I: Ford Motor Company Production Report, 1903 Thru 1955.

<sup>55</sup> Hill and Wilkins, p. 283.

25 percent of its business coming from government contracts, everyone was content with the company's success. An ambitious production program was announced for 1939, and Ford-Werke planned to sell 33,000 vehicles domestically and 9,000 for export.<sup>56</sup>

### **From Supplier to Collaborator: Building Special Trucks for Hitler**

At its core, the Nazi system was a spoils system. Government contracts were decided on the basis of contacts an organization had within the party. Some corporations, Ford-Werke included, even went so far as to maintain these “representatives” on their company payrolls. While the evidence is murky at best as to whether this particular individual was on the Ford payroll, it is undisputed that Ford had such a contact. He was E.F. Podemel, a former army officer, and his sole responsibility for the company was to “establish favorable relations with the authorities competent for the placement of government orders.”<sup>57</sup> Following the collapse of merger discussions between Ford-Werke and Stoewer, Podemel played a crucial part in earning government contracts for the company. Following the firm's recognition in January 1937 as a true German firm, and Dearborn's willingness to assist its subsidiary with the raw materials necessary for production, the first contract proposal was extended to Ford-Werke.

In June 1937, the German High Command approached Albert with a request that Ford-Werke begin producing trucks for the Wehrmacht.<sup>58</sup> The official army orders (No. 689, sheet 19) were delivered and then forwarded to Dearborn for approval.<sup>59</sup> The trucks would have a three-ton payload, and would be produced with two overarching considerations: they would be designed entirely by the German army, “clearly for military use”, and they would have to be

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<sup>56</sup> Hill and Wilkins, p. 284. In 1939, Ford-Werke only produced about 26,000 vehicles in total, but still met the 9,000 export quota. See Palumbo Report production appendix for totals.

<sup>57</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p. 5.

<sup>58</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p. 5.

<sup>59</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 96, Albert to Sorensen, September 1, 1937.



produced at a location other than Cologne.”<sup>60</sup> The authorities urged this production to take place at a new facility that would be constructed in the “safe zone” near Berlin, in conjunction with the automotive supplier Ambi-Budd.<sup>61</sup> Albert urged Sorensen to accept this proposal, because should the vehicles would be manufactured at the Cologne plant, the authorities would retract the order.<sup>62</sup> The vehicle would be called the E.B., or Einheitswagen, and would be designed for cross-country use. Ford would have to procure parts from suppliers and assemble the unit, while the government would provide the diesel motor for the vehicle.<sup>63</sup> It is worth noting that this vehicle would be completely standardized, and that Ford Motor Company would have no use for the parts elsewhere in the world. Yet, the promise of more government work should this deal be completed eventually induced Ford Motor Company to accept the terms of the deal.

Ford Dearborn did not approve the proposal immediately, and wavered in making a final decision. A.M. Wibel, the Ford Dearborn Worldwide Purchasing Manager, became aware of this plan and voiced his concerns to Albert by telephone: did this not constitute producing war munitions for the German Army? Henry Ford’s official company policy was very clear about providing war munitions, and while producing standard trucks of Ford design and selling them to the government did not raise any conflicts, having the German Army design a truck and Ford-Werke produce it was quite a different scenario. Wibel’s anxiety prompted a cable from Albert on December 23, 1937:

“Governmental orders do not concern war material but chassis suitable for ambulances...they will not be used for military purposes more than any other private car or truck requisitioned...this governmental design standardized throughout

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<sup>60</sup> Hill and Wilkins, p. 282 and Schneider Report, p. 5.

<sup>61</sup> Ambi-Budd already had an extensive working relationship with Ford-Werke as a supplier of body panels. Robert Schmidt of Ford-Werke had a personal relationship with a manager of Ambi-Budd named Brand. Ambi-Budd was owned entirely by the Budd corporation, a body manufacturer based in Philadelphia.

<sup>62</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p.5, footnote 60.

<sup>63</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p. 5, footnote 56.

is manufactured by all our competitors...it means enormous progress that we are asked to participate refusal would greatly antagonize our acceptance..."<sup>64</sup>

Wibel then delivered what a postwar investigator termed the "bombshell" cable in response:

"Ford representative helping you now would materially help because policy not settled STOP All Ford executives thoroughly familiar with plan...this plan NOT satisfactory STOP our people may consider supplying technical help and financial aid to Budd for truck unit but Ford would remain in background...If Budd were to make this unit with our technical aid and our financial help it seems to us that German government would obtain its objective...Care should be exercised as to promises made government because any final acceptable plan must be approved here..."<sup>65</sup>

Albert was taken aback by this sudden assertion of American power. Frustrated and dejected, he forwarded the cable to Diestel, and bemoaned the "lack of principle" in Dearborn's decisions.<sup>66</sup> Nevertheless, he continued to court the German High Command, inviting them to view the proposed site and buildings in Berlin in December 1937. He was confident that he could convince Dearborn to change its mind about the matter. The High Command approved the cooperative venture proposed by Ford-Werke, and Albert proceeded to contact Sorensen for approval.<sup>67</sup> Albert asked for Sorensen's approval in principle, and Sorensen was quick to respond that Dearborn had no objection but wanted a definite plan in place, and that Ford-Werke could count on Dearborn for assistance in filling orders for the government.<sup>68</sup> It was decided that final details for the plan could be deferred until April 1938, when Sorensen was scheduled to visit Germany for the board meeting.

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<sup>64</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 124, Albert Cable to Wibel, December 23, 1937.

<sup>65</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 125, Wibel Cable to Albert, December 25, 1937.

<sup>66</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 106A (translation from original German), Albert to Diestel, December 28, 1937.

<sup>67</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p.5, footnote 71.

<sup>68</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 122, Sorensen to Albert, December 2, 1937.

Meanwhile, Robert Schmidt, who had been en route to Dearborn to discuss purchasing matters (the trip was completely unrelated to the truck deal), was advised by Albert via radiogram that he should not divulge details about the development of affairs at Cologne:

“Sor approves plan in principle for customer as well as for special corporation. However has objections against product organization not trained for manufacture and assembly... Believe any attempt for further understandings concerning product would result only in immediate restriction of principle approval... suggest for known reasons care on your part concerning technical questions and to avoid generally everything which might cause restrictions on principle approval. Request address for confidential information. *Be double sure to destroy this cable.*<sup>69</sup>

Schmidt followed the order, but of course the issue did not escape discussion while he was in Dearborn. Sorensen inevitably brought up the matter at their meeting, and he proposed that they use a slightly modified Ford chassis and build a body to government specifications. Sorensen further communicated to Albert (through Schmidt) that he wanted to meet personally with the German High Command during his time in Germany to finalize the plans. Sorensen also informed Schmidt that Dearborn had no qualms with working with Ambi-Budd for completion of the project, and went so far as to suggest a personal meeting with Ambi-Budd executives while in Germany.

An unexpected turn of events in early 1938 would, once again, push Ford Dearborn into the arms of the Nazis. Albert learned through his contacts in the military that a reshuffling was taking place in the German High Command, both in terms of personnel and priorities for manufacturers. Ford-Werke would not be compelled to provide a specially-designed cross-country truck, as per the earlier agreement. Rather, the German Army now asked Ford-Werke to build a command car and troop carrier, both equipped with Ford's famous high-performance V-8

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<sup>69</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 132 (translation from original German), Albert to Schmidt, January 20, 1937. Italics mine.

motor.<sup>70</sup> Burning with personal ambition and an intense desire to please the authorities, Albert took the initiative and urged Sorensen that compliance with the new requests was a necessity for the German business. Technically, a truck could not kill people, so Ford Dearborn was not entirely opposed to its production, as they would have been with the production of, for example, bullets or mines. Yet, Dearborn did have some lingering concerns about the project.

In a memorandum to Sorensen dated February 28, 1938, Albert tried to assuage Dearborn's concerns about the project. Going down the list of the concerns raised by Wibel and Sorensen in the preceding months, Albert laid out the following points: "In Germany," he wrote, "the government completely designed its own vehicles and then had private automobile plants produce them." This was a response to the concern that Ford would not be able to participate in the design process, a concern raised by Sorensen. Next, he reminded Dearborn that "According to the official conception of the duties...of private industry, all German manufacturers are bound to execute such orders." With the extensive official discrimination and hardships of the mid-1930s fresh on his mind, Albert hoped that Dearborn would see the wisdom of working with the authorities: "When the authorities asked F.M.C. A.G. to do some work for them, they are doing so on the theory that F.M.C. A.G. is a genuinely German company and has to follow suit." Not only was Ford-Werke obligated to fill these orders under its new status, but failing to do so would have serious implications for the firm's health in Germany: "A refusal...would mean forfeiting the claim of being recognized as a German company. It would be considered as having made this claim only in order to get all the advantages of a German company, but refusing to shoulder the obligations." The memo concluded by arguing that it was in the

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<sup>70</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p. 5, footnote 73.

company's best interests to fill the orders in a new facility in the center of the country, according to the authorities' wishes.<sup>71</sup>

Sorensen arrived in Germany in mid-April, 1938. During his time there, he visited the proposed site for the joint venture with Ambi-Budd, and met with German managers from Ford-Werke and Budd. He was sufficiently impressed with the proposals that he decided to inform Dearborn that they should approve the measure. He cabled to Edsel Ford on April 16 with the positive message: "Tell EB that German plans are turning out very satisfactory [sic]."<sup>72</sup> The agenda for the April 20 Board Meeting of Ford-Werke had as item 5 the "Acceptance of Governmental Orders," and the board was to discuss it verbally at the meeting.<sup>73</sup> A favorable decision was reached, and it was further decided to construct the new facilities in Berlin as per the request of the German government.<sup>74</sup> By September of 1938, a formal lease had been signed and cooperation with Ambi-Budd began. Ford-Werke leased the facilities and supplied equipment, while Ambi-Budd was to provide labor and "technical assistance."<sup>75</sup> Following completion of the agreement, the U.S. commercial attaché reported from Berlin that a voluntary order had just been handed down from the German government to Ford-Werke for 3,550 trucks.<sup>76</sup>

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<sup>71</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 107, Memorandum, Albert to Sorensen, February 28, 1938.

<sup>72</sup> HFM, Acc. 38, Box 85, File: European Purchase 1938 – Group 5, Sorensen to Dearborn, April 16, 1938. *Research Findings* (p. 27, footnote 148) indicates that the words "Mr. Edsel Ford" were scrawled on the document, presenting evidence that those in charge at Dearborn were fully aware of the situation.

<sup>73</sup> See NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 145, Board Meeting Agenda, April 20, 1938.

<sup>74</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 146, Translation of excerpt from minutes of April 20, 1938 Directors' Meeting, April 20, 1938.

<sup>75</sup> *Research Findings*, p. 27.

<sup>76</sup> NARA, RG 151, Entry 14, Box 269, "Economic and Trade Notes #46 from Commercial Attaché, Berlin re: Ford Gets German Government Truck Contract," September 10, 1938. The attaché emphasizes the voluntary nature of this contract in his notes. Also reported is the fact that the standardization regulations were lifted for Ford because of its export business. He also notes that Ford is the only American company granted this exemption, as General Motors' subsidiary Opel was greatly handicapped by the regulations and selling/servicing their vehicles outside of the German market.

The factory itself would prove to be rather inconsequential for both Ford and the German government. Production of the command car was started, but was soon changed to the Schwere Personenkraftwagen heavy personnel carrier, SPKW.<sup>77</sup> Altogether, the plant ended up producing about 1,800 of these vehicles for the Nazis: 1,072 in 1940 and 765 in the first half of 1941 before the plant was closed permanently. The plant was also used to produce special items for the Luftwaffe, including aircraft gears for the German firm Junkers in early 1940.<sup>78</sup> On June 7, 1941, the plant closed for good and the lease expired, with most of the equipment being returned to Cologne.<sup>79</sup>

Unsurprisingly, many of the details of what was being produced at the new plant were kept from the Americans, because of the military nature of what was being produced there. Albert and Schmidt had, unbeknownst to the Dearborn management, established a cloak firm that produced munitions for the German army, called Arendt GmbH. Beginning in 1939 and throughout the war, Arendt produced about 1.5 million RM worth of munitions for the government per year. At least two Ford employees recalled facing difficulties when they tried to establish the activities at the Berlin site. Russell Roberge remembered how “I had a good deal of trouble getting into the place. When I did get in, I was not allowed to find out just what they were doing there.”<sup>80</sup> Valentine Tallberg, on assignment in Cologne from Dearborn, recalled in his reminiscences that because he was an American and “too close to Sorensen and the people in Dearborn,” he was not allowed access to the plant.<sup>81</sup> As Ford Motor Company (Dearborn) was not even consulted about the business, it cannot be held accountable for the production of these

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<sup>77</sup> *Research Findings*, p. 27.

