

How Bush's grandfather helped Hitler's rise to power

Rumours of a link between the US first family and the Nazi war machine have circulated for decades. Now the Guardian can reveal how repercussions of events that culminated in action under the Trading with the Enemy Act are still being felt by today's president

Ben Aris in Berlin and Duncan Campbell in Washington

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George Bush's grandfather, the late US senator Prescott Bush, was a director and shareholder of companies that profited from their involvement with the financial backers of Nazi Germany. The Guardian has obtained confirmation from newly discovered files in the US National Archives that a firm of which Prescott Bush was a director was involved with the financial architects of Nazism.

His business dealings, which continued until his company's assets were seized in 1942 under the Trading with the Enemy Act, has led more than 60 years later to a civil action for damages being brought in Germany against the Bush family by two former slave labourers at Auschwitz and to a hum of pre-election controversy.

The evidence has also prompted one former US Nazi war crimes prosecutor to argue that the late senator's action should have been grounds for prosecution for giving aid and comfort to the enemy.

The debate over Prescott Bush's behaviour has been bubbling under the surface for some time. There has been a steady internet chatter about the "Bush/Nazi" connection, much of it inaccurate and unfair. But the new documents, many of which were only declassified last year, show that even after America had entered the war and when there was already significant information about the Nazis' plans and policies, he worked for and profited from companies closely involved with the very German businesses that financed Hitler's rise to power. It has also been suggested that the money he made from these dealings helped to establish the Bush family fortune and set up its political dynasty.

Remarkably, little of Bush's dealings with Germany has received public scrutiny, partly because of the secret status of the documentation involving him. But now the multibillion dollar legal action for damages by two Holocaust survivors against the Bush family, and the imminent publication of three books on the subject are threatening to make Prescott Bush's business history an uncomfortable issue for his grandson, George W, as he seeks re-election.

While there is no suggestion that Prescott Bush was sympathetic to the Nazi cause, the documents reveal that the firm he worked for, Brown Brothers Harriman (BBH), acted as a US base for the German industrialist, Fritz Thyssen, who helped finance Hitler in the 1930s before falling out with him at the end of the decade. The Guardian has seen evidence that shows Bush was the director of the New York-based Union Banking Corporation (UBC) that represented Thyssen's US interests and he continued to work for the bank after America entered the war.

Tantalising

Bush was also on the board of at least one of the companies that formed part of a multinational network of front companies to allow Thyssen to move assets around the world.

Thyssen owned the largest steel and coal company in Germany and grew rich from Hitler's efforts to re-arm between the two world wars. One of the pillars in Thyssen's international corporate web, UBC, worked exclusively for, and was owned by, a Thyssen-controlled bank in the Netherlands. More tantalising are Bush's links to the Consolidated Silesian Steel Company (CSSC), based in mineral rich Silesia on the German-Polish border. During the war, the company made use of Nazi slave labour from the concentration camps, including Auschwitz. The ownership of CSSC changed hands several times in the 1930s, but documents from the US National Archive declassified last year link Bush to CSSC, although it is not clear if he and UBC were still involved in the company when Thyssen's American assets were seized in 1942.

Three sets of archives spell out Prescott Bush's involvement. All three are readily available, thanks to the efficient US archive system and a helpful and dedicated staff at both the Library of Congress in Washington and the National Archives at the University of Maryland.

The first set of files, the Harriman papers in the Library of Congress, show that Prescott Bush was a director and shareholder of a number of companies involved with Thyssen.

The second set of papers, which are in the National Archives, are contained in vesting order number 248 which records the seizure of the company assets. What these files show is that on October 20 1942 the alien property custodian seized the assets of the UBC, of which Prescott Bush was a director. Having gone through the books of the bank, further seizures were made against two affiliates, the Holland-American Trading Corporation and the Seamless Steel Equipment Corporation. By November, the Silesian-American Company, another of Prescott Bush's ventures, had also been seized.

