ABSTRACT

This paper examines the collaboration between the German National Socialist Government and the banking sector in supplying credits to assist the economic development of Austria following the German annexation in March 1938. The program, which was based on the granting of Reich-guaranteed credits by a consortium of banks, was the brainchild of Hans Kehrl, a powerful technocrat in the Reich Economics Ministry. Kehrl worked closely with Wilhelm Keppler, Hitler’s economic adviser and Reich Plenipotentiary for Austria, and both worked for Hermann Goering’s Four Year Plan organization. The basic purpose of the program was to reconstruct the Austrian economy and raise the Austrian standard of living by promoting the rationalization and modernization of the Austrian economy. An effort was made to protect the Austrian economy from being taken over by German enterprises and to make the Austrian economy competitive with the German one as it became integrated into the economy of the Reich. However, a substantial number of credits were given to Austrians to assist them with the «Aryanization» of Jewish businesses, a difficult problem both because of the lack of skill and knowledge on the part of those taking over previously Jewish-owned enterprises and because of their insufficient capital. The program was also bedeviled by the tendency to favor applicants for political rather than economic reasons. Needless to say, this did not promote the economic rationalization or competitiveness desired by Kehrl. In general, the banks were ready to participate in the program so long as the loans were guaranteed, usually at 85 percent, by the Reich. The results of the program, however, did not live up to expectations because of its internal contradictions resulting from conflicts between ideology and economic rationality. Nevertheless, this program based on a public-private partnership between the government, which guaranteed loans, and the banks, which made the loans, served as a model for similar efforts in the Sudetenland and then in the annexed areas of Poland, where similar consortia financed both «settlement» projects for ethnic Germans and large scale industrial operations that employed forced and slave labor.

For very good and obvious reasons, National Socialist Germany is usually thought of in terms of its programs of despoliation and has certainly not been thought of in terms of programs of economic and financial aid. Nevertheless, the regime did conduct a number of aid programs, in some cases linked in various ways to its despoliation activities, and these were programs based on joint efforts by the government and the German banks. The programs are interesting as illustrations of government efforts to steer the economy, but they are also indicative of the complex relations between the regime and the private sector, especially the banking system, and of both the extent and
limits of private sector self-determination in the National Socialist system. One thing should be clear from the outset. National Socialism turned its back on liberal capitalism, and in both word and deed insisted on the primacy of State interests and was both ideologically and in practice committed to a «directed» or «steered economy». Particular hostility was shown toward the big universal banks, especially within the more radical Party circles but also by Nazified elements in the bureaucracy. As the head of the banking desk at the Reich Economics Ministry Joachim Riehle testified after the war, there were constant complaints about the banks, which were regarded as «politically unreliable» and in need of «coordination».1 Nevertheless, the regime found itself unable to do without the banks that not only were uniquely experienced in the mobilization of money but were also a fount of information. Government-bank interaction, therefore, is highly illustrative of the role played by the most capitalist of institutions, the banks, in the directed economy of the «Third Reich».

I

A good introduction to the actual subject matter of this paper can be found in the shamefully shameless autobiography of Hans Kehrl, a self-styled «crisis manager» of the «Third Reich» and «technocrat», which was published in 1973 and, among other things, describes his activities as deputy for economic questions to the Reich Plenipotentiary for Austria Wilhelm Keppler immediately after the occupation of Austria on March 12, 1938.2 Keppler had been Hitler’s economic adviser and had also been assigned the task of working with the Austrian National Socialists to undermine the Austrian State, a task he performed very well. Kehrl, a small-time textile industrialist who became a Nazi Party activist before 1933 and who was a promoter of synthetic fiber production, had worked for Keppler in 1935/36 before being assigned to the Reich Economics Ministry at the desk for textiles in the Four Year Plan Office. He maintained this position during his assignment in Austria and was eventually to have a key position in Speer’s Ministry. Ambitious and ruthless but highly efficient and competent, he became a key figure in the economic organization of Austria and then the Czech lands for the National Socialist State and really served much more as Göring’s point man in the German annexations than as the agent of the rapidly eclipsed Keppler. He remained a powerful figure in the Reich Economics Ministry in Berlin while becoming a close associate of the more brutal National Socialist leaders in Austria like the Commerce Minister and then Minister for Economics and Labor, Hans Fischböck, and the Commissar for the Private Economy, Walter Rafelsberger, both of whom he praised in his autobiography as fine fellows trying to do their best to promote the Austrian economy and keep it in sound hands.