<sup>78</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 177-8, R. Schmidt Junkers Memorandum, June 25, 1945.

<sup>79</sup> *Research Findings*, p. 27.

<sup>80</sup> See *Research Findings*, p. 27, footnote 150 for more of Roberge’s comments.

<sup>81</sup> HFM, Acc. 880, Box 1, Mira Wilkins Research Papers, Notes regarding Reminiscences of V.Y. Tallberg.

munitions. Whether Ford could have even done anything to stop production is questionable, but did Dearborn know about it?

The experiences of Roberge and Tallberg raise the natural question why Ford Dearborn, after so recently agonizing at great length over this new proposal, was willing to accept this new state of affairs. Nowhere in the massive collection of documents established by Ford Motor Company regarding Ford-Werke is there anything even hinting that Dearborn seemed to mind that the German government was now dictating how they could do business in Germany. Official claims that Ford managers in Dearborn did not know about the secret facility are called into question by the fact that Tallberg, who worked directly under Sorensen and Edsel Ford, was aware of it as early as 1939. Dearborn had not failed to protest the initial proposal to produce vehicles for the regime; why their silence as they lost control over their subsidiary? Perhaps even more importantly, where is the internal correspondence from Ford that shows how executives felt about it? This is one of many questions that the archival record has yet to answer.

### **Dearborn Invades the Sudetenland**

With profits spiraling and production booming, Ford-Werke was in a position to be a real and meaningful contributor to Hitler's war effort. A Ford-Werke manager's report exclaimed in late 1938 that business with the authorities had "developed extraordinarily."<sup>82</sup> Yet, even these new heights for the firm did not prevent Albert from asking for help from Dearborn once more. Demand for the Ford truck had become so insatiable that the only way to satisfy the orders from the government would be to import trucks from America. Ford-Werke was approached by the WiFo (Wirtschaftliche Forschungs GmbH) with a request for trucks; WiFo was a government

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<sup>82</sup> FMC, AR-98-213541, Box 92, File: Reports – Internal Manager's Report to Directors – Third Quarter 1938, November 11, 1938.

purchasing company that made purchases of different vehicles and goods on behalf of the army and other state agencies. The orders were finalized between Germany and Dearborn, and 1,000 truck cabs and platforms were delivered to Cologne.<sup>83</sup> Ford Dearborn agreed to the deal, even though they knew who they were for and for what they were to be used.<sup>84</sup> Why they accepted yet another open invitation to assist the Nazis escapes conventional explanation, and the *Research Findings* report offers no answers about what was in the deal for Ford. It seems as though by now it was almost a matter of course, and that appeasement now commanded Ford decisions in Germany.

The arrangements were itemized in an internal Ford-Werke company memo, including delivery schedules and suppliers who would build up the bodies. There was even a provision for a battery exchange program so that the trucks' American batteries (considered superior to the German ones) could be properly charged before the trucks' final delivery to the government.<sup>85</sup> A similar arrangement was brokered in late 1938 between Ford Dearborn and Ford-Werke for an order of 1,000 trucks going to the Hungarian Defence Ministry, which by that time was a German satellite. Those trucks were assembled and then sent to Hungary. Upon arrival, they were converted to four-wheel drive military transport vehicles.

Schmidt recalled that there was no doubt of the final destination of these trucks: "I think the trucks have been handed over to the army at a time when there was not enough transportation and the Czechoslovakian crisis was just about."<sup>86</sup> Schmidt's suspicions were confirmed when the government asked them some months later for "spare parts to be shipped to places not in line

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<sup>83</sup> Originally, Albert was approached and asked to provide 1500 trucks for the Army immediately; the final number delivered from Dearborn was 1,000.

<sup>84</sup> NARA, RG 56, Acc. No. 56-69A-4707, Box 81, Report of Discussions with Mr. Albert on Tuesday, September 18, 1945 p. 3.

<sup>85</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 160, Reference 1000 American Trucks for Germany, September 14, 1938.

<sup>86</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 159, 1000 Trucks from USA supplement, July 6, 1945.



with the original destination of the trucks, but near or for military parks.”<sup>87</sup> Apparently, secrecy surrounded the deal in its entirety. Deliveries were done at night and assembly was completed by special night shifts; the normal workers at Cologne had no idea that this had happened.<sup>88</sup> After the war, Albert told an investigator that he had not known that the trucks would be used in the invasions, and that he felt “doublecrossed.”<sup>89</sup> This seems doubtful, however, not only considering Schmidt’s intuition about the final destination for these trucks, but also because Albert would boast only a few years later how valuable these trucks had been in Hitler’s invasions. In a 1941 letter to the Reich Commissioner for the Treatment of Enemy Property, Albert and Schmidt reminded the Commissioner that Ford-Werke was an asset to the regime, largely because it had successfully obtained U.S.-built Ford vehicles that had taken troops into the Sudetenland.<sup>90</sup>

In July 1939, following the Germanization of Ford-Werke’s name, the stage was set for Ford-Werke to supply Hitler’s war effort. Overall, Dearborn had largely acquiesced to the state of affairs in Germany. Despite some scattered instances of protest, especially in the earlier years, it became increasingly clear that success in Germany required teaming up with the Nazis. This helps to explain Albert’s eagerness to placate the authorities and Dearborn’s support of Albert in this endeavor. Once this became company policy, Ford-Werke prospered. Even though profits could not be immediately extracted, it was widely held among all American businesses working in Germany that it would only be a matter of time before this would be possible. Ford historian Mira Wilkins offers the explanation that “The American companies (in Germany) acted

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<sup>87</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 158, Import of 1000 Trucks from the States, June 26, 1945.

<sup>88</sup> Fings, p. 111, and David Burgess-Wise, *The Making of a Multinational: I Didn’t Know Enough to be Scared* (internal Ford Motor Company publication), July 1, 1987, p. 35.

<sup>89</sup> NARA, RG 56, Acc. No. 56-69A-4707, Box 81, Report of Discussions with Mr. Albert on Tuesday, September 18, 1945, p.3.

<sup>90</sup> *Research Findings*, p. 28.

irrespective of politics. Yet the political and economic life in Germany shaped their operations.”<sup>91</sup> In his account of the Norton Company’s activities in Germany before and during World War II, historian Charles Cheape corroborates Wilkins’ findings, and explains why so many businessmen felt this way:

“Leaders of American firms simply did not comprehend Hitler's political program and largely ignored his attacks on Jews, but many, like Thomas Watson of IBM, were “literally bewitched” by Germany's economic possibilities. Henry Ford did not foresee war as late as 1939. George Moffett of the Corn Products Refining Company did not like the Reich's restrictions but admired its order and certainty.”<sup>92</sup>

Hitler allowed the industry to realize profits, but only on his terms. In this way he crafted Ford-Werke and the entire industry to play a supporting role in war. Mira Wilkins’ assessment of Ford-Werke’s status in Germany is perhaps more accurate than the Ford-Werke report published almost 40 years later than her company history: “In the end it (Ford-Werke) became a favored unit and, when the tocsin of war sounded, was a convenient instrument in his hands for the prosecution of his ruthless policies.”<sup>93</sup>

Despite the assertions of Ford researcher Simon Reich, it seems as though Ford was quite important to the Nazis in their war planning. Reich asserts that Ford was a relatively minor operation in Germany; but if it was so minor, the Nazis surely could have exerted enough pressure on Ford-Werke so that it would simply become unbearable to conduct business inside the country. The reason they did not run Ford out of the country, which would have been the logical conclusion of these discriminatory policies, was largely because of Ford’s contribution to the German export economy. Exports were not only a vital part of Ford’s business in Germany

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<sup>91</sup> Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge: Harvard University Press, 1974), p. 185. Parentheticals added for clarification.

<sup>92</sup> Charles Cheape, “Not Politicians but Sound Businessmen: Norton Company and the Third Reich,” *The Business History Review*, 62.3 (1988), p. 454.

<sup>93</sup> Hill and Wilkins, p. 285.

but a critical lifeline of foreign exchange and raw materials for the shortage-plagued German government. Faced with the threat of losing Ford's international markets, the Nazis capitulated on the export issue. Ford actually had a stronger international export market than General Motors at the time. Even though GM exported vehicles throughout this period, Ford's access to dealers and marketplaces around the globe provided a valuable opportunity to collect foreign exchange.

When Germany invaded its neighbors in late 1939 and 1940, Dearborn again did not voice any concern. They continued business as usual, supplying Cologne with raw materials, machinery, and vehicles as late as 1941. Even outlandish claims of a new economic order coming out of Germany did not seem to concern anyone in the Ford organization. As Albert wrote to Edsel Ford, "It is, of course, somewhat early to discuss what should be done after the war...but the opinion prevails that a radical change will take place after the war economically and the German sphere of interest will be greatly enlarged whatever the political settlement." His closing words were ominous: "Europe will economically form one unit and that import and export will be possible only according to a uniform plan and that also in the motorcar business a united program as mentioned before may have to be set up for the whole of Europe, Germany taking the lead."<sup>94</sup>

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<sup>94</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 190, Albert to Edsel Ford, November 18, 1940. Reproduced in Fings, p. 112.

## CHAPTER 4

### STRICT NEUTRALITY HAS ITS COSTS (AND BENEFITS)

Following Germany's invasion of Poland in 1939, Great Britain and France quickly declared war in defense of their ally, and World War II had officially begun. The United States was in an awkward position during the years immediately before its own entrance into the war in late 1941. On the one hand, many Americans were isolationist in their policy views and hesitated to become embroiled in yet another European conflict. Isolationist interest groups, such as the America First Committee, could claim such prominent members as Charles Lindbergh as well as Henry Ford. America Firsters and others bemoaned hostilities they saw as fueled by business interests, and sought to create a legislative barrier preventing America's entry into yet another European conflict. These people firmly believed that if there even were a full-scale war (which they were adamant there would not be), it would be a quick and minor conflict. However, it was becoming increasingly clear to President Roosevelt and the diplomatic establishment that United States involvement in some form was inevitable. To that end, Roosevelt encouraged American industry to produce goods to support American allies abroad, including military material. Henry Ford despised Roosevelt on a personal level and maintained that his company would not supply foreign governments with any kind of military aid.<sup>95</sup>

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<sup>95</sup> For an excellent account of the animosity Henry Ford felt towards Franklin Roosevelt, see Charles Sorensen, *My Forty Years With Ford* (New York: W.W. Norton Company, 1956), pp. 292-297. In his memoir, Sorensen recalled a visit made by FDR to Ford's Willow Run aircraft plant. FDR and his wife, Edsel Ford, Sorensen, and Henry Ford took an open-car tour of the facility. Sorensen wrote of the few hours that "Throughout all this, Henry Ford sat silent...it was evident to me that he was not enjoying the company...Ford hated him [Roosevelt]."

Henry Ford was absolutely certain that there would be no war. On vacation in late summer 1939, Ford was visiting Sudbury, Massachusetts, an outer suburb of Boston. A reporter caught up with him, interested in Mr. Ford's perspective on Hitler and his "threatening noises" in Europe. "They're all bluffing," Ford quipped, "They don't dare have a war and they know it." The aging Ford blamed the "munitions makers and profiteering financiers for the present war clouds" and hoped that "if war does come, let them start by bombing munitions plants behind the enemy's lines."<sup>96</sup> Ford was never known for his foreign policy acumen, but he really missed the mark on his analysis, because four days after his interview, Hitler's tanks rolled into Poland. When he got back to Detroit the next week, he confided to his personal friend, John Dykema, that "there hasn't been a shot fired, and the whole thing has just been made up by Jew bankers."<sup>97</sup> Even a month into the conflict, Ford continued in his ranting diatribes against the outbreak of conflict. He told an American Legion conference in Chicago that "if I were put on the stand today, I'd say there isn't any war. The whole idea is to get us into it and make it a war."<sup>98</sup> Perhaps intentionally, Ford's ramblings, and his consequent application of this reactionary philosophy to company policy, would greatly benefit his European subsidiaries and their business standing with the Nazis.

### **"A Feather in our Cap"**

On May 28, 1940, President Roosevelt took a further step towards preparing the United States for hostilities. Roosevelt appointed the president of General Motors, William S. Knudsen, to be the Commissioner for Industrial Production.<sup>99</sup> The purpose of this new position was

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<sup>96</sup> "Ford Says It's All Bluff," *New York Times*, August 29, 1939, p. 8.

<sup>97</sup> Max Wallace, *The American Axis: Henry Ford, Charles Lindbergh, and the Rise of the Third Reich* (New York: St. Martin's, 2003), p. 219.

<sup>98</sup> "Legion Acts to Sift Neutrality Issues," *New York Times*, September 26, 1939, p. 8.

