

How Wall St. Bailed Out the Nazis

Exclusive: The amoral calculations of Wall Street insiders guided Washington's post-World War II decision to give many Nazi war criminals a pass if they'd help in the Cold War against the world's socialist movements. CIA Director Allen Dulles was just one of the ex-investment-bank lawyers pushing the trade-off, writes Jerry Meldon.

By Jerry Meldon

Near the end of World War II, the secret collaboration between U.S. spymaster Allen Dulles and Nazi SS officers enabled many German war criminals to escape prosecution and positioned them to fan the flames of post-war tensions between the former allies, the United States and the Soviet Union.

In that way, the Old Nazis – aided by Dulles and other ex-Wall Street lawyers – prevented a thorough denazification of Germany and put the Third Reich's stamp on decades of atrocities during the long Cold War, spreading their brutal death-squad techniques to faraway places, especially Latin America.

Though the World War II generation has largely passed from the scene and the Cold War ended more than two decades ago, the consequences of Dulles's actions in those final days of World War II are still reverberating in Germany.

One of the after-shocks was felt in a Munich courtroom just last month, with the opening of the trial of Beate Zschape, a 38-year-old neo-Nazi who is accused as an accessory to two bombings, 15 bank robberies and ten murders between 2000 and 2007 by the terrorist cell, the "National Socialist Underground" (NSU).

Two male fellow gang members reportedly took their own lives to avoid arrest before Ms. Zschape torched their hideout and turned herself in, in November 2011. But the back story is no less disturbing.

Nine of the NSU's ten murder victims were immigrants, eight of them Turkish, one Greek. All ten were slain execution-style by the same Ceska Browning pistol. Yet it took more than a decade for police forces across Germany and the country's domestic intelligence agency, the Bureau for the Protection of the Constitution (BFV), to connect the dots that would link the homicides to Germany's xenophobic neo-Nazi netherworld.

Troubling Background

But the question is whether the missed connections resulted from incompetence or complicity. Last summer, following reports of the massive shredding of BFV's

files on right-wing extremists, the head of the agency tendered his resignation. Then in November, *Der Spiegel* reported:

“Four parliamentary committees [are] dissecting the work of law enforcement units four department heads have already resigned. The government’s failures in fighting rightwing terrorists have plunged [the BFV] into the worst crisis since it was ... set up in postwar Germany to stop precisely the kind of extremist thinking that allowed the Nazis to rise to power in the 1930s. The discovery of the NSU and its crimes has shaken the system to its core.

“The more secrets come to light, the clearer it becomes how extensively intelligence agencies had infiltrated right-wing extremist groups. The trio of neo-Nazis that made up the NSU was surrounded by informants linked with [the BFV]. One of the big questions is whether [the BFV] actually strengthened military right-wing groups.”

How the BFV worked at cross-purposes coddling neo-Nazis while supposedly constraining them is not entirely surprising in light of the circumstances surrounding the BFV’s birth.

West Germany’s first parliamentary elections in 1950 propelled into the chancellorship, Konrad Adenauer a stalwart of the same party as that of current German chancellor Angela Merkel, the conservative Christian Democratic Union (CDU).

When Adenauer named Dr. Hans Globke as his Secretary of State, the West German chancellor laid his cards on the table. Globke’s checkered past included wartime service at the helm of the Nazi Interior Ministry’s Office for Jewish Affairs. He drafted the infamous Nuremberg Laws for the Protection of German Blood and wrote the “Commentary” that provided the rationale for genocide.

The Interior Minister who signed the Nuremberg Laws, Dr. Wilhelm Frick, was sentenced to death at Nuremberg and hanged in October 1946. Globke would appear to have been culpable, too, having advanced his career during Nazi rule. His immediate supervisor, Interior Ministry Legal Counsel Bernard Loesner, resigned following Hitler’s decision to proceed with the extermination of European Jewry. When Loesner stepped down, Globke stepped up and left his fingerprints on the Final Solution.

But Globke was not only spared the fate of some colleagues tried at Nuremberg but emerged as an important figure in shaping post-war West Germany. In the 1961 book, *The New Germany and the Old Nazis*, T.H. Tetens, a German economist who worked for the U.S. War Crimes Commission, noted that Globke controlled every department of West Germany’s government in Bonn and “has done more than anyone

else to re-Nazify West Germany.”