This pretension to serving the interests of the newly annexed «Ostmark», should be taken seriously, however. While Keppler and Kehrl were hardly precursors of George C. Marshall, they were genuinely interested in Austrian reconstruction as were other leading figures in the National Socialist regime, concerned that the Austrians not feel

«colonized» by the Germans, and supportive of a systematic approach to the problem of integrating Austria in the Reich financially and economically and raising the level of the Austrian economy. This was especially evident in the currency conversion from Schilling to Reichsmark, where a 2:3 ratio was chosen and indeed mandated by Hitler, while the Reichsbank had favored a 1:2 ratio. This rate was chosen for political reasons, and it is somewhat reminiscent in intent and consequences to the more recent unification of Germany, where a political exchange rate of 1:1 was chosen against the will of the Bundesbank. The immediate consequence was of course the raising of wage levels and the purchasing power of the population, while the long-run effect was to make the industry of the annexed or attached territory uncompetitive. In contrast to the German Federal Republic, however, where basic free market principles were in order and the problems of the former GDR were dealt with by a combination of massive transfers and the selling off and shutting down of non-competitive industries, the «Third Reich» was a directed economy gearing up for war so that one was in a position not only to take a political approach to the currency reform but also to its consequences and develop a system of government-guaranteed credits to Austrian industry aimed at once to increase employment and undertake measures of rationalization.

Göring had already given Keppler his basic economic marching orders on March 19, 1938, instructing him not only to determine what raw materials and industrial resources would be important for the Four Year Plan – the Reichswerke Hermann Göring were to expand mightily as a consequence of the takeover of Austrian mines and plants – but also to insure that «Aryanization» in Austria, which could be anticipated to be larger in scale and scope than in Germany, be carried through as systematically and uniformly as possible, and that close attention be paid to the regulation of wages and prices. Thus, if Göring’s primary consideration was the mobilization of Austria for the Four Year Plan, he was concerned to provide the Austrians with a «soft landing» into the German economy through a regulated «Aryanization» of Jewish enterprises and through close attention to wages and prices. It was this policy that Keppler and Kehrl had to carry out. A good illustration of such attention to the effects of economic integration was a proposal of Kehrl at the beginning of April that the Finance Ministry set up an equalization fund of 20 mio. RM to help out the iron and shoe industries whose prices, when calculated in Reichsmark, were well over those in Germany. While the Finance Ministry believed that the general recovery of business and new orders from the Reich would compensate for losses incurred by higher prices, it nevertheless decided to set up such a fund in case some firms had severe losses and were threatened with bankruptcy because of the price problem.

Even more solicitude was shown for potential «Aryanizers» of Jewish enterprises. Since Jewish economic presence in Austria was very substantial, Göring had ordered that the process had to be completed within four years, a vast underestimation of Austrian enthusiasm for the appropriation of Jewish assets and efficiency in doing so – the process was largely completed in slightly less than a year – and, given the large sums of

3 Göring to Keppler, March 19, 1938, Moscow Special Archive – Rossijskij gosudarstvenyi voennyi Archiv (Russian State Military Archive) (hereafter RGVA Moscow), 1458/2/77, Fol. 15-16.