<sup>99</sup> Wallace, p. 220. Knudsen was actually a former employee of Ford's before he left for GM.

mobilizing American business for the production of military materials for the American military, to strengthen American core defenses which had been neglected in the inter-war years. Despite his general disdain for Roosevelt, Henry Ford especially liked Knudsen and his idea of using production-line methods to produce airplanes. Ford boldly proclaimed that his company could produce 1,000 planes a day if properly equipped.<sup>100</sup> The words reverberated across the country and made headlines around the world. No one could even fathom such a number, but the general reaction to Ford was that if the mass-production genius said he could do it, why not believe him? After all, “miracles of manufacturing were his business.”<sup>101</sup>

Henry Ford’s outlandish claim delighted Knudsen and Roosevelt in Washington. Ford’s extreme pacifism had raised doubt about his willingness to apply his company’s industrial might to the task of producing military supplies, so they were relieved to learn that he was amenable to cooperation. Edsel Ford was dispatched to Washington to meet with government representatives, and it was tentatively agreed that Ford Motor Company would produce 9,000 Rolls-Royce Merlin engines for a government contract. 6,000 engines would be sold to the British Royal Air Force for the modernization of its aging fleet, and 3,000 would be sold to the U.S. Air Corps.<sup>102</sup> Henry Ford agreed to the offer, and the British were informed.

The message was delivered to Lord Beaverbrook, who was Winston Churchill’s new Minister of Aircraft production. He served a role like Knudsen’s in England, with a specific emphasis on building up the Royal Air Force.<sup>103</sup> Flawed intelligence that had been delivered to the U.S. and Great Britain greatly exaggerated the size and capabilities of Hitler’s Luftwaffe, so there was a sense of urgency in Beaverbrook’s task. Yet, despite impressive managerial skills,

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<sup>100</sup> “A Plan for Planes,” *Time*, December 30, 1940.

<sup>101</sup> Wallace, p. 221.

<sup>102</sup> Wallace, p. 222.

<sup>103</sup> Frank Hill and Mira Wilkins, *American Business Abroad: Ford on Six Continents* (Detroit: Wayne State University Press, 1964), p. 317.

Beaverbrook lacked much in the way of tact. Without the slightest bit of hesitation, he proudly told the British press that Ford had agreed to supply 6,000 engines directly to the British government. For the record, Beaverbrook's statement was factually incorrect. American defense spending would pay for these engines, not the British, and the engines would be delivered via the U.S. government; for technical purposes, Ford had been dealing entirely with Americans.<sup>104</sup> Despite the inaccuracy, the damage had been done.

Two days later, Henry Ford changed his mind. He would not produce the engines for Britain after all. He had not clearly understood the agreement. The ailing seventy-seven year old was in a fragile state of health and mental capacity, and the stroke that he had suffered two years earlier was taking its toll. He was constantly on edge, and his fear of America entering the war at the hands of President Roosevelt ("an apostle of involvement," he called him) bordered on outright paranoia. Any mention of participation to Ford "upset him almost to incoherence."<sup>105</sup> Charles Sorensen later remarked that "The Beaver's statement was different from the way he [Ford] saw it and he made a public denial."<sup>106</sup>

Ford announced publicly that "we are not doing business with the British or any other foreign government. If we make 6,000 Rolls-Royce Merlin engines, it will be on an order from the United States government."<sup>107</sup> Even Charles Sorensen, Ford's "right-hand man," was unable to comprehend the sudden reversal, nor was he able to change Ford's mind. Sorensen recalled a meeting when Knudsen flew to Detroit for a meeting with Edsel and Henry Ford. Knudsen reminded Ford that he had given his word to make the engines, and Ford stubbornly replied, "We

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<sup>104</sup> Charles Sorensen, *My Forty Years With Ford* (New York: W.W. Norton Company, 1956), p. 275.

<sup>105</sup> Allan Nevins and Frank Hill, *Ford: Decline and Rebirth, 1933-1962* (New York: Scribner, 1962), p. 176.

<sup>106</sup> Sorensen, p. 275.

<sup>107</sup> Henry Ford Museum and Greenfield Village Archives, Acc. 7, Clipbook, "English Contract Is Denied by Ford," 1940. Hereafter within this chapter, footnotes from this source will be abbreviated as HFM. Also see Hill and Wilkins, p. 317.

won't build the engine at all, withdraw the whole order. Take it to someone else. Let them build the engine, we won't."<sup>108</sup> Knudsen was at a loss as to why Ford had reneged, and he told reporters that "I was assured by Mr. Edsel Ford, president, that this arrangement was satisfactory." He added that "it was made plain that 60 percent of the order for Rolls-Royce engines was for the Allies and the rest for the United States government."<sup>109</sup>

Ford came under a firestorm of criticism for his decision, both from the press as well as members of the public eager to help American allies. Many letters are still retained today, accusing Ford of being a "back-stabbing American" and a "pal of Hitler."<sup>110</sup> Eventually, Ford would relent enough to allow his subsidiary firms to produce engines for the British. Using the *London Daily Mail* as his mouthpiece, Ford published an editorial in which he granted his subsidiaries the right to produce material for the British military, while stopping short of apologizing for his own actions:

"Ford Motor Canada and England are using their facilities to the utmost for production of military equipment for defense of the British Empire and will continue to serve their countries as they should do. While I am against war nevertheless I believe our facilities in America should be preserved for American defense when and if so required."<sup>111</sup>

Strangely, neither the arrangement that sent Dearborn-produced trucks to Germany or Ford-Werke's activities in filling orders for the German government were mentioned in this editorial.

Meanwhile, when German officials had caught wind of the agreement that Henry Ford had purportedly reached with the British government, they immediately put pressure on Ford-Werke. An angry cable to Heinrich Albert at Ford-Werke demanded to know how Henry Ford, a friend of the Nazis and an enemy of the Jews, could supply one of Germany's foes. In an ironic

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<sup>108</sup> Sorensen, p. 275.

<sup>109</sup> "France Gives U.S. Rights to Engines," *New York Times*, June 20, 1940, p. 13.

<sup>110</sup> Nevins and Hill, p. 176.

<sup>111</sup> Hill and Wilkins, p. 317.



twist of fate, *Cologne* was now being held responsible for the actions of *Dearborn*, its parent company. Albert assured the Nazis that “These kinds of rumors always come up. We assume that they originate with American competitors who are uncomfortable with Henry Ford’s stance. They have always been proven wrong...the rumor is refuted in detail.”<sup>112</sup> The Nazis were concerned that Ford was playing both sides of the conflict, and needed more assurance that this was not the case. Their piece of mind would come only a few weeks later.

In mid-July, Henry Ford received a special visit from a German Embassy commercial attaché named Gerhart Alois Westrick. Such a meeting was not unusual in and of itself, but the circumstances surrounding Westrick’s visit were quite suspicious. The FBI, which had been watching Ford’s factory for years, thought it odd that Westrick came only two weeks after Henry Ford’s very loud refusal to produce the Rolls-Royce engines. J. Edgar Hoover personally forwarded the information to Treasury Secretary Henry Morgenthau:

“Information has been received that on or about July 11, 1940 Dr. Gerhart Alois Westrick, Commercial attaché of the German Embassy Washington D.C., conferred with Mr. Henry Ford of Detroit, Michigan in an endeavor to persuade Mr. Ford to use his influence in keeping the United States and the Government thereof from furnishing any materials of war to Great Britain. Westrick stated that if the source of Britain’s war supply were cut off, particularly from the United States, the war would be over in ninety days or by September, adding if the United States furnished Great Britain with war supplies, it would only prolong the inevitable, the defeat of England.”<sup>113</sup>

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<sup>112</sup> National Archives and Research Administration, Record Group 407, Entry 368B, Box 1032, “Report on *Ford-Werke Aktiengesellschaft*,” Exhibit 171A, Albert to General Zuckertort, June 26, 1940. Hereafter within this chapter, footnotes from this source will be abbreviated as NARA and referred to as the Schneider Report.

<sup>113</sup> Henry Ford FBI File, Freedom of Information Act Request, Cross References, J. Edgar Hoover to Henry Morgenthau, July 31, 1940. Also see Wallace, p. 234.

What the FBI did not know about Westrick was that he was the legal partner of Heinrich Albert, Chairman of Ford-Werke's board. His firm handled Ford's legal business in Germany, and technically, that made Westrick Ford's attorney.<sup>114</sup>

While official sources indicate that Ford simply dismissed Westrick and that their meeting was inconsequential, there remains a lingering question about the real content of their conversation. Is it possible that Westrick, in his capacity as Albert's partner, informed Ford about the fallout of Dearborn's decisions for the German subsidiary? Could Westrick have told Ford that as long as Dearborn refused to supply the allied forces, the military contracts would continue for Ford-Werke in Germany? As it would turn out, Ford's refusal to produce these engines would prove to be a saving grace of sorts for the company. In a memo to Robert Schmidt, Heinrich Albert commented that "it seems to me as a *feather in our cap* that the Ford Corporation is not producing outright war material."<sup>115</sup> Later correspondence between Dearborn and Ford France revealed that there was a direct economic benefit for the company in terms of German government orders. Henry Ford's "neutrality" earned the praise of German military and civilian officials alike, and predisposed Nazi officials to place orders with Ford.

Indeed, the refusal to produce the engines was highly irrational; Henry Ford jeopardized lucrative future U.S. government contracts and, by turning down the deal, denied his company millions of dollars. From a business standpoint, this was not a sound decision. However, this would not be the first time that, when dealing with the delicate issue of Dearborn-German relations, such a questionable decision was made. One has only to look at the raw materials agreements of the late 1930s to see other examples where political expediency trumped the bottom line. Crossing the United States government, however, elevated Ford's highly irrational

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<sup>114</sup> Wallace, p. 234.

<sup>115</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 11, Albert to Schmidt, October 21, 1940. Italics mine.

behavior to an entirely different level. There was absolutely nothing for Ford to gain by going back on the plane engine deal. Were Ford's anti-Semitic and pro-Nazi sentiments behind his quick change of heart? It is at least highly plausible, if not certain, that Henry Ford had the Germans in mind when he refused to follow through with a deal that would have brought guaranteed and direct profits that did not have to be extracted from a hostile foreign government to the American firm. Henry Ford did not seem to care.

### **Loyal to Henry Ford and the Third Reich**

As the orders from the Nazis poured in, Cologne reveled in growing profit margins and higher production numbers. Ford-Werke produced 25,745 vehicles in 1939. An overall slowdown in the industry halved total vehicle production in Germany in 1940, from 352,533 units in 1939 to 155,449. However, despite producing about 8,000 less vehicles in 1940, Ford-Werke's market share jumped up over 4 percent, to 11.29 percent.<sup>116</sup> In addition, Ford-Werke had received contracts not only for more trucks but for other special equipment. In June 1940, following Henry Ford's refusal to produce engines for the British, Goering's air office contacted Ford-Werke about producing 8,000 V-8 motors for barges, presumably to be used in the invasion of Great Britain.<sup>117</sup> Ford-Werke accepted the deal without delay.

As Henry Ford preached about the value of isolationism in America, Ford-Werke and Ford-Werke management were growing similarly bold in their own actions and rhetoric in support of the regime. In April 1939, on the heels of renewed raw materials agreements and Dearborn's provision of trucks to the German government, Ford-Werke joined other German

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<sup>116</sup> E.J.Palumbo, "Survey of German Motor Vehicle Industry, April 15, 1948." FMC AR-98-213541, Box 131, Appendix: "Production Statistics."

<sup>117</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 172, Schmidt Memo Re: LC8 Motors, July 20, 1945. Ford would only end up producing about 1000 of these, as interest dwindled from the authorities – Schmidt attributes this to the failure of the Battle of Britain and the subsequent abandonment of Goering's plans to land in England.

corporations in donating large sums of money to Hitler's 50<sup>th</sup> Birthday Fund. A memo was circulated to the entire Ford-Werke Board, which at this time *still included* Charles Sorensen and Edsel Ford. Ford-Werke was thanked for its generous donation of 35,000 RM, or about \$14,000.<sup>118</sup> This amount barely dented Ford-Werke's net profit for 1939, at 1,287,877RM (or about \$515,150); however, why would Ford Motor Company permit the spending of its own funds in this way?<sup>119</sup> Of course, there were the overriding restrictions on profit extraction, but this fails to explain why profits would be spent in this way (and not, for example, on plant upgrades). A better response is that this action was totally consistent with Ford's prior behavior dealings with the Nazi regime. Throughout the 1930s, Ford-Werke was constantly seeking the affection of a wholly unpredictable regime, a regime that could turn on it the very next day. It was also in line with Ford-Werke's (and Ford Motor Company's) willingness to make monetary sacrifices for the sake of the firm's health and standing in Germany, in much the same spirit as the raw material agreements – which raises even more puzzling questions.

