

1 “The Largest Privately-owned Department Store Group in Europe”: The Hermann Tietz OHG 1882 to 1932

The Rise from a Linens Store to a Department Store Empire

On November 30, 1926, Georg Tietz, Martin Tietz and Hugo Zwillenberg, the managing owners of Hermann Tietz OHG, recorded their greatest success. On that day, they managed to take over the department store chain A. Jandorf & Co., which included six large Berlin department stores, including the sophisticated Kaufhaus des Westens (KaDeWe). A few weeks earlier, the M. Conitzer and Söhne Group had joined Hermann Tietz’s purchasing group. The group of companies, which also included numerous real estate, trading, and manufacturing companies, was already described in the press as “The largest department store group in Europe” (*Vossische Zeitung*).¹ That was a bit of an exaggeration, but in the vibrant department store metropolis of Berlin, Hermann Tietz OHG now ranked in first place and in second place throughout Germany.

It was the culmination of a success story that had begun on March 1, 1882. At that time, Oscar Tietz opened a yarn, button, trimmings, white goods and wool goods shop in Gera. Tietz, who had previously worked in his older brother Leonhard’s trading business in Stralsund and was a furniture salesman in Berlin, was unable to finance the founding from his own resources. His uncle Hermann Tietz provided him with start-up capital of 1,000 marks, and Oscar thanked him by naming the business after him.²

The Tietz family came from Birnbaum (since 1919 Międzychód), a small town in what was then the Prussian province of Posen, where their ancestors had settled during the time of Frederick the Great. As members of a liberal Jewish community, several generations of the family worked there in trade and transportation. The town of Birnbaum has gone down in economic history as the “cradle of department stores” because it produced four founding families of department stores and two additional families came from the surrounding area.³ Several department store chains were founded by one branch of the Tietz family alone. In addition to Oscar Tietz, these pioneers included his older brother Leonhard, whose company existed for over 140 years – most recently under the name Galeria Kaufhof GmbH –, his uncle Julius and his brothers Markus and Karl, the founders of the H & C Tietz department store.⁴ The first generation of the family, Hermann Tietz and three of his brothers, left Birnbaum and lived in the USA for a long time, Hermann as a farmer in Tennessee, among other activities. After



Fig. 1: Oscar Tietz, undated.

their return during the Franco-Prussian War of 1870/71, the brothers founded a trading business in Prenzlau; in the next generation, Hermann's nephews Leonhard and Oscar decided to start their own businesses.

The brothers' unprecedented rise in German retail was based on new business models. Oscar relied on a program of "large selection and low prices,"⁵ which was still viewed as an impractical strategy at the time. Low-priced wares were considered junk goods with no profit to be made. Tietz, for his part, recognized that the profit was made in acquiring merchandise from the source, and he purchased the goods directly from the manufacturers, bypassing wholesalers, and secured liquidity for his business by only selling for cash. For customers, this had the advantage of being able to shop more economically and not being tied to a specific store by buying on credit, as was usual in speciality stores at the time.

Twelve years after founding the Hermann Tietz company, Oscar Tietz was able to open a department store in Munich. In the converted Imperial Office Building (later “PINI House”) on the Stachus, and behind large shop windows on five floors, Tietz offered linens, confectionery, groceries, household items, porcelain tableware, furniture fabrics, outerwear, and toys. He is said to have decided to set up this large, multi-divisional store as a makeshift solution, because after he purchased the property there was anti-Semitic agitation and the tenants had moved out of the building, which was decried as the “Jud Tietz Palace.”⁶ The difference between retail stores and department stores as a new operating form was made binding for the first time a few years later, when a department store tax was introduced in Bavaria (1899) and Prussia (1900). A department store was now considered to be a business that traded in more than one product group and achieved an annual turnover of more than 400,000 marks.⁷ The characteristics of a department store are now described more comprehensively in consumer history research:

While retail stores, as large businesses, are characterized by a single main product range, department stores have a broader range of goods, ranging from food and textiles to furniture, household goods and luxury items. At the same time, they have more extensive options for bulk purchasing, advertising, mass sales, and are able to sell their goods at lower prices in buildings of, to some extent, more representative and magnificent architecture.⁸

The department stores founded at this time were based on the model of Le Bon Marché, which was opened in Paris in 1852 by Aristide Boucicaut. A short time later, other *grands magasins* of this type were created in Paris and Macy’s opened its doors in New York. By the 1880s, most European cities were already adorned with impressive consumer palaces, but there were still no department stores in Germany. This only changed in 1894 with Oscar Tietz in Munich and Georg Wertheim in Berlin.

Oscar Tietz divided the market with his no less successful brother Leonhard in order not to compete with each other. The Leonhard Tietz company set up branches in the Rhineland and Belgium. Cologne became their headquarters, where Leonhard had opened his first department store in 1895.⁹ Oscar expanded the Hermann Tietz company to include a department store in Hamburg and established operations in Berlin in the fall of 1900 with a much-admired “Glass Front Palace.” The rapidly growing capital now became the department store metropolis of the Empire and, within a decade, also the showcase of German retail commerce. Traditional Berlin department stores such as N. Israel, Rudolph Hertzog, and Herrmann Gerson were overtaken by the expanding department store companies Wertheim and Hermann Tietz, which competed with each other with spectacular consumer temples. In 1897, Wertheim began building a large depart-



Fig. 2: The Hermann Tietz department store on Leipziger Straße, Berlin, around 1900.

ment store in cosmopolitan format on Leipziger Straße, then the shopping thoroughfare of Berlin's city center.¹⁰ Oscar Tietz placed his Berlin flagship department store not far away on Leipziger Straße, and both companies expanded their impressive buildings in the following years. In addition, both used the globe as a company symbol to convey the promise of being able to experience the whole world in their department stores.

The department stores took advantage of the technical innovations of this time with large-scale illuminated advertising and curtain facades such as those in the windowed front side of the Tietz department store on Leipziger Straße. What was crucial to the great success of this form of business in the Belle Époque was that it led to the development of new forms of consumption, into which Émile Zola's novel, published in 1884 with the much-quoted title "The Ladies' Paradise,"

provided some insight for the first time.¹¹ One didn't have to go to Tietz and Wertheim to take care of necessary errands – like in the “mom and pop shops.” Visiting the department stores could be enjoyed as a leisure experience, marveling at new products, artistic decorations, and eye-catching architecture. The special incentives soon included the “White Weeks,” which Oscar Tietz introduced based on the French model to stimulate business with special offers in the week of low sales at the beginning of February.