Ex-Nazis Everywhere

Der Spiegel revisited the same subject in a March 2012 article headlined “The Role Ex-Nazis Played in Early West Germany.” It reported that two dozen cabinet ministers, a president and a chancellor had belonged to Nazi organizations.

The article reported that historians were poring through voluminous BFV files “to determine how many of the Nazi dictatorship’s helpers hid under the coattails of the domestic intelligence service in the earlier years of the Federal Republic” and whether “the protection of the young, optimistic constitution [had been] in the hands of former National Socialists.”

Berlin historian Michael Wildt told *Der Spiegel* he was convinced that the postwar police and intelligence services had been riddled with former Nazis. Entire government departments and agencies, he said, “covered up, denied and repressed” their murky history which evoked the following *mea culpa* from *Der Spiegel*’s staff:

“It’s a charge that doesn’t just apply to politicians and public servants, at least not in the early years of the republic. Senior members of the media, including at *Spiegel*, proved to be unwilling or incapable of sounding the alarm. This isn’t surprising, given the number of ex-Nazis who had forced their way into editorial offices.”

Author T.H. Tetens noted the irony in Dr. Globke, “[the] former key administrator in the Final Solution, [having] full control over the Office for the Protection of the Constitution.” Had he lived long enough, Tetens might have suggested that the BFV be renamed the Office for the Protection of Neo-Nazis.

Tetens might also feel vindicated by recently released CIA documents describing another branch of German intelligence that Globke’s controlled, the vast spy network run by Adolf Hitler’s former espionage czar, Lt. Gen. Reinhard Gehlen, a.k.a. the “Gehlen Organization,” a.k.a. “The Gehlen Org” or, simply, the “Org.”

Until 1955, when West Germany became a sovereign state, the Gehlen Org operated nominally under the aegis of James Critchfield of the CIA which paid for the Org’s intelligence product. In reality, Gehlen ran the Org from its creation in 1946 until his retirement in 1968. In 1956, the Org officially became Germany’s *foreign* intelligence service and was renamed the *Bundesnachrichtendienst* (BND).

Recently, the BND has been declassifying its files to come clean about its postwar origins. Documents released to date by both it and the CIA confirm suspicions that, at least in the Gehlen years, the Org/BND was little more than

a U.S.-bankrolled “sheep-dipping” operation for fugitive Nazis.

The U.S. Connection

And this troubling history goes back even further to the days of World War II when the American intelligence agency, the Office of Strategic Services, fell under the control of a group of Wall Street lawyers who saw the world in the moral grays of business deals, measured less by right and wrong than by dollars and cents.

In the introduction to *The Old Boys: The American Elite and the Origins of the CIA*, author Burton Hersh identifies this common denominator: “In 1941 [the year of America’s entry into the war}, an extraordinarily nimble New York antitrust attorney named William ‘Wild Bill’ Donovan inveigled Franklin Roosevelt into underwriting the first encompassing intelligence instrumentality, the Office of the Coordinator of Information [OCI].

“Donovan’s profession was relevant, and it was no accident that all three [of *The Old Boys*] load-bearing protagonists Bill Donovan, Allen Dulles, Frank Wisner achieved status in America by way of important Wall Street law partnerships.

“The faction-ridden [OCI] gave way in 1942 to the [OSS]. From then on a civilian-directed, operationally oriented spy service would top the wish list of America’s emerging power elite.”

These Wall-Street-lawyers-turned-spymasters brought their moral relativism and their ardor for aggressive capitalism to their World War II decision-making. Thus, they created an opening for Nazi war criminals who after Germany’s crushing defeat at the Battle of Stalingrad in February 1943 saw the writing on the wall regarding the future of the Third Reich and started hedging their bets.

As the war ground on for two more years, thousands of them took steps to evade post-war prosecutions, in part, by arranging protection from British and American officials. Most of those American officials served in U.S. intelligence agencies, either Army intelligence or the civilian-run OSS, the CIA’s forerunner.

OSS spymaster Allen Dulles played into this Nazi game in spring 1945, as Soviet, British and American forces were converging on Berlin. Dulles engaged in negotiations for the separate surrender of German forces in Italy with SS General Karl Wolff.

It apparently didn’t bother Dulles that Wolff, like many of his SS brethren, was a major war criminal. After September 1943, when Italy withdrew from the Axis

and made peace with the Allies, Wolff's troops committed an average of 165 war crimes a day executing his orders to liquidate the Italian resistance and terrorize its supporters.