4 Minute by Kohler, April 4, 1938, ibid., Fol. 36-57.
money that would have to be mobilized for this purpose, showed considerable concern that «the German entrepreneurs who intend to carry out the Aryanization will often lack the necessary means to purchase and carry on the Jewish plants to be taken over».5 There was, however, some difference of opinion as to how to help out and what the standards of risk were to be. The Reich Ministry of the Interior, reflecting the views of Keppler took the position that there was little risk at all since «suitable measures» could be taken to insure that the Jewish assets, whose value had decreased because of the pressure to sell, could be bought up cheaply and that their value would increase once they were in «Aryan» hands and the economy improved. At the same time, he wished to prevent Germans coming in and buying up those assets and urged instead that the Austrian banks provided the needed credits with a Reich guarantee.6 The Reich Finance Ministry was much less sanguine, seeing the risk not in determining the value of the asset to be transferred and far more «in the personal qualities and business capacities of the German entrepreneur taking it over».7 It doubted very much that the Finance Ministry could afford to guarantee the huge number of credit requests anticipated and argued that it was necessary for the private economy to raise the money needed for «Aryanization».

This unedifying discussion of the modalities of financing «Aryanization», however, was overshadowed by a more general discussion of organizing a state-private partnership for the general financing of the Austrian economy through the creation of a bank consortium that would grant credits guaranteed by the Reich. As Ministerial Director Kurt Lange of the Reich Economics Ministry made clear to an assemblage of officials and bankers in Berlin on April 4, 1938, Göring viewed the creation of such a bank consortium «for the reconstruction and development of the Austrian economy» to be not only a matter of economic importance for the Four Year Plan but also as a matter of political moment and insisted that the consortium be created and made the subject of publicity before the plebiscite on union with Germany, scheduled to take place on April 10.8 It was part of a larger effort to demonstrate that the Germans were intent on bringing economic welfare and a higher standard of living to Austria. The projected level of the credit was set at 50 mio. RM running for 12 1/2 to 15 years. Lange proposed that a new bank consortium be created for this purpose under the leadership and with the participation of the Austrian banks. A couple of models had already been tried out. Bank credits had been given in the Saarland following its reintegration into the Reich after the 1935 plebiscite, and a consortium had been created in the Reich for the provision of credits for the purpose of purchasing raw materials needed for the Four Year Plan. In Lange’s view, however, the tasks to be accomplished in Austria were different in scope and nature and required something new.

A number of bankers had been invited to the meeting representing the Deutsche Bank and Dresdner Bank but also the Austrian Creditanstalt and the Mercurbank. The Creditanstalt had been substantially controlled by the Austrian State between the banking crisis of 1931 and the «Anschluss», but the Austrian State shares were now

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5 Memorandum for Schwandt of the Reich Finance Ministry, April 9, 1938, Bundesarchiv Berlin (hereafter BAB), R 2, No. 15612, Fol. 5-6.
6 RMI to RFM, April 5, 1938, ibid., Bl. 2.
7 Memorandum for Schwandt, April 9, 1938, ibid., Fol. 5-6.
8 Protokoll über die Sitzung am 4.4.1938, RGVA, 1458/2/77, Fol. 70-72 for this discussion.
being taken over by the Reich-controlled Vereinigte Industrieunternehmen AG and to a lesser extent by the Deutsche Bank. The Mercurbank was owned by the Dresdner Bank and in July 1938 was to be merged with two other banks to form the Länderbank Wien AG. Most of the talking at the meeting was done by the representatives of the Deutsche Bank, especially Hermann Josef Abs, who had only recently been appointed to its Management Board and was thus at the beginning of his spectacular and controversial career in the Deutsche Bank, and the more experienced Hans Pilder of the Dresdner Bank, a shrewd negotiator. Both bankers stated their support for the creation of a consortium but devoted considerable attention to the issue of risk. Pilder was anxious to spread it as much as possible, pointing out that the Creditanstalt and the Mercurbank were the only two big banks in Austria so that it was important to bring Austrian savings banks and other German banks into the consortium. Pilder objected to the Saar model, which involved the individual banks presenting candidates for loans and the Reich then giving an 85 percent guarantee. The problem was that there had been no consortium for the Saarland, where cash had been provided for operating credits by individual banks for their clients. Austria was a much more expensive proposition because it needed investment credits and, as Abs pointed it, the individual banks would be very reluctant to take the responsibility for actually presenting candidates for such large credits. From this perspective, the Economic Ministry plan was more agreeable to the bankers. The Ministry proposed to submit all applications for credits to the newly-established Viennese branch of the German Revision and Guarantee company, an auditing agency, and then have the final decision made by a Committee set up in Vienna to deal with all applications under 100,000 RM while having larger amounts subject to the approval of the Reich Economics and Finance Ministries. The risk was to be shared between the Reich and the banks in the consortium, but there was some disagreement and confusion about how the risk should be divided in the case of large credits. Pilder was prepared to go as far as to have the banks take 30 percent of the risk while the Reich guaranteed 70 percent. The condition, however, was that the banks had a voice in the management of the credits, a concession Lange was prepared to make provided that the banks did not delay things. Abs took the position that provision had to be made for a 100 percent Reich guarantee in the event that all the members of the consortium could not agree on taking on a substantial portion of the risk. The upshot was that the division of the risk was left to a decision by the ministries.