The third set of documents, also at the National Archives, are contained in the files on IG Farben, who was prosecuted for war crimes.

A report issued by the Office of Alien Property Custodian in 1942 stated of the companies that "since 1939, these (steel and mining) properties have been in possession of and have been operated by the German government and have undoubtedly been of considerable assistance to that country's war effort".

Prescott Bush, a 6ft 4in charmer with a rich singing voice, was the founder of the Bush political dynasty and was once considered a potential presidential candidate himself. Like his son, George, and grandson, George W, he went to Yale where he was, again like his descendants, a member of the secretive and influential Skull and Bones student society. He was an artillery captain in the first world war and married Dorothy Walker, the daughter of George Herbert Walker, in 1921.

In 1924, his father-in-law, a well-known St Louis investment banker, helped set him up in business in New York with Averill Harriman, the wealthy son of railroad magnate E H Harriman in New York, who had gone into banking.

One of the first jobs Walker gave Bush was to manage UBC. Bush was a founding member of the bank and the incorporation documents, which list him as one of seven directors, show he owned one share in UBC worth \$125.

The bank was set up by Harriman and Bush's father-in-law to provide a US bank for the Thyssens, Germany's most powerful industrial family.

August Thyssen, the founder of the dynasty had been a major contributor to Germany's first world war effort and in the 1920s, he and his sons Fritz and Heinrich established a network of overseas banks and companies so their assets and money could be whisked offshore if threatened again.

By the time Fritz Thyssen inherited the business empire in 1926, Germany's economic recovery was faltering. After hearing Adolf Hitler speak, Thyssen became mesmerised by the young firebrand. He joined the Nazi party in December 1931 and admits backing Hitler in his autobiography, *I Paid Hitler*, when the National Socialists were still a radical fringe party. He stepped in several times to bail out the struggling party: in 1928 Thyssen had bought the Barlow Palace on Briennerstrasse, in Munich, which Hitler converted into the Brown House, the headquarters of the Nazi party. The money came from another Thyssen overseas institution, the Bank voor Handel en Scheepvaart in Rotterdam.

By the late 1930s, Brown Brothers Harriman, which claimed to be the world's largest private investment bank, and UBC had bought and shipped millions of dollars of gold, fuel, steel, coal and US treasury bonds to Germany, both feeding and financing Hitler's build-up to war.

Between 1931 and 1933 UBC bought more than \$8m worth of gold, of which \$3m was shipped abroad. According to documents seen by the Guardian, after UBC was set up it transferred \$2m to BBH accounts and between 1924 and 1940 the assets of UBC hovered around \$3m, dropping to \$1m only on a few occasions.

In 1941, Thyssen fled Germany after falling out with Hitler but he was captured in France and detained for the remainder of the war.

There was nothing illegal in doing business with the Thyssens throughout the 1930s and many of America's best-known business names invested heavily in the German economic recovery. However, everything changed after Germany invaded Poland in 1939. Even then it could be argued that BBH was within its rights continuing business relations with the Thyssens until the end of 1941 as the US was still technically neutral until the attack on Pearl Harbor. The trouble started on July 30 1942 when the New York Herald-Tribune ran an article entitled "Hitler's Angel Has \$3m in US Bank". UBC's huge gold purchases had raised suspicions that the bank was in fact a "secret nest egg" hidden in New York for Thyssen and other Nazi bigwigs. The Alien Property Commission (APC) launched an investigation.

There is no dispute over the fact that the US government seized a string of assets controlled by BBH - including UBC and SAC - in the autumn of 1942 under the Trading with the Enemy act. What is in dispute is if Harriman, Walker and Bush did more than own these companies on paper.

Erwin May, a treasury attache and officer for the department of investigation in the APC, was assigned to look into UBC's business. The first fact to emerge was that Roland Harriman, Prescott Bush and the other directors didn't actually own their shares in UBC but merely held them on behalf of Bank voor Handel. Strangely, no one seemed to know who owned the Rotterdam-based bank, including UBC's president.