Among the department stores that were rapidly expanding in Germany, the luxurious temples of consumption were the focus of attention, but they were not representative. This type of emporium was available virtually only in Berlin, Hamburg – where Oscar Tietz opened another flagship on Jungfernstieg in 1912 – Munich, and Cologne. The majority of department stores were designed more modestly and were geared to the needs of broad sections of the population, including the working classes.¹² The Hermann Tietz company opened department stores in Berlin in densely populated parts of the city, as on Alexanderplatz and on Frankfurter Allee, and advertised them in the *Berliner Volksblatt* from the Social Democratic *Vorwärts*. In the provinces, most branches remained large retail stores and did not develop into department stores. The department store founder, Adolf Jandorf, however, specialized in “people's department stores” in Berlin's working-class districts, but was also the first in the industry to recognize the market potential of the rapidly growing suburbs in the west of the city. In 1907, he opened the premier department store Kaufhaus des Westens (KaDeWe) on Wittenbergplatz, which was then still part of Charlottenburg, an independent city adjacent to Berlin.¹³

From the beginning, there was no shortage of violent protests against department stores in Germany. Associations of small traders and middle-class politicians from all conservative parties fought against them as an existential threat, not only to the existing market order, but also to society and the state, even though this new form of business only accounted for a small share of retail trade. Since the department stores had no lobby, their opponents were able to exert some influence on legislation. A department store tax was enacted in Bavaria and Prussia at the turn of the century¹⁴ and a committee of department store entrepreneurs, which included Hermann and Leonhard Tietz, then took the initiative to set up an interest group, the association founded in April 1903 and headed by Oscar Tietz, *Verband Deutscher Waren- und Kaufhäuser* (Association of German Department Stores).¹⁵ The department store companies expanded rapidly even after the introduction of the special tax, because their position was strengthened by the tax laws since their type of business was now officially recognized. Department stores had also become indispensable in Germany, on the one hand for suppliers and consumers, but also as employers, and because of their importance for urban development.

HERMANN TIETZ

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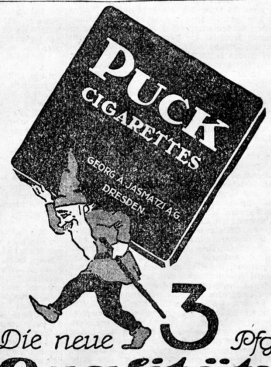
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Fig. 3: Advertisement with the company's own brand "Hertie," 1913.

The Entrepreneurial Family after the Death of Oscar Tietz

In 1886, Oscar Tietz married his cousin Rebecca (Betty), née Graupe, who had supported him since he founded the trading business in Gera. After the couple had two sons, Georg and Martin, and a daughter, Elise, it was clear to Oscar that his company would one day be a family business that should be carried on in the hands of his descendants. Even when the company grew into a corporation, he strictly refused to convert it into a stock corporation. When Deutsche Bank pushed hard and threatened to cancel a loan, the Hermann Tietz company switched to another major Berlin bank, the Disconto-Gesellschaft.¹⁶ The company continued to use the legal form of a partnership in the 1920s, which was unusual for a company of this size and unique among the country's leading department store groups. The company founded by Leonhard Tietz was converted into a stock corporation in 1905, and Wertheim four years later.

Oscar's sons Georg and Martin joined their father's company after studying at the Berlin Commercial College (Berliner Handelshochschule) and Georg became a partner in 1917 at the age of 28, having already proven himself in management positions. However, Oscar did not want to address the question of succession according to the crown prince principle. After his daughter Elise married the lawyer Dr. Hugo Zwillenberg, he drafted a partnership agreement dated December 22, 1919, admitting his younger son Martin and his son-in-law into the general partnership as personally liable partners on the same terms as Georg.¹⁷ According to the conventions of the time, Elise, as a woman, was not considered as a potential partner. It was not particularly usual for Zwillenberg, as a son-in-law, to be included in the management when two of the company founder's sons were already available to manage the company. However, Oscar Tietz was obviously very keen to integrate his son-in-law, who came from the judicial service, into the management of the company appropriately.

After Oscar Tietz had died on January 17, 1923 at the age of 64, Georg Tietz, Martin Tietz and Hugo Zwillenberg jointly managed the company, while Betty Tietz and Elise Zwillenberg were silent partners in the firm. Georg wrote in his posthumously published history of the Tietz family and their department stores that he and his brother Martin had complemented each other and "worked together with devotion." Martin was particularly interested in accounting and the finance department, to which Georg apparently was not drawn.¹⁸ His brother-in-law Hugo Zwillenberg, on the other hand, is not even mentioned by name in Georg's recollections, only as a "young lawyer."¹⁹

And yet the two brothers took quite different paths in their development. In 1919, befitting his social status, Georg married Edith Grünfeld, who came from a respected Jewish business family. Her father co-owned the linen shop and linen

weaving mill in Berlin F. V. Grünfeld, and opened a large store on Leipziger Straße. The couple blessed the Tietz family with a son named Hans Herrmann (1920–2007) and their daughter Rösli (1924–2025, Roe Jasen since 1945), named after Betty's mother. In the following years, Georg had a stately villa built in a prime location at Koenigsallee 71 in the prominent Grunewald district. His statements in the family history he wrote leave no doubt that he saw himself as his father's primary successor, and that is probably how he was seen in the Berlin business world.

Martin was not able to work in corporate management under his father for as long as his brother. Unlike Georg, he was not working in the company during the First World War and after the war he gained experience living abroad in New York. After his father's death, he lived as a bachelor in his parents' villa in Wilmersdorf, Kaiserallee 184/185 (today Bundesallee). He remained unmarried for a long time and had no children even after his wedding to Anni Böning from Berlin.

By contrast, Elise and Hugo Zwillingenber were able to start a family after getting married. Their first child, son Lutz Oscar (1925–2011), was followed five years later by daughter Helga Henriette Linde (1930–2013). In addition to the family home in Berlin-Dahlem, Hohenzollerndamm 100/101, Zwillingenber acquired the Dominion Linde estate (today Märkisch Luch) in Westhavelland.

The investigations concerning "Aryanization" and the distribution of the Tietz/Zwillingenber family's assets revealed that Oscar's widow Betty had larger and more valuable holdings than her sons and daughter. The family's wealth was based on the group's real estate companies and Betty held 97.63 percent of the shares in the most important of these real estate companies, Deutsche Boden AG, and 50 percent of the shares in the similarly important Brandenburgische Grundwert AG.²⁰ In total, she held 79 percent of all family-owned shares in real estate, trading, and manufacturing companies.²¹ Whether these assets had been transferred to her by Oscar during his lifetime or whether they were part of an inheritance, can no longer be determined. One reason for this distribution of family property could have been that Betty, as a silent partner, was not liable for the company with her private assets. After her husband's death, she did not appoint one of her sons, but rather her son-in-law Hugo Zwillingenber as her authorized representative.²² Now Zwillingenber was not only the personally liable partner of the Hermann Tietz company, but also the authorized representative for the largest collection of assets in the family.