A decidedly nationalist tone pervaded many speeches and internal documents at Ford-Werke during this time as well, marking a noticeable departure from the past for company executives. Henry Ford had turned seventy-seven in July 1940. To commemorate this achievement, the in-house newspaper of Ford-Werke published a long article praising Ford for his achievements and personal character. Very subtly, however, the article hints at why Ford was *really* admired in Germany. "In the excitement of the political hustle and bustle in North America, one personality stands out who as an "Ur"-American cannot be accused of a hint of

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<sup>118</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 14, Reichsverband Der Automobilindustrie Memo re: Gift to Hitler's Birthday Fund, April 1, 1939.

<sup>119</sup> Simon Reich, *The Fruits of Fascism: Postwar Prosperity in Historical Perspective* (Ithaca: Cornell University Press, 1990), p. 117.

alien influence: Henry Ford.”<sup>120</sup> This seems fairly innocuous, but a translator’s note calls attention to such a characterization: “the prefix “ur” = archetype was used by Nazi propaganda to indicate purity of race, e.g., without a trace of Jewish blood.” The article continued, praising the way Henry Ford “understood how to control money and use it constructively.”<sup>121</sup> During the 1920s, Henry Ford spent hundreds of thousands of his own money running his *Dearborn Independent* newspaper (an anti-Semitic newspaper with weekly articles, features, and interviews about Jewish control of society) and supporting the worldwide publishing of *The International Jew*, a staple pamphlet of anti-Semitic propaganda. Did disseminating hate constitute a “constructive” use of funds?

This 1940 Ford-Werke article also hailed Ford’s devotion to principles in line with those in Germany at the time. “His principles touch upon one of the fundamental problems of human society: not unlimited individualism, not brutal greed for profit can create wealth and contentedness on a large and sustainable base, but rather the initiative of each individual. *No one is able to understand this viewpoint better than we Germans.*”<sup>122</sup> Ford’s own apprehension about the direction of his country – one that created a “soulless, restless race” – was supposedly a sentiment shared by the German population. German propaganda touted a return to prosperity and emphasized the importance of shunning the “urban culture” that afflicted America. In this company newspaper, Henry Ford’s life became a legitimizing force for Nazi racial politics! Where was the resistance to German ideology that Albert had promised Dearborn years earlier?

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<sup>120</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 10, “Henry Ford 77 Years Old,” July 1940, pp. 61-62.

<sup>121</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 10, “Henry Ford 77 Years Old,” July 1940, pp. 61-62.

<sup>122</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 10, “Henry Ford 77 Years Old,” July 1940, pp. 61-62. Italics mine.

Albert's assertion that "we have been loyal in both directions" demonstrates exactly how business was then conducted in Germany.<sup>123</sup>

Ford executives began to noticeably change their personal behaviors as well. American manager V.Y. Tallberg, who had been stationed at Cologne on behalf of Dearborn, recalled noticing a change in the behavior of Robert Schmidt during these years after the outbreak of war. "Schmidt had always appeared anti-Nazi before the war but now he changed." Now, Schmidt boasted of taking spare parts from France to Germany and of how, after the war was over, "they would all be taking orders from us, including Dearborn."<sup>124</sup> In a provocative speech entitled, "We Follow the Call," Schmidt attempted to inspire Ford-Werke employees to continue their commitment to Hitler's cause: "It is our task to provide a sufficient number of reliable vehicles...our work is connected to the achievements of our soldiers and how we must dedicate ourselves completely above our personal desires." He continued: "The front and its supply with all that it requires depends on our work. This is why we are subject to the same law as our comrades at the front; *we too are soldiers of our Fuhrer.*"<sup>125</sup>

In order to insure that this message spread beyond the factory floor and into the general population, Ford-Werke took out a large advertisement in the *Frankfurt Zeitung* newspaper. Ford vehicles, the ad claimed, had been present during all of the recent major Army campaigns, in Poland, Norway, Belgium, Holland, and France. "German Ford vehicles were the dependable servants of the brave soldier," announced the ad.<sup>126</sup> This sentiment was echoed by Robert

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<sup>123</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 11, Albert to Schmidt, October 31, 1940.

<sup>124</sup> HFM, Acc. 880, Box 1, Mira Wilkins Research Papers, Notes regarding Reminiscences of V.Y. Tallberg.

<sup>125</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 7, R. Schmidt, "We Follow the Call," italics mine. There is no date given in this speech (the translation has a date of March 1942), although it is likely that it was given during 1940 or 1941, before U.S. involvement in the war.

<sup>126</sup> Wallace, p. 234.

Schmidt as he addressed Ford-Werke workers in December 1941. Just days before the ruthless bombing at Pearl Harbor, Schmidt extolled the accomplishments of Ford-Werke in the past year:

“At the beginning of this year, we vowed to give our best and utmost for final victory, in unshakeable faithfulness to our Fuhrer. Today we say with pride that we have succeeded...at the end of the year let us vow our Fuhrer that in the plant community of Ford he will find a group that is always willing and able to put all its efforts into their part for final victory.”<sup>127</sup>

### **Special Treatment**

By October 1940, the landscape had changed dramatically in Europe. Germany had rolled into France only a few months earlier in Ford trucks, and France succumbed to the German offensive in June. The Allies were devastated as a mass evacuation was needed to rescue hundreds of thousands of French and British troops from the beaches at Dunkirk. Tens of thousands of vehicles and countless amounts of supplies had to be left behind, all to be captured by the advancing German army. Immediately following the fall of France, the Nazis decreed that Ford-Werke would now control all of the Ford subsidiaries in the newly occupied zones – factories that until weeks earlier had been producing vehicles for the defense of France, Belgium, and the other fallen states. When the smoke finally cleared, Hitler controlled Western Europe’s entire strategic industrial capacity, and he had every intention of utilizing it fully. All of Ford’s subsidiaries came under the control of Ford-Werke, and Robert Schmidt was appointed commissioner of the new combined industrial venture to the benefit of Hitler. Meanwhile, Ford Dearborn continued to supply occupied Belgium, The Netherlands, and Denmark with spare parts until 1941. Ford should have been neutral if its repudiation of the British engine contract was sincerely based on company policy not to supply belligerents. Ford’s decision to supply its subsidiaries for an entire year after the engine fiasco is demonstrative of its insincerity, and

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<sup>127</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, September 9, 1945, p.10, footnote 4.

suggested other motives for turning down the contract. Those spare parts that were delivered from Dearborn were then used in the assembly of vehicles being directly delivered to Hitler's armies.

Common practice in Germany following the quick defeat of its neighbors was to install a Nazi or high-ranking German official to control industries and individual factories in foreign countries. The Nazis reasoned that this was the best way to maintain a compliant industrial core that was crucial to filling their war material demands. For Ford-Werke, however, a special exemption was once again granted to the company. Robert Schmidt, an insider, was granted the right to administer all of these Ford plants.<sup>128</sup> Control of the foreign subsidiaries was crucial, lest each firm "fight for its individual existence."<sup>129</sup> The Nazis conceded this point to Ford-Werke.

Once the United States entered the war, the question of custodianship re-surfaced once more, although posed in slightly different terms. Now that America was at war with Germany, Ford-Werke was technically classified as enemy property. Following the outbreak of war, over 250 American firms still had operations inside Germany, with total assets of about 450 million dollars. Tiny Ford ranked only 16<sup>th</sup> in total investment, with 1.9 percent of total American assets in Germany.<sup>130</sup> Many of these firms had their factories absorbed into the huge government-owned Hermann Goering Werke. Even Opel, long the darling of the regime, had its major Rüsselheim and Brandenburg plants seized by the state, to be run by military officials, in order to better integrate production with the needs of the German wartime economy.<sup>131</sup> Ford-Werke was somehow spared the brunt of the reorganization. How can this be explained, especially in light of Ford Motor Company's claims that Ford-Werke was inconsequential and disposable for the

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<sup>128</sup> Schmidt would eventually lose control of the French subsidiary to its pre-war manager, Maurice Dollfuss.

<sup>129</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 1, Memo Concerning Germanization, November 25, 1941.

<sup>130</sup> *Research Findings*, p. i.

<sup>131</sup> Reich, *The Fruits of Fascism*, p. 120.



authorities? Firms much more meaningful to the German economy were taken over without a second thought. Why this special treatment?

Albert wrote a compelling memorandum to the Nazi authorities, encouraging them to allow Ford-Werke to retain its own management. He argued that, with Dearborn's assistance, Ford-Werke had helped the Nazi war machine tremendously. Raw materials were obtained for the entire industry through Ford's international connections, and at the outbreak of war, "Ford-Werke placed themselves immediately at the disposal of the military for armament purposes." The protection afforded Ford-Werke in global markets through brand association had opened up export opportunities, and after the war the company would be "of inestimable value."<sup>132</sup> With military victories coming every day for the emboldened German army, the Nazis were perhaps especially swayed by the immediate timeframe of Albert's final argument. If the war was won soon, even before American involvement, burning the friendly bridge to the parent company would be detrimental for German postwar industrial production. Retaining American majority ownership at Ford-Werke, wrote Albert, "is essential for the – actually free – transmittal of the newest American models as well as for the insight into American production and sales methods. Since Americans are without a doubt particularly progressive in this field, maintaining this connection is in the German interest."<sup>133</sup> Once more, Ford-Werke's connections with Dearborn worked to the advantage of the company with regard to state-firm relations.

As persuasive as he might have been, Albert was not the only reason that the firm was spared the worst of the reorganization following the outbreak of war. Investigative journalist Max Wallace isolates another key reason for Ford-Werke's unique status in Germany, namely,

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<sup>132</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 1, Memo Concerning Germanization, November 25, 1941.

<sup>133</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 1, Memo Concerning Germanization, November 25, 1941.

its highly placed connections. Contrary to the claims of Simon Reich's *Research Findings*, Ford was not a second-rate automotive manufacturer but one with very powerful people advocating for its interests. Replacing Carl Bosch on the Ford-Werke Board of Directors when he passed away was Carl Krauch. He was the chairman of I.G. Farben and a board member of Ford-Werke. It is worth mentioning that he was appointed with the full knowledge and consent of Dearborn. What he told American investigators after the war goes far in explaining why Ford-Werke maintained relative independence when other companies were unceremoniously requisitioned. When testifying about his involvement with Ford-Werke, he remarked that

“I myself knew Henry Ford and admired him. I went to see Goering personally about that. I told Goering that I myself knew his son Edsel, too, and I told Goering that if we took Ford independence away from them in Germany, it would aggrieve friendly relations with American industry in the future. I counted on a lot of success for the adaptation of American methods in Germany's industries, but that could be done only in friendly cooperation. Goering listened to me and then he said, “I agree. I shall see to it that the German Ford Company will not be incorporated in the Hermann Goering Company.” So I participated regularly in the supervisory board meetings to inform myself about the business processes of Henry Ford, and, if possible, to take a stand for the Henry Ford Works after the war had begun. Thus, we succeeded in keeping the Ford Works working and operating independently of our government's seizure.”<sup>134</sup>

Krauch is just one example of a powerful member of Ford-Werke's board who worked to protect the company interests. But his experience is emblematic of not only the way business was conducted in Germany – by way of personal favors – but also of the highly regard for Henry Ford in German political circles. He would prove invaluable for the company's health in Germany.

### **Fully Informed**

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<sup>134</sup> Wallace, p. 328.

Having been briefed by Gerhart Westrick in July and being an avid reader of newspapers, Edsel Ford had at least a perfunctory understanding of the situation in Europe and of the grim outlook for America's allies. In September 1940, V.Y. Tallberg returned to Dearborn permanently from Cologne, on the advice of the American Consul in Germany. Tallberg briefed Charles Sorensen and Edsel Ford fully upon his return, and he subsequently briefed the FBI about the situation as well: "When I left Germany, they told me to tell the people in Dearborn how conditions were and what we were doing in the plant. There wasn't anything unusual about it. It was just a regular report telling what was going on."<sup>135</sup> With these facts in mind, and knowing that he understood the geopolitical situation, it becomes even tougher to understand Edsel Ford's comments in a letter to Albert, dated October 10, 1940:

"We have a fairly complete impression of the present status of the Ford Companies in Germany as well as the other occupied territories. It is quite evident and very gratifying that you and your organization are looking after our interests successfully and we appreciate your efforts on our behalf. I am glad to hear that the outside plants are beginning to operate, as it is the only way for rehabilitation to take place, and after all there are many people financially interested in these properties besides ourselves. Anything that can be done constructively to keep these plants in operation will be a great help for the future."