May wrote in his report of August 16 1941: "Union Banking Corporation, incorporated August 4 1924, is wholly owned by the Bank voor Handel en Scheepvaart N.V of Rotterdam, the Netherlands. My investigation has produced no evidence as to the ownership of the Dutch bank.

Mr Cornelis [sic] Lievense, president of UBC, claims no knowledge as to the ownership of the Bank voor Handel but believes it possible that Baron Heinrich Thyssen, brother of Fritz Thyssen, may own a substantial interest."

May cleared the bank of holding a golden nest egg for the Nazi leaders but went on to describe a network of companies spreading out from UBC across Europe, America and Canada, and how money from voor Handel travelled to these companies through UBC.

By September May had traced the origins of the non-American board members and found that Dutchman HJ Kouwenhoven - who met with Harriman in 1924 to set up UBC - had several other jobs: in addition to being the managing director of voor Handel he was also the director of the August Thyssen bank in Berlin and a director of Fritz Thyssen's Union Steel Works, the holding company that controlled Thyssen's steel and coal mine empire in Germany.

Within a few weeks, Homer Jones, the chief of the APC investigation and research division sent a memo to the executive committee of APC recommending the US government vest UBC and its assets. Jones named the directors of the bank in the memo, including Prescott Bush's name, and wrote: "Said stock is held by the above named individuals, however, solely as nominees for the Bank voor Handel, Rotterdam, Holland, which is owned by one or more of the Thyssen family, nationals of Germany and Hungary. The 4,000 shares hereinbefore set out are therefore beneficially owned and help for the interests of enemy nationals, and are vestible by the APC," according to the memo from the National Archives seen by the Guardian.

Red-handed

Jones recommended that the assets be liquidated for the benefit of the government, but instead UBC was maintained intact and eventually returned to the American shareholders after the war. Some claim that Bush sold his share in UBC after the war for \$1.5m - a huge amount of money at the time - but there is no documentary evidence to support this claim. No further action was ever taken nor was the investigation continued, despite the fact UBC was caught red-handed operating a American shell company for the Thyssen family eight months after America had entered the war and that this was the bank that had partly financed Hitler's rise to power.

The most tantalising part of the story remains shrouded in mystery: the connection, if any, between Prescott Bush, Thyssen, Consolidated Silesian Steel Company (CSSC) and Auschwitz.

Thyssen's partner in United Steel Works, which had coal mines and steel plants across the region, was Friedrich Flick, another steel magnate who also owned part of IG Farben, the powerful German chemical company.

Flick's plants in Poland made heavy use of slave labour from the concentration camps in Poland. According to a New York Times article published in March 18 1934 Flick owned two-thirds of CSSC while "American interests" held the rest.

The US National Archive documents show that BBH's involvement with CSSC was more than simply holding the shares in the mid-1930s. Bush's friend and fellow "bonesman" Knight Woolley, another partner at BBH, wrote to Averill Harriman in January 1933 warning of problems with CSSC after the Poles started their drive to nationalise the plant. "The Consolidated Silesian Steel Company situation has become increasingly complicated, and I have accordingly brought in Sullivan and Cromwell, in order to be sure that our interests are protected," wrote Knight. "After studying the situation Foster Dulles is insisting that their man in Berlin get into the picture and

obtain the information which the directors here should have. You will recall that Foster is a director and he is particularly anxious to be certain that there is no liability attaching to the American directors."

But the ownership of the CSSC between 1939 when the Germans invaded Poland and 1942 when the US government vested UBC and SAC is not clear.

"SAC held coal mines and definitely owned CSSC between 1934 and 1935, but when SAC was vested there was no trace of CSSC. All concrete evidence of its ownership disappears after 1935 and there are only a few traces in 1938 and 1939," says Eva Schweitzer, the journalist and author whose book, *America and the Holocaust*, is published next month.