Rebecca (Betty) Tietz, née Graupe (1864–1947) was the daughter of Hermann Tietz's sister who emigrated to the USA. She was born in Washington, D.C., but after just a few years, her uncle Hermann moved with her back to Germany. She grew up with him as a foster child and was therefore connected to her cousin

Oscar Tietz from childhood on. In Germany she was mistakenly given the maiden name Meyer, which she later accepted without objection.²³ After the founding of the textile store in Gera, she ran the business together with Oscar and Hermann. By using her savings, she made it possible to bridge an early liquidity bottleneck. In 1886, Betty and Oscar married, and Betty apparently gave up her American citizenship, which she reclaimed in 1938. Overall, their importance to the family and the company was in many respects greater than was perceived from the outside.

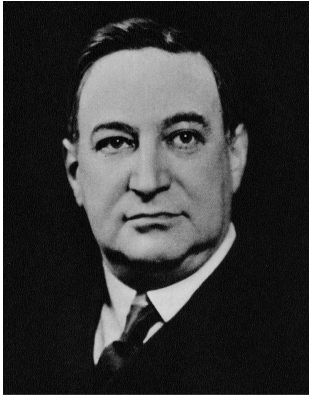


Fig. 4: Georg Tietz, 1932.

Georg Tietz (1889–1953) was born in Gera as the eldest son of Oscar and Betty and grew up with his family, following the company's development, first in Munich and later in Berlin. At the Tietz company he first had to prove himself as a salesman of women's hats. After studying at the Berlin Business School, he was entrusted with setting up an export and import business in Paris. In 1911, an "apprenticeship" period followed in the USA where he also worked as a securities trader and cotton broker.²⁴ After his return, his father gave him increasingly managerial tasks and he was therefore released from military service during the First World War. In 1917 he became a partner in Hermann Tietz OHG, and two years later he married Edith Grünfeld (1894–1984).

Martin Tietz (1895–1965) was born in Munich, went to school in Berlin after the family moved there, then attended the École de Commerce in Neuchâtel, Switzerland, and completed a business degree at the Berlin Commercial College. After his first job at the Hermann Tietz company in the Gera branch, he registered in 1914 as a wartime volunteer. Due to an illness, he was transferred in 1916 to the Weapons and Ammunition Division and became the head of the Reich Clothing Warehouse. After the war, he worked as the manager of a trading company in New York in which the Tietz company was involved. In 1919 he was accepted as a

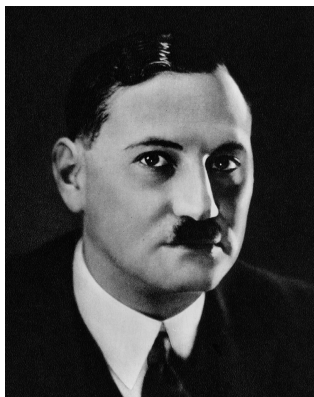


Fig. 5: Martin Tietz, 1932.

partner in his father's company, but only returned from the USA two years later. In 1933 he married Rosa Anna (Anni) née Böning, former married name Klösel (1906–1957), a Christian who converted to Judaism upon marriage.²⁵



Fig. 6: Hugo Zwillenberg, 1932.

Elise Zwillenberg, née Tietz (1896–1986) and **Hugo Zwillenberg** (1885–1966) were married on November 18, 1919. Elise, who was born in Munich and grew up in Berlin, was able to attend a boarding school in Paris before the First World War. During the war she was employed as an assistant in the Berlin Jewish Hospital.²⁶ Hugo came from Lyck in East Prussia, studied law in Erlangen, received his doctorate there in 1912, passed his second state examination in March 1914, and was then employed as a court assessor in the Prussian judicial service. Since he was active in the military throughout the First World War, he was denied a promotion in the

judiciary. Zwillenberg may also have known that as a Jew he would hardly have been able to maintain a career in the judicial service. When he met Elise after the war, he took a leave of absence so that he could work for the Hermann Tietz company. Six months after the marriage, his request to be released from judicial service was granted.²⁷

“A World of Its Own”: The Hermann Tietz Group

Hermann Tietz OHG never published precise information on the development of its sales and number of employees, and as a partnership, it did not have to disclose its balance sheets. Only those real estate, trading, and manufacturing companies in the group that were managed as stock corporations were obliged to do so. But finding out which companies belonged to the Hermann Tietz Group was not easy. This also applied to the banks, since the Tietz company had no supervisory board. Even the Dresdner Bank, one of the large creditors of Hermann Tietz OHG, could only obtain such information from the press.²⁸ The shareholding relationships were completely opaque, since the family did not consider it appropriate to strictly separate between their privately held shares and those of their company in the group of companies. Since Hermann Tietz OHG was entirely owned by the family, there were no concerns about capitalizing private property such as Georg and Edith Tietz’s villa at Koenigsallee 71 in Berlin Grunewald as a group company in the company’s balance sheet. A similar procedure was followed with investments held by Betty Tietz, who as a silent partner was not liable for the company.²⁹

The chronicle of Hermann Tietz OHG, published for the company’s 50th anniversary in 1932, shows that sales in the previous year, i.e. 1931, were 300 million Reichsmarks (RM), which would correspond to a share of one-thousandth of the sales of all German department stores.³⁰ A retrospective calculation from 1935 showed a different picture: Sales would, according to this calculation, therefore have been 268 million RM in 1929 and 246 million RM in 1931.³¹ The workforce of Hermann Tietz OHG is mentioned in the aforementioned anniversary publication from 1932 as “a group of almost 20,000 employees,” which can be considered as clearly inflated.³² In a commission report written in 1934, the number of employees at the Hermann Tietz company in 1930 was given as 16,458.³³ This probably corresponded roughly to the level reached with the takeover of the Jandorf Group. The *Frankfurter Zeitung* reported in December 1926 that the number of employees at the Hermann Tietz company would increase to 16–18,000, of which 13–14,000 were at the companies in Berlin. The area of the Hermann Tietz depart-

ment stores is estimated in this source at 83,000 square meters, of which 53,000 were in Berlin.³⁴

Although the information is quite vague, what has been recorded in the form of comparisons between the leading German department store companies shows that Hermann Tietz OHG was larger than Leonhard Tietz AG, but was trailing Rudolph Karstadt AG in terms of sales and number of employees.³⁵ In 1917, Hermann Tietz was still in first place but then fell back due to the strong expansion of Karstadt AG.³⁶ The company now advertised itself with the motto "Largest self-owned department store group in Europe."³⁷ This ranking was undisputed for Hermann Tietz, because Karstadt was no longer "self-owned."³⁸

Compared to the other two large department store groups, Hermann Tietz adhered more closely to its traditional profile. In the fastest growing segment of retail, the low-price stores with uniform pricing (uniform price stores), the Hermann Tietz Group was not represented with its own chain, but only with uniform price departments within the stores. The owners had apparently decided to do this out of consideration for the relationships with Leonhard Tietz AG and its uniform price trading company (Ehapa).³⁹ In-house production was less pronounced at Hermann Tietz than at Karstadt; here they were content with the classic form of expansion for department store groups, vertical concentration through the takeover of competitors.