Also left undecided was the leadership of the new consortium, both the Creditanstalt and the Mercurbank laying claim to it and the extra fees and prestige it would bring. The Deutsche Bank backed the claims of the Creditanstalt, while the Dresdner Bank stood behind the Mercurbank. What counted most for the government agencies, however, were the politics of the situation and the announcement of the consortium before the plebiscite. Thus, these key issues were put on ice while the propaganda effort was put in the forefront, all parties agreeing to the issuance of an enabling law establishing a 50 mio. RM consortium and permitting a Reich guarantee of the credits. While the formal bank acceptance was made conditional on agreement to the division of the credit risk to be worked out by the ministries, and the banks requested a two-day grace period to negotiate with the other consortium members before publication of their agreement, the banks obviously were committed to participation. In practical terms,
this meant that they had to make whatever the quota to which they were committed available on call.

What emerges from these initial negotiations is that the banks certainly fell into line insofar as the basic program was concerned and were ready to serve as instruments of the government’s aid program but that they were unprepared to make more sacrifices than necessary and were quite insistent on government guarantees of large credits. At the same time, they continued to compete with one another for the leadership of the consortium, a situation that irritated the government leadership no end because the government took the position that such competition was irrational and served no worthwhile economic purpose. In renewed negotiations on April 6–7, in which the Reich Commissar for the Banking Sector, Dr. Friedrich Ernst, was brought into the deliberations, the banks were told that this dispute would not be allowed to delay the granting of credits and in Solomon-like fashion proceeded to mediate – better said, arbitrate – an agreement under which the Creditanstalt and the Mercurbank, later Länderbank, would share the leadership of the consortium. The technical management of the consortium was placed in the hands of the Control Bank for Commerce and Industry, a special bank used for various administrative banking functions and owned by the leading Austrian banks. This use of the Control Bank in this manner was to be of more than a little significance since the Control Bank soon also took over the function of dealing with the largest and most important industrial «Aryanizations». The actual quotas demonstrated the basic importance of the German big banks to the entire operation as well as the importance of the Creditanstalt as Austria’s big bank with a considerable amount of autonomy of its own. Thus, the Deutsche Bank and Dresdner Bank took 25 percent quotas each, while the Creditanstalt took 20 percent. They were to have the right to pass on portions of their quotas to friendly banks, while the remainder was to be divided among other banks.

The Law of April 9, 1938 dealing with the aid to Austria program went well beyond the initially discussed 50 mio. RM credit since it authorized the Ministry of Finance to issue up to 150 mio. RM in credit guarantees and sureties to promote the industrial economy of Austria. It was part of a bundle of measures announced prior to the plebiscite involving contracts for Austrian industry, the building of Autobahns, and varieties of infrastructural improvements intended to help Austria and promote its integration into the economy of the Reich. The evidence shows that the 150 mio. RM figure reflected a long-run intention or possibility rather than a short-run propaganda ploy, but the government made an initial decision to have only a third of the amount, 50 mio. RM, given in credits and the banks were expected to be the source of the money. On the one hand, 25 mio. RM – very shortly to be raised to 35 mio. RM – were intended as long-term credits which would be granted with a 100 percent Reich guarantee. These were so-called consortial credits granted through a projected consortium of 25 banks with the largest quotas being held by the big Austrian banks and their German partners (2.5 mio. RM each), but with the Austrian regional banks also participating with a combined sum of 2.5 mio. RM. The remaining banks were major German private banks as well as state banks. Since these credits were 100 percent guaranteed by