These comments raise several haunting questions. Knowing how Ford facilities would be used, and keeping in line with the official Ford policy of not supplying belligerent powers, why was there no protest over returning these factories to active duty serving the Nazi war machine? Less than six months before, Ford Motor Company absolutely refused to supply the British, an ally of the United States, with aircraft engines. How could Ford explain directly supplying a different belligerent, Germany? Taken at his word that he was aware of the situation, Edsel Ford must have been cognizant of developments in Ford's European business that not only violated

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<sup>135</sup> HFM, Acc. 880, Box 1, Mira Wilkins Research Papers, Notes regarding Reminiscences of V.Y. Tallberg.

company policy but also went directly against the strategic interests of the United States. In spite of that, rather than divest and lose profits, Ford Motor Company instead opted to stay and reap the benefits of rearming a belligerent regime. However, even with this in mind, it remains hard to fathom why Ford was willing to make such risky business decisions for the small profits that they could not even get out of Germany. Even the profit motive lacks enough explanatory power for the strange behavior of Ford Dearborn during these years.

It is entirely conceivable that Edsel Ford was kept up to date on European affairs, right up until the United States entered the war. In total, between 1938 and 1941, over 180 letters were exchanged between Dearborn and Cologne.<sup>136</sup> In earlier years, more substantial letters about the state of affairs were exchanged, and in later years the communication became more skeletal. Ford Motor Company claims that following the outbreak of war in 1939, communications became more restricted. Albert wrote in September 1939 that new government laws prohibited “giving information to foreigners, even if and when they belong to the organization of the company as members of the board or as shareholders...we practically have to confine ourselves to the most important items of the balance sheet.”<sup>137</sup> However, as late as 1940 or 1941, Ford manager Erhard Vitger from Ford-Werke was still holding meetings with English, Danish, and Swedish Ford officials in neutral Sweden. The complexities of the conflict had pitted Ford-Werke against Ford Britain, but both could still openly communicate with Dearborn at this time. At the meeting, Vitger recalled, a souvenir photograph was taken of the group, in which the men

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<sup>136</sup> *Research Findings*, p. 86.

<sup>137</sup> Ford Motor Company Industrial Archives, AR-65-1500, Box 6, File: Germany 1939-1945 (Sorensen), Albert to Sorensen, November 27, 1939. Hereafter within this chapter, footnotes from this source will be abbreviated FMC.

“jokingly raised their arms in a Heil Hitler salute.” When the American authorities saw the picture after the war, Vitger had some “awkward questions to answer.”<sup>138</sup>

Albert’s claim about “restricting communication to the balance sheet” does not appear to be entirely correct, and throughout 1940 and 1941, letters arrived in Dearborn about less pressing issues. In May 1940, Albert wrote to Edsel that he wanted to extend Ford-Werke’s board membership to some new German industrial leaders, so that the German company could be “prepared for all emergencies.” He continued, stressing that this matter “certainly can wait” pending further correspondence with Dearborn.<sup>139</sup> This hardly seemed like an urgent matter. Similarly, in July 1940, Albert wrote to Edsel Ford asking for permission to hire his son to work at Cologne.<sup>140</sup> In a lengthy letter from April 1941, Albert explained that a new agreement that had been reached with the authorities in which Ford Dearborn’s dividends could be used for an increase of capitalization at Ford-Werke. The agreement also called for the authorities to get a larger portion of raw materials which Dearborn was *still supplying* to its subsidiary. Such an agreement, Albert assured Dearborn, was in the interests of FMC Detroit.<sup>141</sup> In short, it seemed as though information, while somewhat restricted, still passed freely between Cologne and Dearborn.

### **“The Best of Difficult Circumstances”**

Even if direct U.S.-German contact was limited (and it remains open to question whether this was truly the case) Ford Dearborn was still regularly updated by its French subsidiary, which

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<sup>138</sup> David Burgess-Wise, *The Making of a Multinational: I Didn’t Know Enough to be Scared* (internal Ford Motor Company publication), July 1, 1987, p. 40.

<sup>139</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 50, Albert to Edsel Ford, May 21, 1940.

<sup>140</sup> HFM, Acc. 6, Edsel Ford Office Papers, Box #321, Briefing Binder Section R, Albert to Edsel Ford, July 11, 1940.

<sup>141</sup> NARA, RG 407, Entry 368B, Box 1032, Schneider Report, Exhibit 45, Albert to Edsel Ford, April 1, 1941.

was headquartered in neutral Vichy France. Manager Maurice Dollfuss was a personal friend of Edsel Ford and the two men had vacationed together in the past. It comes as little surprise, then, that the communication between the two is more open than might even be expected. The letters sent by Dollfuss to Dearborn are not only of a personal nature – inquiring about families and the like – but also discussed business matters in great detail. Since the outbreak of the war in 1939, French Ford (hereafter Ford SAF) had been producing vehicles for the French army. Following the fall of France in 1940, the French subsidiary now came under the influence of Ford-Werke in Germany, and Ford-Werke sought to integrate the French operation into the single Ford unit planned by Schmidt. Dollfuss resisted this control and persuaded the German authorities to allow the French firm to remain independent. Following the fall of France, Dollfuss revealed that “the importance of the French Ford enterprise became obvious,” and that the firm’s reputation was even higher than before the war began. The correspondence between Dollfuss and Dearborn paints a picture of a subsidiary that was making handsome profits by supplying the German military, and a parent company supportive the entire time.

Dollfuss sent a 10-page report to Dearborn on July 19, 1940 about the status of the French company under the occupation, only a month after Henry Ford’s refusal to produce the Rolls-Royce engines. Profits were “brilliant” and “we have delivered considerable quantities of spare parts to the German Authorities...we have delivered quite a number of trucks and passenger cars...from which we have received bonds.”<sup>142</sup> Mindful of official censorship, Dollfuss cleverly relayed to Dearborn that special treatment was afforded to Ford SAF: “We shall have the best protection that can be obtained for a purely French concern...we will benefit from the main fact of being a member of the Ford family which entitles us to better treatment

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<sup>142</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 23.

from our German colleagues...the damage for us is hence much smaller than in any other company.”<sup>143</sup> Later, Dollfuss would confirm that compared with other French manufacturers Renault and Citroen, Ford SAF was prospering because of its connections. Those firms only had sales of 20 percent of what they had been before the war, and the advantage of being a member of the “Ford family” was a tangible benefit that was encouraging sales.<sup>144</sup> Upon hearing this news, Edsel Ford was most congratulatory towards Dollfuss for his efforts: “I think this is a remarkable achievement in view of the difficulties that are present at this time. I also appreciate your great effort to keep the organizations intact and desire to produce something... You are doing a fine job in cooperating with the other companies...”<sup>145</sup> Ford of France was encouraged to cooperate with other European operations to fill the orders of Hitler, while Ford Dearborn refused to cooperate with its own subsidiaries to fill an order for the British.

Ford SAF was highly regarded by German military and political officials. Dollfuss was personally invited to Berlin in August 1940 to meet with General Von Schell, who managed the German auto industry; he was “the first Frenchman to visit Berlin.”<sup>146</sup> Apparently Dollfuss requested the meeting, “in order to safeguard our interests...I have been to Berlin and seen General Von Schell himself, who is the highest executive responsible for the motor industry both from the military and civilian points of view.” His meeting was fruitful, as he reported to Edsel Ford that Ford SAF had been granted the authority to send an emissary from France to meet with executives in Dearborn, so that business matters could be discussed in greater detail than was allowed by correspondence. Moreover, Ford SAF was given permission to introduce a new 4-

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<sup>143</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 23.

<sup>144</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 31.

<sup>145</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 30.

<sup>146</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 27.

cylinder model in France, and that “we will be the only ones permitted to get ready with a new model.” Perhaps most noteworthy about this communication, however, was that Dollfuss provided a subtle indication that Henry Ford’s policy of “neutrality” was producing tangible financial benefits for the French firm (and its majority stakeholder, Dearborn): “My interview with him has been by all means satisfactory, and that the attitude you have taken together with your father of strict neutrality has been an invaluable asset for the protection of your companies in Europe.”<sup>147</sup> This was reiterated in a personal letter addressed to Edsel Ford that arrived with Dollfuss’ assistant, Georges Lesto, in November 1940, when he was sent to brief the American company about the situation in France. “At this stage I would like to outline the importance attached by high officials to respect the desires and maintain the good will of “Ford” – and by “Ford,” I mean your father, yourself, and the Ford Motor Company, Dearborn.”<sup>148</sup> It seems quite clear that Ford SAF enjoyed a level of independence unheard of in Nazi Germany, let alone the Nazi-occupied zones.

Dollfuss was hardly exaggerating the growing profitability when he mentioned the “brilliant” profits. Ford SAF’s business was prospering and supplying the needs of the German military proved to be a valuable income stream. In August 1940, Dollfuss wrote to Edsel Ford that the situation was progressing positively, and production was expected to hit twenty trucks per day, which was better than “our less fortunate French competitors are doing. The reason is that our trucks are in very large demand by the German authorities and I believe that as long as the war goes on and at least for some period of time all that we shall produce will be taken by the

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<sup>147</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 27.

<sup>148</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 34.



German authorities.”<sup>149</sup> Edsel Ford was directly informed that the French subsidiary was not only supplying but profiting from working with the German authorities and supplying a belligerent nation – exactly what Ford Dearborn had so loudly refused to do only two months earlier. Yet, not one word of disapproval came from Dearborn. By the first of August 1940, Ford France had accrued a profit of 1,600,000 francs – or about \$64,000.<sup>150</sup> The following months would prove even more lucrative. In November of 1940, a detailed financial statement for Ford SAF arrived in Dearborn, and the report was explicit in its content. By October 1940, total vehicle deliveries to the German authorities were 5,645. Total business thus far had amounted to 34,000,000 francs (\$1,360,000).<sup>151</sup> There seems to be quite a bit of disagreement between profit figures and credit balances to the American company. Numbers cited by company officials, U.S. Government investigators, and Ford account books do not match. Some of this has been attributed to accounting irregularities and exchange rate errors. Part can also be explained by the deliberate attempt by Dollfuss to minimize the appearance of profitability, so that the company would pay less tax. Knowing the exact amount is not necessary, but it is worth noting that profits were indeed soaring under German occupation, and Dearborn was well aware of that fact.

Dearborn’s responses to Dollfuss’ numerous updates are quite telling in company attitudes about the business being done there. If Ford Dearborn was truly fully informed about the nature of sales, it might be expected that it would raise objections to supplying the German military as it did with Britain. However, as was the case with Germany, there is no evidence that

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<sup>149</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 26.

<sup>150</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 28. For converting 1940 French Francs to USD, I used the figure of 1 FFR=\$.04USD, from Michael Twomey, *A Century of Investment in the Third World* (New York: Routledge, 2000), p. 127.

<sup>151</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 36.

any objections were voiced. In fact, Dearborn was even more congratulatory towards Ford SAF, applauding the progress being made. In its first documented response to Dollfuss' report since the beginning of occupation, Dearborn acknowledged receiving his report. Charles Sorensen wrote that "we are pleased to learn from your letter of July 18<sup>th</sup>, which we received and read *very carefully*, that our organization is going along, and the victors are so tolerant in their treatment. It looks as though we still might have a business that we can carry on in spite of all the difficulties."<sup>152</sup> Six months later, Edsel penned a note to Dollfuss which was sent back with Dollfuss' assistant, Georges Lesto: "We are very proud of the record that you and your associates have made in building the company up to its first great position under such circumstances."<sup>153</sup> The archival record is brimming with examples of such responses on behalf of Dearborn. Pride seems like a strange response to an open violation of company policy.

Ford Dearborn's relationship with its French subsidiary took on special importance during the height of the war. While it is technically outside of the scope of this thesis, a cursory mention of what prompted the "Lawler Report" is worth mentioning. In the Spring of 1943, Department of Justice investigators arrived in Dearborn unannounced, demanding to review Ford's correspondence with its French subsidiary since the outbreak of war. Much of the seventy page report included the correspondence mentioned above, but it also examined communication since the entrance of the U.S. in the war. In blatant violation of the Trading with the Enemy Act, Dearborn had secretly been communicating, via neutral Vichy France, with Dollfuss at Ford headquarters in occupied France. As late as July 1942, eight months after the U.S. declared war on Germany, Edsel Ford replied to one of Dollfuss' letters that "I have shown

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<sup>152</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 24. Italics mine.

<sup>153</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 39.

your letter to my father and to Mr. Sorensen, and they both join me in sending best wishes for you and your staff, and the hope that you will continue to carry on the good work that you are doing.”<sup>154</sup> Was this the good work of using Ford vehicles to transport German troops to the front lines against Allied troops?