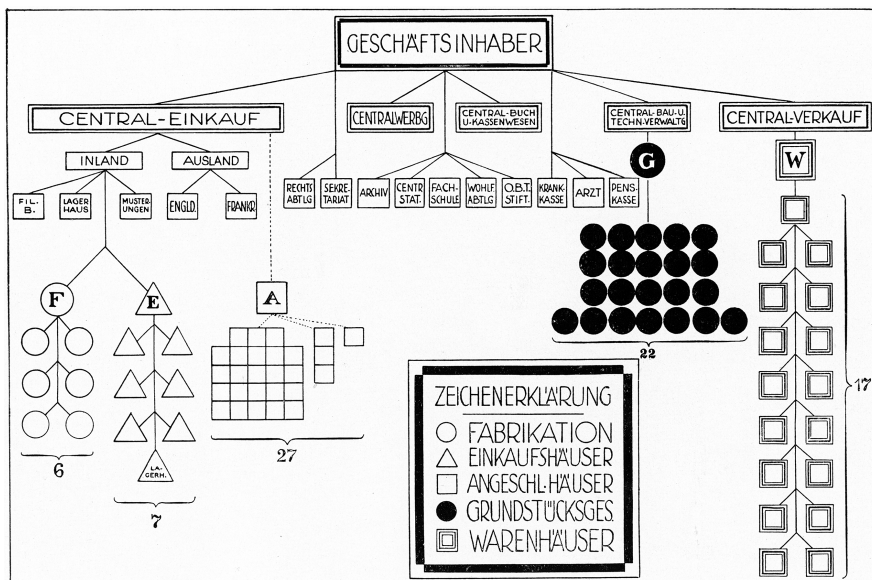


Fig. 7: Organizational chart of the Hermann Tietz Group, 1932.⁴⁰

Since moving to Berlin in the fall of 1900, the “central administration” of the Hermann Tietz Group was located at Krausenstraße 46–49, in the immediate vicinity of the department store area on Leipziger Straße, separated from it only by Dönhoffplatz (today Marion-Gräfin-Dönhoff-Platz). Most of the group’s real estate and trading companies were based there, including some that were named after other regions or locations.

According to the Berlin Commercial Register, Hermann Tietz OHG had three general authorized representatives in 1928, each of whom managed their own areas under the three managing owners: Nathan Müller, David Löwenberger and Michaelis Birnbaum. In 1929, Adolf Adler and Georg Karg joined the management.⁴¹ In purchasing, Müller was the senior manager of the entire central purchasing department. Karg, who later became “Herr von Hertie,” was head of central textile purchasing and only joined Hermann Tietz when the Jandorf takeover took place.⁴² Löwenberger, the head of accounting, obviously occupied a special position. On the occasion of his 40th service anniversary in October 1929, he was described in the press as a “friend and confidant” of the company owners. He also had the full trust of Oscar and Hermann Tietz.⁴³ Löwenberger had started as an office clerk at the Tietz company in Munich at the age of 24. He had previously been an accountant and statistician at a cannery in San Francisco. There, he learned new methods of preliminary calculation, which he had introduced at the Hermann Tietz company.⁴⁴ The authorized representatives earned brilliantly because they were indispensable to the company; Müller and Löwenberger received salaries of 40–50,000 RM/month.⁴⁵ Karg, in turn, is said to have turned down an offer in 1931 to take on a board position at Karstadt with an annual salary of 500,000 RM.⁴⁶ His previous salary was probably in this range.

Due to the takeover of A. Jandorf & Co. and the previous acquisition of a department store on Berlin’s Chausseestraße, the number of department stores at Hermann Tietz OHG increased from 11 to 18, and in Berlin from three to ten. In the following years, department stores were acquired in Dresden and Magdeburg, but the group was now much more focused on Berlin than before.⁴⁷

The group’s economic importance was also based on the fact that together with a large number of so-called affiliated houses throughout the empire, they were part of a purchasing association that already existed. These included the 22 department stores of the M. Conitzer & Söhne group, the well-known Römischer Kaiser department store in Erfurt, and the department stores of H. & C. Tietz in Chemnitz and Bamberg.⁴⁸

On the occasion of the company’s 50th anniversary in 1932, the Hermann Tietz Group was described in the press as “a world of its own.”⁴⁹ Hermann Tietz’s

Tab. 1: Hermann Tietz OHG Retail and Department Stores, as of 1932 (compiled from the relevant literature and reference works).

City	Location	Founding/ New Building	Take- over Year	Previous Owner
Berlin	Leipziger Straße 46–50a (Dönhoffplatz)	1900		
Berlin	Alexanderplatz 3	1905		
Berlin	Frankfurter Allee 5–7		1908	Max Mannheim
Berlin	Chausseestraße 70/71		1926	Warenhaus Stein
Berlin	Kaufhaus des Westens, Tauentzienstraße 21		1926	A. Jandorf & Co.
Berlin	Andreasstraße 46 (Große Frankfurter Straße 113)		1926	A. Jandorf & Co.
Berlin	Belle-Alliance-Straße 1–3		1926	A. Jandorf & Co.
Berlin	Brunnenstraße 19–21		1926	A. Jandorf & Co.
Berlin	Kottbusser Damm 1/2		1926	A. Jandorf & Co.
Berlin	Wilmsdorfer Straße 118/119		1926	A. Jandorf & Co.
Gera	Sorge 23	1882/1912		
Weimar	Marktstraße 2	1887/1905		
Karlsruhe	Kaiserstraße 92	1888		
Munich	Bahnhofplatz 7	1889/1905		
Hamburg	Jungfernstieg 16–20	1896/1912		
Plauen	Postplatz 5/6	1905		Julius Tietz
Stuttgart	Königstraße 27	1905		
Dresden	Webergasse 39/ Wallstraße 32	1928		Hermann Mühlberg
Magdeburg	Breiter Weg 41	1931		Siegfried Cohn/ Raphael Wittkowski*

*merged after the takeover.

large department stores not only included food departments, which were noted in the early 1930s at seven and twelve percent of sales, but also hairdressing and beauty salons, restaurants, lending libraries, and an entire fleet of trucks.⁵⁰ The group was an important customer for agriculture; in 1931, the Tietz department stores purchased 15,000 cattle and 32,000 calves, 101,000 pigs, 13,000 mutton,

9 million eggs, 3.8 million kg of cheese, 16.3 million kg of vegetables, and 11.6 million kg of fruit.⁵¹



Fig. 8: KaDeWe food department, 1932.