9 Memorandum of April 9 on meeting of April 6, 1938, BAB R2/15608, Fol. 3-6.
the Reich, the banks showed a preference for them and indeed insisted that large credit requests come out of these funds. The other 25 mio. RM were to be applied for by enterprises and persons through their «house bank», which would then also take a 15 to 30 percent risk, the remainder being covered by a Reich guarantee. These were clearly intended to be smaller operating credits on the Saar model, and an important purpose of the arrangement was to give smaller local Austrian banks an opportunity to benefit from being able to offer Reich-guaranteed credits. Here the law provided for a committee of government officials and banks to determine the granting of credits once economic and political qualifications had been certified by the local authorities. While the law provided for credits for as long as 15 years and for a two to 2 1/2 year period before paying off of the credit was to begin, 15 year credits were expected to be the exception rather than the rule and it was hoped that the majority of the credits would run for a much shorter period. It was expected that all the credits would be given out by April 1, 1940 and that they would all be paid back no later than April 1, 1953. Insofar as the guarantees were concerned, the Reich would only begin to pay them on April 1, 1945, although it would pay interest on bad loans from the date of default. Finally, in addition to the guarantees, the Reich was also to make budgetary provision for interest-free loans and outright grants in cases where bank money could not be used.10

The dominant figure in the Austrian aid program undoubtedly was Hans Kehrl, who responded to the just described decisions in Berlin by insisting that 25 mio. RM was too little for the consortial credit because of the high investment credit needs in certain industries and that larger credits with Reich guarantees would have to be arranged through the banks. At the same time, he insisted that the normal Reich guarantee for the smaller credits be at least 85 percent, and he demanded a higher degree of discretion for the credit committee to be set up in Vienna by successfully asking that it be allowed to authorize credits up to 250,000 RM instead of 150,000 RM without consultation with the ministries in Berlin. Kehrl’s policy with respect to credits was a peculiar mixture of promoting large industries that served autarchy policies and the Four Year Plan either through producing of synthetic products – he was an enthusiast for cellulose – or simply producing for the military and conducting a campaign to strengthen medium-sized and small industry and business. He was particularly concerned about reviving Austria’s restaurants, taverns, and hotels, for example, and added an extra five mio. RM in credits to the 25 mio. RM initially allocated for smaller sized credits. He also wanted to set up a special category of small credits with full Reich guarantee for enterprises run by craftsmen and other small industrial producers.11

All this sounds benevolent enough, but it is very important not to confuse these loans were something akin to the Small Business Administration loans in the United States or government-guaranteed loans to help enterprises recover from disasters by contemporary European governments. Under the guidelines for the granting of credits, a crucial role in the certification process was assigned to the District Economic Adviser

10 See the correspondence of April 7-10, 1938 in ibid., Fol., 2-10; Lange to Kehrl, April 8, 1938, RGVA, 1458/2/77, Fol. 81-83; meeting of the Executive Committee of the Credit-

(Gauwirtschaftsberater), always a powerful Party member whose task it was to look after the economic interests of his district as well as carry out the regime’s economic policies. As Kehrl instructed these worthies at a meeting in August 1938, their report to the credit committee «should in general be limited to the political reliability and the personal reputation of the applicant and to the local significance of the enterprise for which the credit is intended […] Note should be taken of the fact that the credit should not be intended for the personal benefit of the applicant but rather that of the enterprise and its retinue. Provision has been made for the elimination of unsuitable persons from the management of a plant where a guarantee has been assumed». Kehrl had no objections to the Economic Advisers soliciting an auditor’s report on the enterprise seeking a credit, but «the precondition is that there is no significant loss of time». Needless to say, this was a very odd attitude toward determining the credit-worthiness of applicants, and one would imagine that some bankers would chaff at getting involved in such credits even where there were Reich guarantees. There is evidence, in fact, that some did, but it could not have been for very long. As the protocol of the meeting with the Economic Advisers records: «The comments of the District Economic Advisers revealed that banks often do not participate in the guarantee action with the responsibility that bespeaks their obligation to the entire people’s community. The District Economic Advisers are asked to use their influence very energetically with the heads of these banks and, insofar as they encounter resistance, to bring these cases to our attention so that the necessary measures can be undertaken here.» Manifestly, Kehrl was prepared to «lean on» the banks as they say in the gangster world, if they were not prepared to cooperate. At the same time, he was prepared to provide them with a reasonable interest rate of five percent, arguing that applicants who could not pay five percent were not credit worthy, and he was unwilling to accede to demands that those receiving the credits be temporarily released from other debts and hoped they could negotiate a standstill with their other creditors. In any case, if the banks were going to protect themselves against very bad credit risks, they would have to do so within the context of the credit committee itself.