It was also discovered that Ford Dearborn was advised of Ford SAF’s final sales numbers for 1941, which totaled 58,000,000 francs (\$2,320,000). In light of these stratospheric profits from France alone (not even including the business of Ford-Werke in Cologne), it *almost* makes sense from a business standpoint why Henry Ford would turn down the British engine contract, but this explanation does not hold up under scrutiny. The engine deal which was undoubtedly worth millions, combined with the good will that supplying a U.S. ally would have generated; why would Ford choose instead to solicit good will from the Nazi authorities, who still had every cent of Ford’s profit locked in block accounts? Edsel Ford wrote that he was “gratified to hear of the financial results, which seems to me an excellent showing considering the circumstances.”<sup>155</sup> No charges were ever formally levied by the Justice Department against Ford, most notably because of Edsel Ford’s untimely death in 1943 and because most of the communication had been before December 1941. Upon his death, it was also quickly realized that bringing Ford Motor Company to trial would be impossible due to lack of evidence.<sup>156</sup>

The investigation and subsequent report outlining the case against Edsel Ford and the violation of the Trading With the Enemy Act was led by Treasury Department investigator John Lawler. The “Lawler Report,” as it became known, crossed the desks of many people in the intelligence community and in the legislative and executive branches of government. The report

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<sup>154</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 65.

<sup>155</sup> NARA, RG 131, Entry 247, Box 131, Foreign Funds Control Memo by J. John Lawler, U.S. Treasury Department, 1943, p. 67.

<sup>156</sup> Wallace, p. 348.

was read by Henry Morgenthau, U.S. Treasury Secretary, and even Franklin Delano Roosevelt. While it was never made public, the Justice Department was ready to bring a case against Edsel Ford. Morgenthau called the report “amazing and shocking” when he forwarded it along to the president.<sup>157</sup> This bombshell of a report was all but ignored in *Research Findings*, and Simon Reich and his team offer no explanation why Edsel Ford should not have been charged with and convicted of breaking a law on par with treason.

There are some striking similarities between Dearborn’s communications with Ford-Werke and Ford SAF. In both cases, efforts to cooperate were applauded and encouraged. Not one hint of resistance can be found in the lengthy correspondence between Ford Dearborn and either of its two main continental European subsidiaries. Ford Dearborn maintained that it had an accurate and detailed impression of business operations for both of them. This means that it is certain that Ford Dearborn was aware of the fact that its continental European subsidiaries were supplying Hitler in one form or another and that they were realizing massive profits from working with the regime. While it is true that Edsel Ford’s cordial approval of the way business was being conducted might be dismissed as a formal show of politeness, it seems as though there were meanings behind those words. While each letter in isolation was vague and ambiguous enough to escape detection, when taken as an aggregate, the body of communication between Dearborn and its foreign subsidiaries constituted a genuine endorsement of activities. Had there been any instance of resistance or disapproval, it is quite possible that these letters could in fact be dismissed as innocuous. The absence of resistance, however, is quite damning for the case against Ford’s complicity in assisting the Nazi war effort. It hardly seems, as Simon Reich

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<sup>157</sup> NARA, Franklin Delano Roosevelt Presidential Library (Hyde Park, NY), Treasury Secretary Henry D. Morgenthau, Jr. Diaries, Microfilm reel, Treasury Department Memorandum summarizing correspondence between Maurice Dollfuss and Edsel Ford and Sorensen with covers, May 25, 1943.

concludes, that Dearborn “was often ill-informed” about activities in Germany.<sup>158</sup> While this could plausibly extend to include the secret munitions operations instituted by Schmidt and Albert, at least in a general business sense, Ford Dearborn had full knowledge up until the end of 1941, and even after, of its subsidiaries’ performance.

This is an appropriate point to bring up another problematic flaw in *Research Findings*, namely, that it was based only on available documents. A major caveat to its claims about what Ford knew, of course, is that there are only 180 examples of *surviving* letters, cables, etc., remaining in the Ford archives which can be used to ascertain knowledge. Determining how much of the wartime communication is actually missing is not possible. Moreover, it is well-known that Ford often destroyed internal company documents. For example, most of the documents related to the *Dearborn Independent*, Henry Ford’s personal newspaper that he used to disseminate anti-Semitic propaganda, have been destroyed (or “missing,” in official company language). Former Chrysler chairman Lee Iacocca, who was responsible for sales successes such as the 1965 Ford Mustang, remembered in his autobiography that document destruction was a common occurrence at Ford: “Henry [Henry Ford II] used to boast that he never kept any files. Every now and then he would burn his papers. He told me, ‘That stuff can only hurt you. Some day you could be crucified for keeping all that stuff.’”<sup>159</sup> It’s entirely plausible that some of the more incriminating communications have been lost forever.

### **Henry Ford’s Reward: War Profits**

The question of wartime profits was at the heart of *Research Findings*. In order to clear its name and reputation, and to prove to the world that Ford Motor Company did not profit from slave labor, a lengthy and comprehensive analysis of Ford Motor Company and Ford-Werke

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<sup>158</sup> *Research Findings*, p. 7.

<sup>159</sup> Wallace, p. 339.

financial records was completed. Ford Motor Company employed the services of PriceWaterhouseCoopers, a respected accounting firm, to analyze this data. *Research Findings* indicates that

“Financial records analyzed by PriceWaterhouseCoopers suggest little evidence that Ford-Werke made profits during the war. The analysis reveals that modest profit figures were recorded during the first few years of the war, but these were wiped out by enormous losses in the last two years. Indeed, the actions of the Nazi government, a postwar claims commission, and the Congress of the U.S. government all provide evidence to support the view that there were significant damages inflicted upon Ford-Werke. Each of these bodies awarded modest compensation to Ford or Ford-Werke, representing a small fraction of Ford’s claims.”<sup>160</sup>

Unfortunately, even that reputable name of PriceWaterhouseCoopers does not get Ford off the hook. A closer look at the report and the financial data shows that war profits were indeed earned by Ford-Werke and Ford Motor Company.

In its appendices, *Research Findings* provides year by year income figures for the company. As expected, the early years of the war were quite profitable for the firm. Between 1939 and 1943, Ford-Werke reaped a healthy net profit of 9,605,519 RM (or about \$3,626,207). In the last full year of the war, Ford-Werke lost a substantial amount due to supply interruptions and German government inefficiency – the one year loss for 1944 was 2,731,689 RM (\$1,092,675).<sup>161</sup> This is where Ford manipulates the math to its own advantage. Reich and his team conclude that substantial losses in the last two years of the war completely cancel out the profits achieved early on. While this is true, some qualification of this argument is necessary. Ford-Werke was only under Nazi rule for the first two months of 1945. In March, Allied troops liberated Cologne and began utilizing Ford-Werke for the production and repair of their own vehicles. When Ford-Werke’s main source of income, the German government, was defeated, it

<sup>160</sup> *Research Findings*, p. 7

<sup>161</sup> *Research Findings*, Appendix G. PriceWaterhouseCoopers used the exchange rate of 1RM=\$.40USD.

would naturally be expected that Ford-Werke would incur some financial setbacks. But technically, its 1945 loss should only be a pro-rated amount of the total for that year. In other words, only losses incurred while the Nazis were in power can fairly be applied to the total profit/loss figure for Ford-Werke operations under the Nazis. Taken for two months, total losses for 1945 should be calculated at 3,433,091 RM/12 months (x two months) which equals about 572,182 RM (\$228,872.73). With this in consideration, Ford-Werke's total wartime profit is an impressive 6,301,648 RM (\$2,520,659). Even considering the total loss of 1945, the number is still substantial, at 3,440,739 RM (\$1,376,295). Perhaps understandably, these numbers are wholly absent from *Research Findings*. They allude to an unpleasant truth, namely that Ford-Werke made money supplying an enemy of the United States.

This manipulation of profit figures could possibly be dismissed as semantics. After all, Ford was unable to extract its profits from its subsidiary during the war. However, this would be an oversimplification of the issue at hand. These profits enabled Ford-Werke to declare dividends from 1939 to 1943, the total amount of which owed to parent company Ford represented about \$600,000. Bureaucratic blockage and organizational difficulties prevented Ford from receiving these funds until six years after the war, in 1951. By then, the old Reichsmark had been replaced by the Deutschemark, and was accordingly devalued 90 percent. That devaluation saw Ford's dividend shrink to about \$60,000 in 1951 dollars. That did not deter Ford, however, and it put the funds to good use. Ford claimed these dividends and used them to buy back I.G. Farben's remaining shares in Ford-Werke, as the company was being liquidated after the war. Rather than see Farben's share in the company be lost to the public or another corporation outside of Ford's control, Ford opted to use these profits it realized on Nazi war orders to strengthen its own ownership of the firm. Ford could have, for example,

distributed that tainted money to former slave laborers or American war veterans, both appropriate causes considering the circumstances. However, Ford managers feared that those shares might have been distributed by I.G. Farben's liquidators in a way contrary to the wishes of Dearborn. Despite their small monetary value, they are worth millions of dollars today. This incident raises an urgent question: How can Ford cleanse itself of responsibility for its German subsidiary's wartime actions when it, in fact, became a direct beneficiary of them?

Even Ford's own historians confirm that Ford's other European subsidiaries did remarkably well during the war by teaming up with the Nazis. As Mira Wilkins notes in her account of Ford's operations in Europe during World War II, "The European companies operated at a handsome profit in all years except 1943, when they showed a loss of \$1,780,000, chiefly due to the impending collapse of Germany. Their blocked dividends did not come...until after the war. The net paper profit for the war years was \$10,978,000."<sup>162</sup> Yet, any mention of the European operation's profitability is conspicuously lacking in *Research Findings*. As critics of *Research Findings* have indicated, this figure has broad implications for the claims made by Reich and his team. In compiling their report, researchers were asked to determine the profits realized by doing business with Nazi Germany *in Germany alone*. They seemed to have "deliberately ignored the big picture" by neglecting the rest of European operations.<sup>163</sup>

Profits were also realized in more indirect ways as well. During the war, plant capacity was greatly expanded and the facilities at Cologne upgraded. A look at the company's total value during the war years shows a company that, in spite of huge losses at war's end, still maintained and even increased in total asset value. In 1939, the company's total assets were

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<sup>162</sup> Hill and Wilkins, p. 334. Of note: it seems as though the claim that Ford subsidiaries suffered losses in 1943 is supposed to read 1944. This was probably a typographical error, as in the footnotes, Wilkins notes that "Germany also showed a loss for 1944, but it was not sufficient to create a deficit for total European operations."

<sup>163</sup> Wallace, p. 343.



valued at 60,470,956 RM; by 1945, this had increased to 68,859,397 RM.<sup>164</sup> Thus, during the war, Ford-Werke actually *grew* by 14 percent. It becomes clear that the pure profit numbers hide a more complete picture of the company's business during wartime. This growth poised Ford-Werke to take advantage of a smoldering Europe that desperately needed vehicles for rebuilding.

Indeed, the capital gains of doing business with the Nazis prepared the company well for a post-war world. The Ford-Werke plant at Cologne was relatively undamaged (despite company claims for damage compensation to the contrary). Before his association with *Research Findings*, Simon Reich wrote of Ford-Werke's war damages that "the buildings badly damaged or destroyed were the receiving department, the recreation hall, a wooden office building...none essential to the running of the company. Greatest losses were in merchandise stored at depots; the firm's infrastructure remained intact."<sup>165</sup> In fact, Ford-Werke was the only functioning truck production facility in the British zone of Germany, and Opel was the only other company producing trucks in 1948.<sup>166</sup> Reich is absolutely correct in his assessment that Ford-Werke "did not suffer as much direct war damage as did other automotive producers and made a rapid recovery. It therefore appeared remarkably well placed to take advantage of increased demand in 1945."<sup>167</sup> With this in mind, Ford's competitive advantage in the German auto industry can be directly attributed to the activities and expansion while the company was producing vehicles for Hitler. Today, Cologne is the head of Ford's entire European operation – it eventually overtook even Dagenham and Great Britain – a testament to Ford-Werke's success after the war.

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<sup>164</sup> *Research Findings*, Appendix F, "Ford-Werke Balance Sheets."

<sup>165</sup> Reich, *The Fruits of Fascism*, p. 125.

<sup>166</sup> Palumbo, p. 43.

<sup>167</sup> Reich, *The Fruits of Fascism*, p. 125-6.

Cologne's relative strength and undamaged facilities were a major boon for the company. Company executives admitted openly that the main production facilities at Ford-Werke were intact, but Ford Motor Company still thought it deserved war compensation. Many American companies filed claims with the U.S. government for damage sustained to their facilities in occupied Europe during the war. Ford submitted a request for compensation for \$7,050,052 in 1965 for losses sustained in Austria and Germany during the war. The Commission responsible for awards reviewed Ford's claim and concluded that Ford only deserved "\$522,526 (after deducting tax benefits resulting from the losses) on grounds that some of the claims or claim amounts listed by Ford were not compensable under the terms and conditions of the law."<sup>168</sup> Ford called for a review of the decision and after a drawn out appeal, the amount was increased to \$785,321. Simon Reich perhaps inadvertently reveals a clue as to why Ford's award was so small. Before his association with Ford, he wrote that Ford's claims on the basis of "direct damages" were small in comparison with "losses in trade due to war."<sup>169</sup> Maybe the government commission was at least superficially aware of how much Ford profited from its operations and, cognizant of those direct and indirect benefits, sought to send Ford a message that its behavior was unacceptable.