In addition to the department stores, the “world” of the Hermann Tietz Group included a whole network of real estate, trading, and manufacturing companies that could hardly be comprehended from the outside. The group’s capital was largely in the real estate companies’ holdings. According to a financial statement drawn up in the spring of 1933 by Hermann Tietz’s auditor, Wilhelm Graetz, they accounted for around two thirds of the group’s assets.⁵² Oscar Tietz had founded his own real estate companies for the properties of many department stores. The buildings of the Leipziger Straße department store, as well as the neighboring administration complex of the group on Krausenstraße, belonged to Brandenburgische Grundwert AG. Further real estate companies had been created for commercial and residential buildings that had been acquired for the planned construction of department stores that had not or not yet come to fruition. This was true for the most important “non-department store” real estate company of Hermann Tietz, Deutsche Boden AG, and AG Ost für Textilhandel, which was in reality a real estate company. The Hermann Tietz Group had originally planned to build large depart-

ment stores in the west of Berlin in order to block its competitor Jandorf from entering this area, and to do this, it systematically bought up properties in prime locations on the corner of Kurfürstendamm/Joachimsthaler Straße and on Kaiserdamm. With the takeover of the Jandorf Group, these plans were no longer necessary, as the Hermann Tietz company was now well positioned with two department stores (KaDeWe, Wilmersdorfer Straße) in the west of Berlin. Deutsche Boden AG also held another valuable property: the large Hamburg department store at Jungfernstieg 16–20, a building that had not been taken into its own real estate company.

Tab. 2: Real Estate, Trading, and Manufacturing Companies in the Hermann Tietz Group* (as of the end of 1933).⁵³

Real Estate Companies

AG Ost für Textilhandel, Berlin
 AG West für Textilhandel, Berlin
 Badische Grundwert AG, Karlsruhe (F)
 Brandenburgische Grundwert AG, Berlin (F)
 Centrum Berlinische Bodenbesitz GmbH, Berlin (F)
 Charlottenburger Grundstücks-Verkehrs-GmbH, Berlin
 Deutsche Boden AG, Berlin (F)
 Grundbesitz GmbH, Munich (F)
 Grundstücks AG Beußelturm, Berlin
 Grundstücksgesellschaft Koenigsallee 71, Berlin (F)
 Grundstücksgesellschaft Nordost mbH, Berlin
 Grundstücksgesellschaft Wittenbergplatz AG, Berlin
 Grundwert AG Kaiserdamm, Berlin
 Handels- und Grundbesitz GmbH, Berlin (F)
 Handelsstätte Gera AG, Berlin (F)
 Immobilien-Verkehrs-Gesellschaft, Stuttgart (F)
 Magdeburgische Grundwert AG (prior to Nov. 1933: Bayern Textil AG)
 Merkur Treuhand- und Grundstücksverwaltung AG, Wuppertal-Elberfeld
 Sächsische Grundwert AG, Berlin

Trading Companies

AG für rituellen Bedarf, Berlin (F)
 Bekleidungs-Handels AG, Berlin
 Bergische Textil GmbH, Berlin
 Einfuhr- und Großhandels AG, Berlin
 Kaufkredit GmbH, Berlin
 Offenbacher Handels- und Industrie GmbH, Berlin
 Sächsische Textil GmbH, Berlin (F)
 Vogtländische Textil GmbH (F)

Tab. 2 (continued)

Manufacturing Companies

Berlin Essen Gubener Hutmanufaktur GmbH
 Conrad Steinecke GmbH, Berlin (F)
 Mechanische Feinweberei Adlershof GmbH, Berlin
 Paschka & Ornstein GmbH, Berlin (F)
 Textilfabrikation GmbH (F)

*(F) with significant private participation from the Tietz/Zwillenberg family.

Compared to the real estate companies, the trading and manufacturing companies of the Hermann Tietz Group were of secondary importance. The trading companies were all department stores limited to the textile trade and, even in this area, were not the only source of supply for the department stores. An exception was Kaufkredit GmbH, founded in 1926, with which the Hermann Tietz company followed the trend at the time towards partial payments and offered such services through a company in Zurich, Switzerland. After just a few years, this business had to be discontinued due to the global economic crisis.⁵⁴ One specialty was the joint stock company for ritual supplies owned by the Tietz family, a specialist shop for kosher prepared foods in several Berlin department stores, which was under the supervision of the Kashrut Commission of the Rabbinate.⁵⁵ Analogous to the operation of the trading companies, the manufacturing companies were all active in textile production. Paschka & Ornstein GmbH gained a reputation as a specialized manufacturer of hats from which the department stores benefited. The Mechanische Feinweberei Adlershof GmbH, which was created from a merger in 1923, had specialized in textile finishing. A residential complex designed and built by Georg Jacobowitz was constructed next to the factory premises for the employees. Following the model founded by Oscar Tietz, the real estate, trading, and manufacturing companies were managed on the side by owners and authorized representatives of Hermann Tietz OHG as a staff unit, which had definite limitations considering the size and complexity of this group of companies. And thus, Löwenberger and Adler were also board members of Brandenburgische Grundwert AG, Deutsche Boden AG, and KaDeWe GmbH, a subsidiary of Tietz; Löwenberger and Karg were also managing directors of Handelsstätte Gera AG and Sächsische Textil GmbH and board members of Bayern Textil AG.⁵⁶

Of the institutions created by Oscar Tietz, which also represented the Hermann Tietz Group's own preserve, only those considered to be exemplary, such as the Fachschule für Lehrmädchen und Verkäuferinnen (Technical School for Instructing Girls and Saleswomen), the company health insurance fund and the

Oscar and Betty Tietz Foundation for the Support of Employees (Oscar- und-Betty-Tietz-Stiftung zur Unterstützung von Mitarbeitenden), are mentioned here.