(In 1964, a German judge sentenced Wolff to 15 years in prison for various war crimes, including ordering the deportation of 300,000 Jews from the Warsaw Ghetto to the Treblinka death camp.)

Pushing the Envelope

Initially, Dulles met with Wolff in defiance of orders from the dying President Franklin D. Roosevelt. The contacts also were behind the back of Soviet leader Josef Stalin, whose army had not only turned the tide of the war at Stalingrad but was still doing the bulk of the fighting. As Hitler's Third Reich neared the end of its days, six out of every seven German divisions were lined up against the Red Army.

Ultimately, Dulles secured authorization for what was code-named "Operation Sunrise," but his determination to consummate a deal with Wolff didn't stop at negotiations. When the Italian resistance set a trap for Gen. Wolff, Dulles saved him in what his OSS colleague (and future Supreme Court Justice) Arthur Goldberg described as treason.

Moreover, when Soviet spies informed Stalin about the Dulles-Wolff assignments which continued even as the Red Army suffered 300,000 casualties in a three-week period the ensuing brouhaha played right into Hitler's own game plan for survival.

Desperate to bolster the morale of his collapsing army, Der Fuehrer seized on the dissension opening in the ranks of the Allies. He gave his generals the following pep talk (as transcribed in Gabriel Kolko's *The Politics of War*):

"The states which are now our enemies are the greatest opposites which exist on earth: ultra-capitalist states on one side and ultra-Marxist states on the other. [Their] objectives diverge daily and anyone can see how these antitheses are increasing.

"If we can deal it [the alliance] a couple of heavy blows, this artificially constructed common front may collapse with a mighty thunderclap at any moment."

Indeed, Wolff's surrender overtures to Dulles might have been an attempt to both save his own skin and help Hitler drive a wedge into the "artificially constructed common front."

The overall value of Dulles's negotiations toward ending the war also was

dubious. Less than one week before the general armistice ending the War in Europe, Dulles offered Nazi officers an advantageous deal, letting one million German combatants surrender to British and American forces on May 2, 1945, rather than to the Russians.

By surrendering to the British and Americans, most of these Germans not only avoided harsh treatment from the Russians but high-ranking Nazi officers benefited from the Truman administration's quick pivot from its war-time alliance with Stalin to the Cold War confrontation with Moscow.

President Harry Truman's staunchly anti-communist advisers, including Secretary of State James Byrnes, persuaded Truman to default on FDR's commitment to a thorough postwar denazification of Germany, one in a series of decisions which enabled thousands of war criminals to avoid justice and permitted many to assume key positions in the new West German government.

Steering the Cold War

Yet, the use of Nazis by U.S. intelligence agencies had the additional dangerous effect of letting the Nazis influence how the United States perceived its erstwhile allies in Moscow. Washington formulated much of its early Cold War policies based on information about Moscow's intentions that originated with Gehlen's blemished agents.

These infamous Final Solution perpetrators included:

–Willie Krichbaum, reportedly the Gehlen Org's top recruiter. As the senior Gestapo official for southeastern Europe, Krichbaum managed the deportation of 300,000 Hungarian Jews for extermination.

–Dr. Franz Six, former Dean of the Faculty of the University of Berlin and Adolph Eichmann's immediate supervisor in the Ideological Combat branch of the SS security apparatus. In 1941, according to a report he wrote (which Christopher Simpson cites in *Blowback: The First Account of America's Recruitment of Nazis, and its Disastrous Effect on our Domestic and Foreign Policy*), a Six-led SS commando group murdered 200 people in the Russian city of Smolensk, "among them 38 intellectual Jews."

Wanted for war crimes, Six joined the Gehlen Org in 1946, but later was betrayed by a former SS officer working undercover for a US/UK dragnet for fugitive Nazis. In 1948, a U.S. military tribunal sentenced him to 20 years for war crimes including murder. After serving four, he was granted clemency by John McCloy, another Wall Street lawyer then serving as U.S. High Commissioner for Germany. Six then rejoined the Org.