It is curious that Ford even had the basis for a claim at all, considering that actual damages to the production capacity of the German factory were quite minimal. As soon as the Allies occupied Cologne the factory was put back to work. Ford claims that the extremely limited compensation package somehow proves that it did not realize war profits. Strangely, *Research Findings*, in all of its 98,000 pages of accompanying documentation, was unable to produce any documents about whether the 1965 award was ever paid. However, *Research*

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<sup>168</sup> *Research Findings*, p. 108.

<sup>169</sup> Reich, *The Fruits of Fascism*, p. 125.

*Findings* postulates that at the time of the award's offering, the fund contained enough money to distribute 80 to 90 percent of the funds to all claimants, leaving it entirely unclear if such payments were ever dispersed. Based on this information, it seems highly likely that the money was indeed distributed to Ford. Why would Ford Motor Company fail to retain a paper trail of its reimbursements for war damages, amounting to three-quarters of a million dollars?

## CONCLUSION

“I hope a great many people read the story about the Ford plants in Germany, published in one of our newspapers the other day, with its record of the actions permitted to these foreign plants by the majority stockholders in this country. Although the story dealt only with the Ford empire, there are many other great industrial concerns in the United States whose plants function in many countries throughout the world. I recall hearing, after France fell and after we went into the war, that the heads of a big industry in this country cabled congratulations to their managers in France because the latter were keeping the plant going—although they were keeping it going by making what the Germans asked them to make...In the carefully documented case of the Ford German plants, it was quite evident that Hitler and the Nazis profited by the attitude of the stockowners in this country.”<sup>1</sup>

In her daily column, Eleanor Roosevelt chose to highlight the Ford story not because of a personal vendetta against Henry Ford on behalf of her deceased husband, but because its lessons deserved further scrutiny. Nonetheless, in spite of a national spotlight on its actions, Ford Motor Company managed to escape blame for its actions for more than fifty years. In the postwar period, Americans cared less about the behavior of corporations and more about returning to a normal life after the interruption of two World Wars. Franklin Roosevelt’s death, and the departure of many of his more hawkish cabinet members, such as Henry Morgenthau, meant that corporations like Ford and General Motors escaped official sanction for their wartime activities. Besides, both companies had been so instrumental in producing tanks, trucks, and airplanes for the war effort once the United States became involved in the conflict that to question their patriotism seemed ungrateful and disrespectful.

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<sup>1</sup> Eleanor Roosevelt, “My Day,” September 20, 1945. Accessed 2/27/08 from [http://www.gwu.edu/~erpapers/myday/displaydoc.cfm?\_y=1945&\_f=md000135].

The fundamental topic that this thesis addresses is the issue of culpability. The behavior of Ford managers on both sides of the Atlantic in the years prior to the war was reprehensible. Ford managers displayed questionable judgment for almost a decade with regard to Germany. Year after year, they took huge risks hardly worth the minimal gains. This raises the question why these Ford managers so passively accepted a state of affairs that was quite clearly not in their best interest or that of the United States. Even more importantly, the modern-day management of Ford Motor Company has committed an error almost as egregious by refusing to recognize the wrongdoings of the past. So, in order to come to some solid and truthful conclusions, something *Research Findings* so roundly failed to do, I will answer the real question at stake here. Why would Ford voluntarily supply the Nazis?

The first and perhaps most obvious answer is simple inertia. Once it opened its factory at Cologne in 1931, despite the souring economic conditions, Ford was in essence committed for the long haul. Divestment was not a realistic possibility. The company could not have picked a worse time to increase its investment in Germany. Had Ford waited even another year or two, it would not have been so quick to invest heavily in the form of a state-of-the-art manufacturing and production facility in Germany. As construction was completed on the Cologne plant, the German economy collapsed, sparking a tidal wave of nationalism that brought Adolf Hitler and the Nazis to power. Ford invested millions of dollars in its new factory. To merely abandon that huge outlay of capital seemed impossible. So, Ford hoped to make the best of the situation and continue operations in Germany. Ford could not justify to its shareholders at home spending millions to open a brand new facility and turning around, admitting defeat, and leaving. Some of this pride was surely the result of the competition between Ford and General Motors. To leave Germany would have admitted defeat to Ford's biggest rival in the United States. Ford

managers, however, chose instead to slog it out in Germany even though General Motors (through its Opel subsidiary) continued to dominate the German auto market, beating Ford in market share year after year. Ford seemed altogether oblivious to the fact that it had already been defeated, and instead set out to prove that it too could compete in the German market, and to that end, took all of the steps necessary to promote the success of its subsidiary.

Initially, these steps were not so great in magnitude, nor did they demand much modification of Ford policy. Changing the way a bolt was measured and complying perfunctorily with Nazi standardization demands was fully acceptable, as long as the products produced in Germany could still be used elsewhere in the world (and they could be). The company enjoyed a degree of manufacturing independence and benefits unheard of elsewhere in German industry. Alternatively, the company was harassed for not doing enough for the country when it suited the needs of the regime. This happened with increasing frequency as the outbreak of World War II drew nearer. The regime leaned heavily on Ford-Werke to provide raw materials, military equipment, and other goods for the war effort. Ford did negotiate in the standardization arena, but ultimately gave in to a substantial portion of Nazi demands, especially afterwards. Following the standardization episode, it became much easier to just say yes to Nazi demands. Business was booming, and especially after Ford-Werke was awarded lucrative military contracts, the cost-benefit analysis seemed to indicate that this was a worthwhile investment. Even when the Nazis openly exploited the Ford Motor Company, it did not seem to mind. It just nodded its head in approval. What remains unclear, however, is why Ford tried to negotiate when its relative position in Germany was weak, like it was during the standardization struggle – and years later, when its value was apparent to Nazi officials and its

bargaining position that much stronger, it simply capitulated and gave in to increasingly steep Nazi demands.

This is a compelling argument for why Ford would have acted the way it did. However, it would be incomplete without a look at the profit motive. Ultimately, businesses care most about earnings. During the 1930s, Ford-Werke and the European subsidiaries which fell under its influence, were at least modestly profitable entities. Losses in the early part of the decade were quickly erased as rearmament reached a fever pace in Germany and the rest of Europe. Even though the majority of Ford's profits were locked in Germany, the European subsidiaries' profits certainly were accessible. Moreover, Ford's profits were not lost, merely set aside in a special account to be claimed later. The world greatly underestimated Hitler, and most corporate executives expected that once Germany returned to economic prosperity, currency controls would be loosened and they could extract their profits. In the unlikely event of a war – and most American executives doubted that a war would ever take place – it would hopefully be quick and relatively painless. America, in their opinion, would not even have to get involved, but instead could watch from the sidelines. Meanwhile, American business interests would prosper as their European auxiliaries supplied the warring factions. Ford subscribed wholly to this mentality.

Moreover, neither set of Ford managers ever contemplated opposing a politically extremist regime, and Ford officials did not directly approve or disapprove of Hitler. The company believed that it could remain neutral in German politics. Nowhere in the lengthy correspondence of Albert, Perry, Sorensen, or Edsel Ford are there any references of support or opposition to Nazi policies. Thus, it becomes easy to see that without any strong negative feelings toward the regime and the devastating financial loss of pulling out completely, the company made the decision to stay on seemingly sound economic grounds. Should Ford have

actively opposed the regime's policies, its facilities surely would have been taken over and everything would have been lost completely. But Henry Ford would never have allowed such resistance.

Henry Ford is really the wild card in all of this. The man is still regarded as a hero to anti-Semitic groups all over the world, ranging from the KKK to Al-Qaeda. Over the years, there has been much (unsubstantiated) speculation based on hearsay that Ford funded Hitler from a very early stage. Ford's own admiration of Hitler was well-documented, and the feeling was undoubtedly reciprocal. Indeed, some parts of *Mein Kampf* were directly lifted from Henry Ford's own anti-Semitic work, *The International Jew*. No internal company documents would ever support the claim that it was because of Henry Ford that the company tolerated the situation in Germany, and *Research Findings* would never raise such a self-indicting possibility. The irrationality of so many of the business decisions made in Germany, however, naturally begs the question. Was Ford Motor Company willing to tolerate conditions that were less than ideal, to put it mildly, because of the very fact that it was *Germany* and *Hitler*? Ford never would have tolerated these circumstances anywhere else in the world. It is unfortunate that there were no microphone bugs tape-recording conversations in Henry Ford's office during the 1930s, because there is a strong possibility that they would have revealed damning remarks.

Additionally, the behavior of the Nazis towards Ford certainly demonstrates that some degree of favoritism existed. Maybe the Nazis' harassment of Ford-Werke was just a matter of course, for the sake of appearing consistent in their nationalistic, anti-American rhetoric and policy positions. Before the war, Ford-Werke was never pressured to its breaking point, like so many other foreign firms doing business in Germany during the time, and it was granted unique exemptions. During the war, Ford-Werke was spared the worst of the foreign property



reorganization, and was left in the care of the original Dearborn-appointed managers. Why would such an inconsequential firm be treated with such respect, when the Nazis could pretty much have done whatever they wanted with the company?

There was no record of the company's response to Hitler, but was there any record of Dearborn managers regretful of their decisions? Unsurprisingly, there is almost none. Percival Perry voiced concerns when Dearborn proposed to assign Cologne export markets that were formerly the domain of the British company, although he was eventually placated. Charles Sorensen voiced concern about German interference in Ford's business very early on, when the Germans first imposed standardization on the company. However, his concerns were assuaged sufficiently by Albert to win him over and he became, with the possible exception of Edsel Ford, Ford-Werke's leading advocate and contact-man in Dearborn. In his own autobiography, Sorensen never expresses regret for how business was conducted, or comments on his own role in facilitating the supply of material to the Nazis. However, V.Y. Tallberg recalled a conversation with Robert Schmidt, in which he learned that Sorensen was uncomfortable with the French plant situation: "When I came back from Europe, he was very much worried about something...I can go just by one thing that Schmidt once said...He said Mr. Sorensen hasn't got such a clear conscience in regard to the French plant."<sup>2</sup>

### **Contextualizing Ford's Operations**

Ford does not deserve all of the blame for acting as an American company in Germany supplying the Nazis. General Motors-owned Opel, like Ford-Werke, profited greatly from its operations before and during the war. Opel's business of providing airplane engines, trucks, and

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<sup>2</sup> Henry Ford Museum and Greenfield Village Archives, Acc. 880, Box 1, Mira Wilkins Research Papers, Notes regarding Reminiscences of V.Y. Tallberg. Hereafter, footnotes from this source will be abbreviated as HFM.

munitions was extremely profitable before and during the war years. Like Ford's, Opel's wartime management diligently placed all of the company's dividends in an escrow account, to be received by General Motors following the conclusion of the war. GM took delivery of the blocked funds in 1951, just as Ford did. They did not amount to much (\$261,061), which as Opel historian Henry Turner concludes, can help explain why the decision was made to acquire them by lower ranking GM officials: "the money involved, which amounted to only a twentieth of one percent of GM's net income for that year, seemed too paltry to merit attention at the highest level of management."<sup>3</sup> This is not a compelling excuse, however. Both Ford and GM deserve blame for laying claim to money they should have dismissed as tainted. Aside from the war profits, however, the stories of the two firms are quite different.

A brief examination of Opel's history under Hitler brings many of the claims of Simon Reich and *Research Findings* into sharp relief. Reich singles out Opel's involvement in Germany to lessen the weight of the accusations levied against Ford. He concludes that "Ford-Werke was consistently treated much worse than General Motors' Opel subsidiary. Ford-Werke's small size made it relatively unimportant in terms of Nazi strategic thinking and thus it was far more disposable."<sup>4</sup> This thesis has already refuted the claim that Ford-Werke was disposable in the eyes of Nazi strategic planners; however, it is quite clear that Reich is mistaken in his claim that GM was treated much better. It is easy to see why, from a superficial standpoint, Reich makes his conclusion. However, these claims do not hold up under scrutiny.

At least initially, Ford-Werke balked at meeting standardization regulations and filling orders for the German government. Dearborn stalled, believing that no government had the right

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<sup>3</sup> Henry Ashby Turner Jr., *General Motors and the Nazis: The Struggle for Control of Opel, Europe's Biggest Carmaker* (New Haven: Yale University Press, 2005), pp. 149 and 158.