The Beginning of the End? The “Payment Slump” in the Great Depression

With the costly takeover of the Jandorf Group in December 1926, the Hermann Tietz company had taken on a high mortgage. The purchase price was never disclosed; in the press, it was estimated at 30 to 40 million RM, sometimes even over 50 million RM.⁵⁷ All that was known was that the payment of the purchase price had been agreed upon over a longer period of time and that the Berliner Großbank Disconto-Gesellschaft which the bank confirmed in its annual report without giving any figures, played an important role in financing this transaction.⁵⁸ Also the Amsterdam bank Proehl & Gutmann – a limited partner of Dresdner Bank – and the London bank J. Henry Schröder & Co. were named as lenders.⁵⁹ According to the Dresdner Bank’s loan files, a consortium led by Proehl & Gutmann granted the Hermann Tietz company an advance of 2.38 million US dollars (the equivalent of around 10 million RM) in January 1927, which was backed by a mortgage on the Leipziger Straße department store, and secured by the Brandenburgische Grundwert AG.⁶⁰ Mortgage loans from Adolf Jandorf and Max Emden, the Hamburg “department store king” who was involved in KaDeWe until the sale, for 4.05 and 1.39 million RM, respectively, are also documented.⁶¹ Overall, the Jandorf takeover was likely to have been financed to a significant extent by mortgages on the Hermann Tietz Group’s previously relatively unencumbered real estate holdings.

The debt increased accordingly. As stated by information from the Dresdner Bank, the Hermann Tietz Group was burdened with bank debts of 42.1 million RM and mortgages of 44.6 million RM in the balance sheet of December 31, 1929.⁶² Due to this high level of debt on the eve of the global economic crisis, which arose in the wake of the stock market crash on Wall Street in October 1929 and reached Germany in the winter of 1929/30, the company was extremely ill-equipped to withstand such a depression.

Looking back, it seems very risky and reckless to take on such a large amount of debt. From the perspective at the time, however, there were of course good reasons for this move. At that time, the large department store groups were engaged in cut-throat competition, in which the Hermann Tietz company threatened to fall by the wayside if it failed to execute the necessary takeovers. Between 1924 and 1929, Hermann Tietz OHG only acquired seven department stores, including the six belonging to the Jandorf Group. During this same period, Karstadt AG took over 41 stores, including the 19 branches of the Max Emden chain acquired in November 1926, in-

cluding the renowned Munich department store Oberpollinger.⁶³ Karstadt also began to expand massively in Berlin by relocating its headquarters – from Hamburg to Berlin-Mitte and with the construction of a gigantic department store in Berlin-Neukölln. In addition, the American department store chain F. W. Woolworth founded a German subsidiary in November 1926 and launched a year later its first retail store in Berlin.⁶⁴ Initially, they also seemed to be keen on the development of the German market. 1927 turned out economically to be the most favorable year of the Weimar period.

In June 1929, Karstadt opened the largest and most modern department store in Europe on Hermannplatz in Neukölln, a building complex in New York format with escalators and a subway connection. In the same year, the group merged with Lindemann & Co. AG, which brought in 14 branches, including four in Berlin and a well-known department store in Potsdam.⁶⁵ In Berlin-Mitte, Karstadt already had acquired an area with 30 residential buildings on Neue Königstraße in 1928 for the planned construction of its new headquarters.⁶⁶ The Hermann Tietz company also set about further expanding its position in Berlin. The new flagship department store KaDeWe was increased from five to seven floors, with a "snack hall" on the top sales floor, and another eight-story department store was to be built on the main street in Berlin-Friedenau – supposedly financed from the company's own sources.⁶⁷

After the beginning of the global economic crisis, the big time of expansion for department stores came to an end. According to Dresdner Bank, Hermann Tietz OHG suffered a loss of 21 million RM in 1930,⁶⁸ and based on retrospective statistics, the group was able to increase sales slightly that year to the previous high of 272 million RM, while at Karstadt there was a decline of around five percent.⁶⁹ This development corresponds to the fact that the bank and mortgage debts of the Hermann Tietz company rose from 87.7 to 101.6 million RM over the course of the year, but at Karstadt by the end of 1930 it was almost twice as high (191 million RM).⁷⁰ The best performer among the large department store chains was Leonhard Tietz AG, with a profit of three million RM in 1930 and a burden of bank and mortgage debts amounting to 82 million RM (January 1931).⁷¹

Hermann Tietz now put on hold costly projects such as the construction of additional department stores in Berlin-Friedenau and Königsberg. Only one new branch was added in Magdeburg.⁷² Overall, department store sales declined in 1931 by 14.7 percent, which was less than the decline in industrial production (25 percent), but this slump often led to liquidity problems.⁷³ The department stores tried to counteract this with frequent special sales campaigns, but at the same time they were not able to use supplier credit for their business purchases, which could no longer be deducted from sales income. According to the Dresdner Bank, the goods and cash of the Hermann Tietz company only covered around

50 percent of their short-term obligations.⁷⁴ The liquidity of the Hermann Tietz and Karstadt companies also suffered from the fact that a large part of the surpluses had been used for partly speculative real estate purchases in Berlin. During the global economic crisis, the market for commercial and residential buildings collapsed and rental income fell sharply.⁷⁵

Starting from the spring of 1931, the industry was in the shadow of the Karstadt crisis, into which the largest German department store company had fallen, due to the debt from the expansion of the previous years and a fatal price guarantee for the shares sold in the merger with Lindemann. Karstadt was forced to use up its reserves with extraordinary depreciation totaling 25 million RM, and also to sell some of its real estate and equity investments.⁷⁶ Unlike Karstadt, Hermann Tietz OHG was not in need of restructuring, but it found itself in an increasingly critical situation. Since the group, unlike the stock corporations Karstadt and Leonhard Tietz, did not publish a balance sheet, the press could not even speculate on how high the losses were.

When the number of registered unemployed people in Germany rose to over six million in the winter of 1931/32, the Hermann Tietz company found itself in financial distress. Since, as a general partnership, it was not obliged to publish the balance sheets and balance sheet documents from this period have not survived, the developments in the crisis year of 1932 are only shown in later reports and statements. These documents must be considered a problematic source because they are either in connection with “Aryanization” or as part of the restitution proceedings after the war.

Representatives and lawyers for the Tietz/Zwillenberg family tried at the time to avoid shedding light on the company’s critical situation before 1933. The banks and the Hertie management were in turn keen to highlight the alleged insolvency of the Hermann Tietz company before 1933 in order to present the “Aryanization” as a restructuring based exclusively on economic factors.