–Gestapo captain Klaus Barbie, the infamous “Butcher of Lyon,” who escaped via the so-called “rat lines” to South America, where he then worked with right-wing intelligence services and organized neo-Nazi support for violent coups against elected and reformist governments, including the 1980 “cocaine coup” in Bolivia. After decades of spreading Nazi techniques across Latin America, Barbie was arrested and returned to France where he was given a life sentence in 1984 for ordering the deportation of 44 Jewish orphans to the death camp at Auschwitz

–SS Colonel Walter Rauff, who dodged postwar prosecution for developing mobile gas vans and administering their deployment to murder some 250,000 Eastern Europeans, mostly Jewish women and children. The appearance of Rauff’s name on the list is interesting because, as the Milan-based SS intelligence chief for northwestern Italy in 1945, he was Gen. Wolff’s liaison with Allen Dulles.

According to a 1984 Boston *Globe* Op-Ed by former U.S. Justice Department lawyer John Loftus, Rauff, after playing his part in Operation Sunrise, calmly turned himself in and told agents of the U.S. Army Counter-Intelligence Corps (CIC) that he had made surrender “arrangements [with] Mr. Dulles to avoid further bloodshed in Milan.”

In Loftus’s words, Dulles “promised that none of the [surrender] negotiators would ever be prosecuted as war criminals. When Truman and Stalin discovered what Dulles [had been up to], there were outraged orders to call off Sunrise [But] Dulles went ahead anyway, with Truman’s reluctant concurrence [Dulles] kept his bargain Rauff was released.”

Christopher Simpson confirms in *Blowback* that “each of the SS officers involved in Operation Sunrise [escaped] serious punishment despite the fact that each was a major war criminal. A U.S. military tribunal tried [SS intelligence chief] Walter Schellenberg, who had helped trap and exterminate the Jews of France. He was convicted but freed shortly thereafter under a clemency [order] from the U.S. High Commissioner for Germany, John McCloy...

“Wolff was sentenced to ‘time served’ in a [British] denazification proceeding in 1949, then released without objection from U.S. authorities. Fifteen years later a West German court tried Wolff a second time. He was convicted of administering the murder of 300,000 persons, most of them Jews, and of overseeing SS participation in slave labor programs.”

Fleeing to Latin America

However, when the war ended, neither the Gehlen Org recruitment program nor Wall Street lawyer McCloy’s clemency rulings had begun, leaving tens of thousands of war criminals desperate to relocate in secure foreign outposts. SS Col. Rauff

just happened to have the right connections to make that happen.

In *Unholy Trinity: The Vatican, the Nazis and Soviet Intelligence*, Australian investigative reporter, Mark Aarons, and former Justice Department lawyer Loftus reconstruct how Rauff became the mass murderers' travel agent of choice.

Shortly after the Wolff/Dulles surrender negotiations were successfully completed on April 29, 1945, Rauff was arrested by unidentified Americans and delivered to an OSS unit led by James Angleton, the future CIA counter-intelligence chief.

From its description by Aarons and Loftus, Angleton's team appears to have been tracking communists in the Italian underground which would have been consistent with Washington's postwar policy of backhanding leftwing resistance leaders, from European partisans to Vietnam's Ho Chi Minh, irrespective of the magnitude of their contributions to the Allied cause.

Angleton's team reportedly debriefed Rauff at length, probably about what he had learned when he carried out Wolff's orders to liquidate the resistance. After Angleton's team released him, Rauff established contact with his former SS colleague Friederich Schwendt who was already on the payroll of the U.S. Army Counter-Intelligence Corps (CIC) and, like Rauff himself, was wanted for murder.

Schwendt was also a master counterfeiter. He laundered his product through banks, obtaining legitimate Western currency in return enough, in fact, that over the next three years, Rauff was able to furnish thousands of fellow war criminals false identities and one-way tickets to South America.

Rauff himself wound up in Chile, where he later reportedly advised Gen. Augusto Pinochet's ruthless secret police.

As for Allen Dulles, he became director of the CIA from 1953 to 1961. Under his leadership, the CIA overthrew democratically elected governments in Iran (1953) and Guatemala (1954) and replaced them with anti-democratic dictatorships. To this day, neither country has fully regained its democratic footing.

After the CIA's disastrous 1961 Bay of Pigs invasion, President John F. Kennedy sacked Dulles, but Dulles did not wander far from the centers of power. After JFK's assassination two years later, President Lyndon B. Johnson asked Dulles to serve on the Warren Commission's investigation of Kennedy's murder.

Dulles died on Jan. 29, 1969. However, even today, seven decades after Dulles opened the door to U.S. collaboration with Nazi war criminals, his decision continues to infect government actions around the globe.

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