Silesia was quickly made part of the German Reich after the invasion, but while Polish factories were seized by the Nazis, those belonging to the still neutral Americans (and some other nationals) were treated more carefully as Hitler was still hoping to persuade the US to at least sit out the war as a neutral country. Schweitzer says American interests were dealt with on a case-by-case basis. The Nazis bought some out, but not others.

The two Holocaust survivors suing the US government and the Bush family for a total of \$40bn in compensation claim both materially benefited from Auschwitz slave labour during the second world war.

Kurt Julius Goldstein, 87, and Peter Gingold, 85, began a class action in America in 2001, but the case was thrown out by Judge Rosemary Collier on the grounds that the government cannot be held liable under the principle of "state sovereignty".

Jan Lissmann, one of the lawyers for the survivors, said: "President Bush withdrew President Bill Clinton's signature from the treaty [that founded the court] not only to protect Americans, but also to protect himself and his family."

Lissmann argues that genocide-related cases are covered by international law, which does hold governments accountable for their actions. He claims the ruling was invalid as no hearing took place.

In their claims, Mr Goldstein and Mr Gingold, honorary chairman of the League of Anti-fascists, suggest the Americans were aware of what was happening at Auschwitz and should have bombed the camp.

The lawyers also filed a motion in The Hague asking for an opinion on whether state sovereignty is a valid reason for refusing to hear their case. A ruling is expected within a month.

The petition to The Hague states: "From April 1944 on, the American Air Force could have destroyed the camp with air raids, as well as the railway bridges and railway lines from Hungary to Auschwitz. The murder of about 400,000 Hungarian Holocaust victims could have been prevented."

The case is built around a January 22 1944 executive order signed by President Franklin Roosevelt calling on the government to take all measures to rescue the European Jews. The lawyers claim the order was ignored because of pressure brought by a group of big American companies, including BBH, where Prescott Bush was a director.

Lissmann said: "If we have a positive ruling from the court it will cause [president] Bush huge problems and make him personally liable to pay compensation."

The US government and the Bush family deny all the claims against them.

In addition to Eva Schweitzer's book, two other books are about to be published that raise the subject of Prescott Bush's business history. The author of the second book, to be published next year, John Loftus, is a former US attorney who prosecuted Nazi war criminals in the 70s. Now living in St Petersburg, Florida and earning his living as a security commentator for Fox News and ABC radio, Loftus is working on a novel which uses some of the material he has uncovered on Bush. Loftus stressed that what Prescott Bush was involved in was just what many other American and British businessmen were doing at the time.

"You can't blame Bush for what his grandfather did any more than you can blame Jack Kennedy for what his father did - bought Nazi stocks - but what is important is the cover-up, how it could have gone on so successfully for half a century, and does that have implications for us today?" he said.

"This was the mechanism by which Hitler was funded to come to power, this was the mechanism by which the Third Reich's defence industry was re-armed, this was the mechanism by which Nazi profits were repatriated back to the American owners, this was the mechanism by which investigations into the financial laundering of the Third Reich were blunted," said Loftus, who is vice-chairman of the Holocaust Museum in St Petersburg.

"The Union Banking Corporation was a holding company for the Nazis, for Fritz Thyssen," said Loftus. "At various times, the Bush family has tried to spin it, saying they were owned by a Dutch bank and it wasn't until the Nazis took over Holland that they realised that now the Nazis controlled the apparent company and that is why the Bush supporters claim when the war was over they got their money back. Both the American treasury investigations and the intelligence investigations in Europe completely bely that, it's absolute horseshit. They always knew who the ultimate beneficiaries were."

"There is no one left alive who could be prosecuted but they did get away with it," said Loftus. "As a former federal prosecutor, I would make a case for Prescott Bush, his father-in-law (George Walker) and Averill Harriman [to be prosecuted] for giving aid and comfort to the enemy. They remained on the boards of these companies knowing that they were of financial benefit to the nation of Germany."