The management of Hermann Tietz OHG obviously underestimated the drama of the downturn in 1932, the lowest point of the global economic crisis in Germany. Already during the “White Week” at the beginning of February, the income fell short of expectations – as also did the expenditures for the ordered goods.⁷⁷ At the 25th anniversary of KaDeWe on March 21, 1932, according to an official announcement from the company, the staff refrained from celebrations “in consideration of the difficult economic conditions.”⁷⁸ They made do with a company publication written by the renowned art critic and publicist Max Osborn.⁷⁹ In May of the following year, during the 50th anniversary of the Hermann Tietz company, the management took the opportunity to expand the special sales campaigns, which had hardly decreased, and outdo them with a large-scale anniversary sale. Purchases of whole sale goods were made with high expecta-

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Zu Tgb.Nr. 524/32Anlage VI

Verkaufsveranstaltungen des Warenhauses Hermann Tietz-Gera
im Kalenderjahr 1931

<u>Lfd.Nr.</u>	<u>Veranstaltungen</u>	<u>Datum</u>	<u>Anzeigen</u>
1.	<u>Ausverkäufe:</u>		
1	Inventurausverkauf	10.1.-23.1.	11
2	Saisonausverkauf	10.7.-23.7.	12+3 Beilagen
2.	<u>Sonderveranstaltungen:</u>		
1	Kindermittwoch (Inventurausv.) (grossen Nachmittag im Erfrischungsraum)	13. 1.	1
2	Lebensmittel "Grossverkauf"	22.1.	1
3	" "	26.1.	1
4	" "	29.1.-2.2.	2
5	"Sonabend, Montag, Dienstag"	30.1.	1
6	Reste "30 Jahre Weisse Wochen" incl. Vorverkauf	4.2.-21.2.	7
7	Serientage	24.2.ff	9 + Beil.
8	"Billige Hosentage"	12.3.	1
9	Volkstümlicher Osterverkauf	20.3.ff	8
10	"3 Tage" Donnerstag, Freitag, Sonnabend Reste	25.3.	1
11	3.Osterfeiertag Sonderverkauf Sommerstoffe	4.4.ff	4
12	Donnerstag, Freitag, Sonnabend 3 Tage alles fürs Kind	8.4.	
13	<u>95 Pfg.Tage Das grösste Ereignis d.Jahres</u>	<u>15.4.16.4.ff</u>	<u>10</u>
14	Donnerstag 5 - 6 Billige Stunde (während 95 Pfg.Tage)	22.4.	1
15	<u>Volkstüml.Pfingstverkauf</u>	<u>7.5.ff</u>	<u>5</u>
16	3 extra billige Konserven Tage (während Pfingstverkauf)	12.5.	1
17	3.Feiertag Waschstoff-Verkauf z. volkstüml.Preisen	23.5.26.5. 29.5.	3
18	Reste u.Abschnitte 2.volkstüml. Einheitspreise	27.5.	1
19	<u>Geschirrmarkt b.Tietz (4 Waggons)</u>	<u>10.6.ff</u>	<u>2+ Beil.</u>
20	<u>Volkstage</u>	<u>17.6.ff</u>	<u>10+2 "</u>
21	3 Tage fürs Kind (während d.Volkstage)	22.6.	1
22	Grossverkauf Reste	26.6.ff	2
23	Billige Stunde ca. 1 200 Paar Damenstrümpfe a Rtl 1.- Freitag 5-6	30.7.	1
24	Werbetage	6.8.ff	12+2 "

25.

Fig. 9: Sales events at the Gera branch, 1931.

tions, but there was no corresponding demand, given the great economic need in the country. A portion of the anniversary sale merchandise could only be sold with high losses. Hermann Tietz OHG then ran into payment difficulties. The Deutsche Bank, which had become the “main bank” and the company’s largest creditor through its merger with the Disconto-Gesellschaft in 1929, nevertheless granted an additional overdraft line of credit. When the company also exhausted this reserve capacity, the bank is said to have become suspicious, according to later statements from a director at its Berlin branch office headquarters at the time, Hermann Wieland. The Tietz Group was now also “discussed” among suppliers because of its poor payment practices.⁸⁰ This finding corresponds to statements made at a meeting at Hertie in the fall of 1933, in which there was talk of a “payment slump in 1932” that had shaken the trust of suppliers.⁸¹



Fig. 10: “White Week” at KaDeWe, 1932.

The entire retail business sector in Germany had reached a new low in the spring of 1932. Department store sales in May were almost 27 percent below the same month in the previous year. In Berlin, the long-standing department store Hermann Gerson became insolvent, and sales departments in many department stores, including Wertheim, were closed down.⁸² By the summer of 1932, the Kar-

stadt drama reached a new juncture: the restructuring measures that had been initiated proved to be inadequate, and the company needed a loan worth millions since the losses could no longer be covered by reserves. In October 1931, Karstadt had already sold its subsidiary Epa single-price chain to a banking consortium to obtain a loan of 15 million RM. Now, only the Akzeptbank was able to step in, an institution that had been founded by the Reich and the major banks during the banking crisis of 1931 to provide insolvent banks with liquidity and which was now also allowed to support other companies.⁸³ The fact that the Akzeptbank supported Karstadt with a 25 million RM loan was seen as "Reich aid" for a department store group that was in dire straits, and this further upset the small retailers hit hard by the crisis. The Hauptgemeinschaft des Deutschen Einzelhandels (Main Association of German Retailers) protested sharply against "this particularly worrying case of state subsidies."⁸⁴

In the fall of 1932, after the Deutsche Bank (then Deutsche Bank und Disconto-Gesellschaft) had become cautious due to obvious liquidity problems within the Hermann Tietz Group, its board member Theodor Frank asked the owners of the company to provide information about their business situation, which, according to the practices at the time, was tantamount to a final warning.⁸⁵ The bank now discovered that the department store company was trying to conceal its financial difficulties in questionable ways. The accounts were notoriously overdrawn, payments were constantly delayed and bad checks were being submitted.⁸⁶ This was partly due to the chaos in the accounting system for which Löwenberger was responsible, and which a contemporary compared to "a labyrinthine magic garden."⁸⁷ It later turned out that the accounting of the central administration in Krausenstraße sometimes used a special form of "double-entry bookkeeping." Invoices due were recorded as paid in the books, but were not passed on to the cashier with payment instructions.⁸⁸ Such practices were not uncommon at the time. It was only after spectacular economic scandals surfaced that compulsory audits for stock corporations were introduced in September 1931. General partnerships such as the Hermann Tietz company still did not have to disclose their books, and there was no supervisory board over which the banks could have exercised a control function. The creditor banks had to rely on obtaining information from the company, and the Hermann Tietz firm apparently was not very cooperative. Doubts arose about the soundness of the management, and only Zwillenberg, who was the preferred contact for the banks, was exempt from these doubts.⁸⁹