II

How well did the Aid Program for Austria actually work? Kehrl came to view himself as something of a «Landesvater» and Protector of the Austrians, and there is no question that he spent a considerable amount of government money there. By early December 1938, the Credit Committee had met 15 times and given almost 19 mio. RM in credits, entailing a guarantee of over 15.5 mio. RM, so that a good portion of the initial guarantee contingent of 20 mio. RM was used up. Kehrl requested and received another 20 mio. RM. By the fall of 1939, the Credit Committee had met 37 times and given out 42 mio. RM in credits of which 35.3 mio. RM was guaranteed. Following the 49th meeting at the end of 1940, 46.7 mio. RM in credits had been given out with 39.1 mio. RM guaranteed.14

12 Meeting with the District Economic Advisers, August 11, 1938, ibid., Fol. 42-45.
13 Ibid.
14 See the complete lists in BAB, R 31.01/17793.
The consortial credit had also been largely used up by early 1939, but this was money that went to large enterprises that usually qualified very easily for such credits. One should not think that such matters were always straightforward, however. Take, for example, the case of the Franz Schmitt Corporation, which had a leather and shoe factory that had been shut down in 1937 and which it wanted to reopen and requested a 500,000 RM operating credit to be paid off in eleven years. One of its major problems was that the supply of leather was controlled and that the company had recently been given a contingent conditional upon its using 85 percent for military contracts and that it find a way to get back the 18.5 percent of its shares in the hands of foreign Jews. Its profitability depended upon an increase in the leather contingent, which was uncertain because of the Jewish participation. Since the company was 40 percent owned by the Schmitt family and 40 percent owned by the Länderbank, the Finance Ministry came to the conclusion that the Länderbank ought to take more of the risk and that eleven years was too long to pay off an operating credit. A much easier time had the Lenzing Paper Factory, whose Jewish owners had been bought out by another company and which wanted a 2.5 mio. RM credit to expand its cellulose plant. This was one of Kehrl’s pet projects, and he remained quite undisturbed by the fact that it produced nothing until 1940 and recorded losses for most of the war years, an attitude not shared by the leadership of the Länderbank that had to do much of the financing.\(^\text{15}\) In any case, despite all the pretensions to «rationalizing» the Austrian economy by means of these credits, the credits and guarantees whether granted or not reflected the peculiarities of the political regime in charge.

This was even more the case with the «house bank» credits allocated by the Credit Committee. One of the curiosities of the situation was that less then half of the 150 mio. RM in guarantees authorized had actually been taken by early 1939 and, since most of the consortial credits allotted had actually been used up, this meant that the enthusiasm for the house bank credits was not what it should have been. This was the subject of some discussion in governmental circles in Austria, and is quite revealing of the dilemmas and weaknesses of National Socialist economic and financial steering measures. In one memorandum, for example, the author pointed out that it took time for such measures to receive sufficient publicity and confidence on the part of potential applicants.\(^\text{16}\) There were too many banks involved and no one with a real interest in pushing the idea. Also, the Austrians were not used to getting «objective help» from the State and viewed agents of the Rationalization Bureaus with suspicion, thus leading to a lack of initiative on the part of the factory owners in seeking financial aid. Another issue was filling out the applications. The banks often turned down proposals by applicants immediately and since the applications required some skills in formulation, the applicants were left without proper help in dealing with them. At the same time, the banks themselves were often at a loss to understand the implications of the financial request for the future structure of the enterprises involved. A significant difficulty was the «shyness» of applicants when it came to presenting all the information required, not