Loftus said Prescott Bush must have been aware of what was happening in Germany at the time. "My take on him was that he was a not terribly successful in-law who did what Herbert Walker told him to. Walker and Harriman were the two evil geniuses, they didn't care about the Nazis any more than they cared about their investments with the Bolsheviks."

What is also at issue is how much money Bush made from his involvement. His supporters suggest that he had one token share. Loftus disputes this, citing sources in "the banking and intelligence communities" and suggesting that the Bush family, through George Herbert Walker and Prescott, got \$1.5m out of the involvement. There is, however, no paper trail to this sum.

The third person going into print on the subject is John Buchanan, 54, a Miami-based magazine journalist who started examining the files while working on a screenplay. Last year, Buchanan published his findings in the venerable but small-circulation New Hampshire Gazette under the

headline "Documents in National Archives Prove George Bush's Grandfather Traded With the Nazis - Even After Pearl Harbor". He expands on this in his book to be published next month - *Fixing America: Breaking the Stranglehold of Corporate Rule, Big Media and the Religious Right*.

In the article, Buchanan, who has worked mainly in the trade and music press with a spell as a muckraking reporter in Miami, claimed that "the essential facts have appeared on the internet and in relatively obscure books but were dismissed by the media and Bush family as undocumented diatribes".

Buchanan suffers from hypermania, a form of manic depression, and when he found himself rebuffed in his initial efforts to interest the media, he responded with a series of threats against the journalists and media outlets that had spurned him. The threats, contained in e-mails, suggested that he would expose the journalists as "traitors to the truth".

Unsurprisingly, he soon had difficulty getting his calls returned. Most seriously, he faced aggravated stalking charges in Miami, in connection with a man with whom he had fallen out over the best way to publicise his findings. The charges were dropped last month.

Biography

Buchanan said he regretted his behaviour had damaged his credibility but his main aim was to secure publicity for the story. Both Loftus and Schweitzer say Buchanan has come up with previously undisclosed documentation.

The Bush family have largely responded with no comment to any reference to Prescott Bush. Brown Brothers Harriman also declined to comment.

The Bush family recently approved a flattering biography of Prescott Bush entitled *Duty, Honour, Country* by Mickey Herskowitz. The publishers, Rutledge Hill Press, promised the book would "deal honestly with Prescott Bush's alleged business relationships with Nazi industrialists and other accusations".

In fact, the allegations are dealt with in less than two pages. The book refers to the Herald-Tribune story by saying that "a person of less established ethics would have panicked ... Bush and his partners at Brown Brothers Harriman informed the government regulators that the account, opened in the late 1930s, was 'an unpaid courtesy for a client' ... Prescott Bush acted quickly and openly on behalf of the firm, served well by a reputation that had never been compromised. He made available all records and all documents. Viewed six decades later in the era of serial corporate scandals and shattered careers, he received what can be viewed as the ultimate clean bill."

The Prescott Bush story has been condemned by both conservatives and some liberals as having nothing to do with the current president. It has also been suggested that Prescott Bush had little to do with Averill Harriman and that the two men opposed each other politically.

However, documents from the Harriman papers include a flattering wartime profile of Harriman in the *New York Journal American* and next to it in the files is a letter to the financial editor of that paper from Prescott Bush congratulating the paper for running the profile. He added that Harriman's "performance and his whole attitude has been a source of inspiration and pride to his partners and his friends".

The Anti-Defamation League in the US is supportive of Prescott Bush and the Bush family. In a statement last year they said that "rumours about the alleged Nazi 'ties' of the late Prescott Bush ... have circulated widely through the internet in recent years. These charges are untenable and politically motivated ... Prescott Bush was neither a Nazi nor a Nazi sympathiser."

However, one of the country's oldest Jewish publications, the Jewish Advocate, has aired the controversy in detail.

More than 60 years after Prescott Bush came briefly under scrutiny at the time of a faraway war, his grandson is facing a different kind of scrutiny but one underpinned by the same perception that, for some people, war can be a profitable business.

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