The lack of transparency at Hermann Tietz OHG and the lessons learned from the Karstadt disaster caused Deutsche Bank to assume a worst-case scenario. By all accounts, it imposed a credit freeze on the Hermann Tietz Group in the fall of 1932. In a statement written by Wieland after the war, it reads as follows: "We made the acceptance of new credit requests dependent on the balance sheet at

the end of 1932 and gave Tietz the responsibility to accept credit offers allegedly made to the company by others.”⁹⁰ After the firm’s Christmas business in 1932 did not bring the hoped-for turnaround, although an end to the depression began to appear in the German economy, the Dresdner Bank and other creditors did not want to wait any longer,⁹¹ and the banks coordinated their actions. According to a later statement by Hertie managing director Trabart von der Tann, he was appointed in February 1933 at the suggestion of Dresdner Bank’s supervisory board chairman, Fritz Andreae, and “commissioned as a representative of the consortium of creditors.”⁹² At this point in time, when Hitler had only been in power for a few days, there could hardly have been any talk of “Aryanization”. The banks would have assumed a scenario like that practiced at Karstadt AG. There, the chairman of the board, Hermann Schöndorff, resigned in May 1931 “according to a suggestion from the finance committee” of the supervisory board, and a former member of the board of Commerzbank (then Commerz- und Privat-Bank) was appointed chief financial officer.⁹³

After the war, Karg explained that the Hermann Tietz Group had been transferred into other hands solely for economic reasons. In a statement from March 1946, he explained “that the takeover of the department stores that previously belonged to the Tietz family was not an Aryanization, but rather that the Tietz family’s departure was due to the economic difficulties that arose in the years before 1933.”⁹⁴ This same assertion was also later to be seen in a much-quoted article by business journalist Hans Otto Eglau about Karg:

For Hermann Tietz, whose stores, in contrast to Wertheim, were mainly frequented by customers from lower income groups, the onset of mass unemployment had a particularly damaging effect. From 1930 to 1933 alone, Tietz’s sales fell by 46 percent. The three Tietz heirs found themselves increasingly under the worried scrutiny of the big bankers whose institutions they had become heavily indebted to. After Hitler’s seizure of power, they agreed to a restructuring plan that stipulated that the company would be taken over by a banking consortium led by Dresdner Bank.⁹⁵

Karg supported his statement quoted above with data on the debt of the Hermann Tietz company. At the beginning of 1933, the goods debts amounted to around 40 million RM, the bank loans amounted to 45 million RM, and this debt burden was only offset by a warehouse worth 27 million RM.⁹⁶ The figures are not exaggerated when one considers that the Dresdner Bank was already covering bank debts of the Hermann Tietz Group amounting to 42.1 million RM at the end of 1929, and the already mentioned group financial status calculated by the Tietz auditor Wilhelm Graetz and revealed bank debts of around 48.4 million RM, as of May 31, 1933. Unlike Karg’s quoted statement, the balance sheet prepared by Graetz also lists real estate assets of almost 117 million RM and capital (equity) of

around 38 million RM.⁹⁷ It should be taken into account that the real estate companies’ properties included in the group financial status were largely encumbered with mortgages and, according to the banks’ assessment, had been listed on the balance sheet with inflated values.⁹⁸ But unlike Karstadt, the Hermann Tietz company came through the global economic crisis without a single double-digit million-dollar loan and was able to overcome the “payment slump” on its own. Also, not all banks viewed the Hermann Tietz company’s situation at the time as critically as it appeared in Karg’s and Wieland’s later statements. At the renowned Hamburg bank M. M. Warburg & Co., Zwillenberg was believed when he, together with Löwenberger, visited their Berlin branch at the beginning of December 1932 and explained that the “temporary shortage of liquidity and the poor method of payment” were mainly caused by the unsatisfactory anniversary sale. Zwillenberg swore at that time of “never wanting to hold anniversary events again.”⁹⁹ Warburg extended for another year a syndicated loan in January 1933 of 150,000 British pounds (the equivalent of three million RM) against a repayment of 25,000 British pounds made by the Hermann Tietz company.¹⁰⁰

Tab. 3: Sales of the leading German department store companies from 1926 to 1933 in million RM*.¹⁰¹

Year	Hermann Tietz OHG	1929 = 100	Leonhard Tietz AG	1929 = 100	Rudolph Karstadt AG**	1929 = 100
1926	128.23	48	100.76	53	174.68	53
1927	224.77	84	127.75	67	260.93	79
1928	241.13	90	157.50	74	296.83	91
1929	268.96	100	190.00	100	327.83	100
1930	272.67	101	205.60	108	310.60	95
1931	246.66	92	178.60	94	247.20	75
1932	200.63	75	147.00	77	207.20	63
1933	145.69	54	105.30	55	186.50	57

*based on a retrospective calculation from 1935.

**from 1929 including the acquired companies of the Emden Group and Lindemann & Co AG.

The effects of the global economic crisis on the business of the Hermann Tietz department stores can also be seen in sales statistics that were created retroactively in 1935 for the three leading department store companies. According to these statistics, the sales of the Hermann Tietz department stores in 1931, despite

a decline, almost reached the level of the market leader Karstadt, which had fallen into difficulties. Overall, Hermann Tietz's sales fell by 46 percent between 1929 and 1933, which corresponds exactly to the number mentioned by Eglau. But he did not mention that of the 46, only 25 percent came from the years 1929 to 1932. At the end of 1932, when Germany had already passed through the bottom of the global economic crisis, the sales of Hermann Tietz OHG were 75 percent of the 1929 level. Then there was a slump of 21 percent in the following year, which was no longer due to the global economic crisis or accounting problems, but can only be explained by the department store crisis brought about by the National Socialists. Sales at the more solidly positioned Leonhard Tietz AG fell in 1933 in a similar way to that at Hermann Tietz OHG, while the "non-Jewish" Karstadt AG now showed better performance.

Despite the decline in sales and the liquidity crunch of 1932, none of the Hermann Tietz department stores were closed during the global economic crisis. However, the few remaining employment figures show that the crisis resulted in mass layoffs on a scale previously unknown. Between 1930 and 1933, the number of employees at Hermann Tietz decreased from 16,458 to 13,989.¹⁰² This decline occurred largely during the period from 1930 to 1932, but also, to a smaller extent, was due to the dismissals of Jewish employees that began at the end of July 1933.¹⁰³