\(^{16}\) The memorandum is unsigned and undated but from early 1939 and is to be found in the Österreichische Staatsarchiv, Archiv der Republik, Bürckel-Materiel, Kt. 11, 2210/0.
only economic and financial information, but also political information since «many industrialists and business people do not have completely unexceptional pasts politically» and the District Economic Advisers were well aware of who had supported the previous regime or opposed the National Socialists. Past debts also weighed heavily on potential applicants, who could expect little relief by taking on new ones, and a further problem was shortage of raw materials since the Reich was still using the old allotments of 1937. Of great importance, however, and here there seemed to be general agreement, was that the German protection of Austria from economic competition from Germany was inhibiting adjustment and modernization. Thus, while customs barriers had been lifted in October 1938, the continuation of so-called territorial protective measures meant that many middle- and small-sized enterprises could afford to make due with old machinery and did not have to adjust to German prices by modernizing and rationalizing. Once these measures were ended, however, the need for investment credits would increase substantially. Finally, the massive process of «Aryanization» that had taken place in 1938/39 was creating serious problems for the new owners since they were finding out that they did not have the necessary capital to carry on the former Jewish enterprises and could not qualify for normal credits from the banks so that they could also be expected to apply for guaranteed credits.

What emerges from this rather critical memorandum as well as from a reading of the meetings of the Credit Committee is that the economic development program for Austria developed by Kehrl and his colleagues was internally contradictory and was bound to fail of its purpose and that the banks were dragged along more or less willingly because they were allegedly protected by the Reich guarantees and because they were under political pressure. As the memorandum suggests, some of the banks nipped applications in the bud at the initial stage of the process. Most importantly, however, the credits were often designed to cure ills called forth by the German annexation itself. Thus, on the one hand, one sought to protect the Austrian economy and provide a gradual adjustment to German prices. On the other hand, the gradualness of the adjustment prevented an energetic modernization, shutting down of antiquated enterprises, and the rationalization that was endlessly spoken about but not really achieved. It is notable, for example, that special credits were given to Austrian firms to help them withstand the price reduction program of the government for iron and paper products. Indeed, numerous credits were given to compensate for National Socialist economic controls and interference in the free market. The most problematic cases, however, arose in connection with «Aryanization». In numerous instances companies, especially in the areas of textiles and apparel, justified requests for operating credits and credits to expand on the grounds that they had become competitive because of the disappearance of their Jewish competitors. «Aryanization» was in fact seen as an instrument to promote «rationalization» by the regime but the liquidation of enterprises simply because they were Jewish-owned hardly could be called an acceptable form of quality control. In many instances it was tantamount to the abandonment of quality control and was simply the elimination of competitors long viewed as unwelcome by their «Aryan» counterparts, sometimes accompanied by ideological claims that alleged Jewish business methods had been responsible for their previous lack of competitiveness. Far more consequential, however, were the number of cases in which former Jewish-owned enterprises were taken over by persons whose business qualifications and capital were very limited but
who had been «old fighters» or had been incarcerated when the Party was illegal or had been engaged in terrorist activities or had a son in the S.A. or S.S. These were not cases of «wild Aryanizations» which had taken place during the first months of the regime but often rather of individuals out to profit from the disappearance of the Jews but with a serious intent to run the enterprises themselves who suddenly found themselves without the wherewithal to do so. In any case, the economic aid programs constituted a highly politicized and often economically irrational form of credit giving that had little to do with rationalizing the sectors of the Austrian economy it was intended to aid. If Austria did modernize to a significant extent under German rule, it was because of the war, which certainly led to full employment, and the promotion and modernization of large-scale industry and infrastructural development, especially the electric power industry. This, however, was meant to aid the «Third Reich», not Austria per se.17