<sup>4</sup> Ford Motor Company, *Research Findings About Ford-Werke under the Nazi Regime*, prepared by Ford Motor Company Archives, December, 2001, p. 6.

to dictate how it did business in any country, Germany included. Because of that philosophy, Ford resisted regulations from the moment they were introduced, but Opel cooperated with automotive regulations from a very early stage. An American consul noted that meeting standardization helped Opel's business within Germany, but handicapped the company in the export market, which was so crucial in the Nazi economy.<sup>5</sup> The vital point, however, is that Opel neither *requested* nor *was granted* special standardization exemptions for their parts. It was this attitude that was favored by the authorities. Indeed, in his appeal to Dearborn to allow Cologne to standardize more fully, Heinrich Albert wrote to Sorensen that Opel was the measuring stick against which Ford was measured. Ford's perceived lack of cooperation angered regime officials, and Albert bemoaned the fact that "Opel had always been on good terms with the Government and the Party organization."<sup>6</sup> Also unlike Ford, which hesitated at filling government orders early on, Opel was producing trucks for the regime as early as 1935. The famous Opel Blitz truck was produced and sold to the German military, and alongside the Ford truck the Blitz became one of the most commonly used trucks in the German armed forces. If Reich's argument were true, it should have been Opel, and not Ford, that was extended special treatment, lest its business be lost. Instead, "disposable" Ford-Werke was singled out for exemptions.

The collaboration was also evident in Opel's smaller vehicle program. Its sprawling Rüsselheim plant and established reputation positioned the GM subsidiary to make a viable bid for producing Hitler's "people's car." Opel was also active in Hitler's plans to develop the Volkswagen, actively helping to fulfill his goal to bring cheap transportation to the German

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<sup>5</sup> National Archives and Research Administration, Record Group 151, Entry 14, Box 269, Economic and Trade Notes #46 from Commercial Attaché, Berlin re: Ford Gets German Government Truck Contract, September 10, 1938. Hereafter, footnotes from this source will be abbreviated as NARA.

<sup>6</sup> HFM, Acc. 38, Box 33, Albert to Sorensen, January 20, 1936.

public. Opel's huge production capacity afforded it the ability to make its smallest model, called the P4, available for a mere 1650 RM, and later, the price would drop to 1450 RM. Opel's offering was the cheapest car available in Germany during the 1930s.<sup>7</sup> As a result of its participation in the Volkswagen project, even though it did not receive the final contract, it did receive a consolation prize in the way of a new truck factory, as well as orders for trucks, at Brandenburg.

Despite some initial resistance to Nazi ideology, Hitler and his party could count on Opel (and by default, GM) management to support his policies, at least passively. Graeme Howard, GM's general manager of overseas operations, was as vocal in his support of Hitler as Henry Ford. Howard told colleagues of German progress, "Germany to a man and woman is behind Hitler and his objectives of quality and peace."<sup>8</sup> Before Hitler's invasion of Poland, Howard continued to publicly defend Hitler and the right to "regain for his people the things they lost" at Versailles.<sup>9</sup> James Mooney, president of General Motors overseas operations, was much more business-minded and refused to let ideology or morals cloud his estimation of doing business in Germany. He placed his trust in Hitler as a stabilizing force and looked at German markets as a lucrative source of profit. Indeed, in 1938 Mooney received an Order of Merit of the German Eagle Award from Adolf Hitler.<sup>10</sup> Opel historian Henry Turner classifies Mooney as an "economic appeaser" and writes of him that he "was incapable of registering the mounting evidence that Hitler was a megalomaniac outlaw who could never be deterred from his pursuit of sweeping conquests by mere adjustments in the terms of international trade."<sup>11</sup> The public

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<sup>7</sup> Turner, p. 36.

<sup>8</sup> Turner, p. 29.

<sup>9</sup> Turner, p. 107.

<sup>10</sup> Turner, p. 83. This medal was a few grades below that which was conferred on Henry Ford the previous year. Mooney was a naval reserve officer, however, and according to U.S. government rules turned the medal over to the Navy.

<sup>11</sup> Turner, p. 108.

rhetoric coming from Ford Dearborn was hardly this enthusiastic about Hitler and certainly never came out to defend his right to re-arm. Ford might have remained silent, which in some respects is equally egregious on a moral level, but the public positions of GM executives were far more vocal in support of the regime.

Thus, it seems that Opel would enjoy a greater degree of cooperation from German officials because of all of these factors. However, the opposite was true. In spite of all these instances of cooperation, General Motors actually faced incredible difficulties in controlling its German subsidiary. As early as 1937, the automotive giant was fending off attacks from local Nazi officials bent on requisitioning the company into government hands. Jakob Sprenger, an upstart Nazi regional governor of Hesse (where Opel was headquartered), was irritated that the largest manufacturing enterprise in his realm was in American hands; he welcomed the possibility of bringing it under the control of Germans.<sup>12</sup> It was only through complicated politicking, in which GM managers pitted German officials and government offices against one another, that GM was able to retain tenuous control. In contrast, Ford-Werke never faced such difficulties. While it might have faced official prejudice, the level of interference in its affairs never reached such a crisis point. At no point during its time in Germany did Ford-Werke ever face a very real threat of the Nazis taking over the facilities, and it was inexplicably shielded from the animosity aimed at Opel. Even during the war, Dearborn-selected men were in charge, conducting business to the best of their abilities but conducting it on Ford's behalf nonetheless.

Additionally, Opel was far more subject to political and ideological domination from the regime. Opel factories were plastered "with posters of the worst political type. Although this was an American owned plant, many of these posters which had to be put up were directly aimed

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<sup>12</sup> Turner, pp. 58-9.

at American political figures...which did not meet with Nazi approval.”<sup>13</sup> The in-house newspaper was censored, re-edited, and “quickly degenerated into a Party rather than a plant organ.”<sup>14</sup> Even as Ford-Werke’s in-house newspaper took on a more pro-Nazi tone, and Ford-Werke managers became more outspoken in their support of the regime, all of the evidence seems to indicate that this was not a result of official censorship but rather a voluntary and self-guided course (which possibly makes the behavior even more reprehensible). The autonomy preserved by Ford-Werke, especially in the last years of the 1930s, is really an anomaly.

Further proof that Ford-Werke was afforded special treatment can be seen in how it fared following the outbreak of war in 1939. Jakob Sprenger had tremendous influence as the regional party leader, or Gauleiter. He mandated policy for Opel’s internal factory management, and forced indoctrination of factory workers and the integration of ideology into plant life. These interferences seemed mild compared to the attacks levied against Opel during the war from higher Party officials. Following the United States’ entry into the war, General Motors wrote off Opel as a total loss, in accordance with common corporate practice of the time for firms with operations in Nazi Germany. Upon learning this, and in order to maximize the firm’s usefulness to the regime, the Reich War Ministry sought to “liquidate” or expropriate the company into German hands. Opel lost effective managerial control of its day-to-day operations and production was coordinated by central authorities. Opel’s subsidiaries in the rest of Europe were similarly taken over by the Nazis. An enemy property custodian who was an outsider was appointed by the government. Ford, on the other hand, retained its own manager, Robert Schmidt, in that position. Orders for the rest of Ford’s European subsidiaries were administered

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<sup>13</sup> NARA, RG 226, Entry 160, Box 24, “Excerpt from Interview with former American Directors of Opel Werke, Germany, Coordinator of Information, Washington, D.C.” January 9, 1942, p. 14.

<sup>14</sup> NARA, RG 226, Entry 160, Box 24, “Excerpt from Interview with former American Directors of Opel Werke, Germany, Coordinator of Information, Washington, D.C.” January 9, 1942, p. 14.

not from a central agency but through Cologne.<sup>15</sup> Indeed, this was the case throughout the war for Ford. Nazi officials were not running the firm. Dearborn-appointed and approved managers were. Even when they lost direct contact with their parent company, Ford-Werke enjoyed a freedom of management that was unheard of among other German firms, such as Daimler-Benz. Ford Dearborn could count on a strong degree of protection, even during the war.

Even Daimler-Benz, the auto manufacturer most visibly associated with Adolf Hitler and the Nazi party, faced difficulties in its dealings with the regime. Benz executives were highly skeptical of the standardization program imposed on the auto industry by the regime in the mid-to-late 1930s. Especially following the second round of “rationalization,” which called for a deep reduction in the number and types of vehicles a firm produced, the firm thought it was unfair and benefited certain manufacturers more than others.<sup>16</sup> Executives at Benz, like those at Ford, thought that any war would be short and hesitated (at least initially) to convert to a full war footing or implement any other changes in production methods that would “disadvantage a rapid reconversion to peacetime production.”<sup>17</sup> Despite personal interventions from Daimler-Benz’s chairman, Jakob Werlin, a personal friend of Hitler, the company was forced to halt production of its popular 1.7L model and realize a full wartime production schedule. Of course, attitudes at Daimler-Benz were overwhelmingly in support of the regime and its policies, and these minor quarrels the company had with the regime hardly impacted overall company policy toward working with Hitler. The point is, however, that even firms that were firmly in the good graces of the regime (or at least as firmly as was possible when dealing with Hitler) were challenged by regulations imposed on them by the German government.

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<sup>15</sup> Simon Reich, *The Fruits of Fascism: Postwar Prosperity in Historical Perspective* (Ithaca: Cornell University Press, 1990), p. 120.

<sup>16</sup> Bruce Bellon, *Mercedes in Peace and War: German Automobile Workers, 1903-1945* (New York: Columbia University Press, 1990), p. 54.

<sup>17</sup> Bellon, p. 82.

Simon Reich makes an inappropriate leap between the size of a firm (in this case, Opel) and how well it was treated by the Nazi regime. Perhaps this was mere oversight on behalf of his research team. As I have shown above, it would not be too difficult to arrive at the conclusion that Opel was treated better than Ford-Werke. Factually, however, this is an untenable position, and the report fails to provide a convincing explanation for why Ford-Werke retained such a high level of independence. While it was true that Opel was favorably regarded by the regime, it was actually subject to *more* hostility than its counterpart in Cologne. Moreover, “favor” had little practical value in the unpredictable Nazi state. Opel historian Henry Turner puts it best: “In the Third Reich, governmental decisions turned on the whims of a dictator for whom the doublecross was standard procedure.”<sup>18</sup>

In light of these revelations, it becomes apparent that portraying Ford-Werke as a victim of the Nazi regime is at best a wide-eyed delusion and at worst an open denial of a damning truth. Relatively, Ford-Werke was treated quite well in Germany, and the entire European operation enjoyed profitability throughout the war. “Ford men” retained control of the company, and as despicable as their actions were, they remained responsible for the everyday operation of the company under the Nazis.

In light of the framework of corporate accountability established in the introduction of this thesis, it is quite clear that, upon a closer review of the evidence, the Ford Motor Company skirted its duty to own up to the actions of the past. Of course, the past cannot be undone, and the best that Ford could have done was produce a straightforward and honest document which chronicled its activities. However, *Research Findings*’ deceptive construction and vague references downplay the huge scale of its involvement in Nazi Germany. Statements like those

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<sup>18</sup> Turner, p. 41.



made by Ford Chief of Staff John Rintamaki like “it was a process we could not influence or control” are just short of bold-faced lies.<sup>19</sup>

Following the publication of *Research Findings*, Simon Reich told reporters at a press conference that “there is a big difference in my own mind between if you were actively involved in the manufacture of chemicals for gas chambers or if you were actively involved in the manufacture of trucks.”<sup>20</sup> Such statements are not only ignorant of the truth but extremely offensive. Reich conveniently forgets that a major shareholder in Ford-Werke before and throughout the war was I.G. Farben, whose Zyklon-B gas was responsible for the deaths of millions. Ford trucks were quite literally the vehicle of lebensraum; the company trumpeted its contributions to the war on both the Eastern and Western fronts. It was Ford trucks that carried German troops east, where they committed atrocities against Jews, Gypsies, and other peoples who were not Aryan.

Sixty years after her column on Ford was first published, the prescription offered by Eleanor Roosevelt is still valid. Businesses should critically evaluate their behavior and openly admit when they have erred.

“I imagine that each one of us thinks we are honestly trying to look at any given situation not only from the point of view of our own individual interests, but from the point of view of the good of the people as a whole. Just because this is the case, it is important that every now and then we stop and examine what we have done and what resulted from our actions.”<sup>21</sup>

Ford should listen to these recommendations and revisit its report from seven years ago.

Humanity has the capacity to forgive, and Ford should not be so dismissive of this fact. The time is always right for apology.

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<sup>19</sup> “Ford Study Can’t End Forced-Labor Link with Nazi Germany,” *Detroit Free Press*, December 7, 2001.

<sup>20</sup> “Ford Study Can’t End Forced-Labor Link with Nazi Germany,” *Detroit Free Press*, December 7, 2001.

<sup>21</sup> Eleanor Roosevelt, “My Day,” September 20, 1945. Accessed 2/27/08 from [http://www.gwu.edu/~erpapers/myday/displaydoc.cfm?\_y=1945&\_f=md000135].

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