III

The Austrian aid program of guaranteed credits served as a model for other annexed areas, and if Kehrl felt a certain «wistfulness» in departing from his regular activity in Vienna, he was soon back at work again in the fall of 1938 in the Sudetenland. Here, as in Austria, he found a run-down economy and a population expecting heaven-on-earth now that the Germans arrived. Here, too, a currency reform was needed, and Kehrl managed to persuade his superiors that an exchange rate of twelve pfennig to the kronen was better than eight pfennig to the Czech currency. While «Aryanization» was less of an issue in the Sudetenland than in Austria because there were many fewer Jews, Kehrl played an important role in the taking over of banks and enterprises in the region and worked hand-in-hand with the banks, especially the Dresdner Bank in this area, and operated at the behest of Göring, for whom the annexation of the Sudetenland and later the rest of the Czech lands meant a substantial expansion of the Reichswerke.18 The Germans had a great interest, however, in strengthening the position of the «Sudetendeutsche» and the Party of Konrad Henlein. In early October 1938 the Austrian model was followed almost exactly with a meeting in Berlin under the chairmanship of Kurt Lange of the Reich Economics Ministry, who spoke in the name of Göring, at which the banks and the ministries were represented and where the banks agreed to a 25 mio. RM Reich guaranteed credit to develop the Sudetenland economy. In this case, the Deutsche Bank and the Dresdner Bank initially headed up the effort once again, while the Austrian banks made it clear that they could take only half the quota they had taken in Austria. While Lange indicated that he did not think that the same kind of sums would be needed in the Sudetenland as in Austria and recognized

that the Reich would have to provide help on its own, the banks once again found their resources mobilized for the cause.\textsuperscript{19} The purposes of the credits, as in Austria, were not to pay off old debts, but rather to facilitate deliveries to the Reich, assist «Aryanization», reconstruct enterprises, and promote new enterprises needed for the Four Year Plan. Although it is not clear exactly how the credits were allocated, they were used up by 1941, when the Economics Ministry called upon the consortium of banks to supply another 20 mio. RM. While there was no rebellion against the demands itself, there was a protest against the government demand that the money be kept available and thus tied up for a period of five years instead of the customary two years. This was turned down by the Reich Economics Ministry, which insisted that the timing of the rationalization measures and creation of a competitive position between the Sudetenland enterprises and those of the Reich could not be predicted under wartime conditions and that flexibility was essential.\textsuperscript{20} It should not be thought, however, that these credits went to small companies and enterprises, as had been the case in Austria, although some of them certainly were used for «Aryanization» and «Germanization» purposes. Rather, they were given to very substantial enterprises in which the banks had a long-term interest. Indeed, what the record suggests is that the banks, despite the annoyance of having to hold substantial funds in readiness, were themselves far too engaged in «Aryanizations» – particularly once the Protectorate was created and Czech and Sudetenland firms could be merged – and above all in the acquisition and control of firms and concerns in the Czech lands to be troubled by the kinds of problems presented to the Credit Committees in Austria. Naturally, they welcomed whatever Reich guarantees they could get, although by 1942/43 they must have become aware that guarantees that would go into effect between 1945 and 1953 were not worth much and that the Economic Aid programs in the annexed areas with their money had not only not been particularly effective but had also been a losing proposition for the banks. This said, one should be clear about the fact that the banks did not expect to lose but rather to gain through the commissions involved in these activities and through the acquisition of customers and business opportunities. The way was thus paved for similar activities in the Polish territories, where Reich guaranteed credits were the basis of consortia that financed racial settlement policies and the building up of large plants for hydrogenation and other processes involving the mass employment of slave and forced labor.

\textit{Adress of the author:} Prof. Dr. Gerald D. Feldman, University of California at Berkeley, Department of History, 3229 Dwinelle Hall, Berkeley, CA 94720, USA.

\textsuperscript{19} Meeting of October 9, 1938, reported by Pilder, Dresdner Bank papers, U.S. National Archives, T-83/204.\textsuperscript{20} RWM to Dresdner Bank, October 2, 1941, ibid.