

2 From Hermann Tietz to Hertie: The “Aryanization” 1933/34

The “Department Store Question” and Anti-Semitic Agitation

In Germany, a broad political debate about department stores arose in the 1920s, which became increasingly heated. Under the slogan of “protecting retail,” a growing number of medium-sized associations represented demands that ranged from the reintroduction of the department store tax, which had been abolished in 1919, to the expropriation and break-up of the large department store companies. The NSDAP also tried to make a name for itself in this milieu. Its first party program, announced by Hitler in the Munich Hofbräuhaus on February 24, 1920, contained a separate point on this issue, the 16th in a total of 25 points:

We demand the creation and preservation of a healthy *Mittelstand*. Immediate municipalization of the large department stores and their leasing at cheap prices to small traders, the strictest consideration of all small traders when making deliveries to the nation, the states or municipalities.¹

This passage in the party program, attributed to the National Socialist economic ideologue Gottfried Feder, did not differ very much from the demands of other department store opponents and can almost be assigned to the “tradition of the political right.”²

More effective at first were the campaigns of the *Wirtschaftspartei des deutschen Mittelstandes* (Economic Party of the German *Mittelstand*, from 1925: *Reichspartei des deutschen Mittelstandes*, Reich Party of the German *Mittelstand*), which achieved some electoral success under the impact of the shock of hyperinflation in 1923. With initiatives in the Reichstag and rallies of the Reich Cartel of the National *Mittelstand*, which this party had founded, it was able to mobilize a protest potential for its members who felt ignored by the major parties. The attacks by department store opponents subsequently also focused on the uniform price stores that had emerged since 1926, which, following the example of the American department store giant Woolworth, offered a limited range of low-quality mass-produced goods at uniformly low prices. In response to Woolworth’s expansion into Germany, two department store companies enlarged their groups to include subsidiaries for uniform price stores: Karstadt AG founded *Einheitspreis AG* (Epa), and Leonhard Tietz AG founded *Einheitspreis-Handelsgesellschaft* (Ehapa). These companies were hated by the small traders because of supposedly “unfair” price competition. The battle against the consumer associations (consumer cooperatives) was no less fierce than the fight against the department stores and the uniform price shops, which

were also able to offer cheaper prices than the small retailers, purchased goods through joint bulk purchases, had their own production facilities and were committed to the principle of cash payment for goods.³

When thousands of retail businesses went bankrupt during the global economic crisis, the call for special laws to protect retailers from department stores and one-size-fits-all stores became louder. Reich Chancellor Heinrich Brüning responded to this in April 1930 by introducing a new department store tax.⁴ In March 1932, the Reich President's emergency decree to protect the economy banned the establishment of uniform price stores for a period of two years.⁵ There were also strong efforts to introduce a concession requirement for department stores and uniform price stores. They failed because of a report from the Provisional Reich Economic Council (Vorläufiger Reichswirtschaftsrat) that was obtained by the Reich government, in which it was shown that the department stores would not harm retail shops and that a restriction on this form of business would only affect consumers. In the meantime, studies had been carried out which showed that department stores and uniform price stores did not have such a large impact on retail commerce, as the critics had claimed. The share of department stores in total retail trade was between 3.8 percent (Institut für Konjunkturforschung: Institute for Economic Research) and 4.5 percent (Forschungsstelle für den Handel: Research Center for Retail) in 1931, while the share of single-price stores was one percent. However, significantly higher proportions were found for Berlin and Stuttgart, the cities with the highest department store sales per capita of the population. In an international comparison, the proportion of department stores in Germany was somewhat lower than in France and Great Britain and much lower than in the United States.⁶

From the end of the 1920s onwards, department stores were increasingly affected by anti-Semitic campaigns from the National Socialists. The agitation was directed against all "Jewish" stores, but anti-Semitic stereotypes were particularly easy to project onto the large department store companies because most of them had Jewish founders and owners whose names were generally known: Tietz, Wertheim, Jandorf, Schocken, Alsberg, Wronker, Gerson. The anti-Semitic actions were not organized by the party leadership, which for a long time paid little attention to the "department store question," but they did provide a field of activity for activists in the provinces. As early as 1927, the NSDAP began to organize boycotts against "Jewish" department stores in the form of "enlightenment campaigns" in the run-up to the Christmas sales season.⁷ The attacks on Jewish department stores and consumer cooperatives, instigated by the Gauleiter of East Prussia, are a particularly striking example. Harsh slogans such as "Smash the world's enemy department store!" linked the *Mittelstand* ideology with anti-Semitic propaganda.⁸

The boycott campaigns against Jewish-owned businesses spread out and became increasingly aggressive after the NSDAP's election victory in September 1930. With the "Kampfgesellschaft gegen Warenhaus und Konsumverein" (Combat Group Against Department Stores and Consumer Associations) and the "Nationalsozialistischer Kampfbund für den gewerblichen Mittelstand" (National Socialist Fighting League for Small and Medium-Sized Businesses, hereafter Kampfbund), Nazi organizations emerged that carried out such actions systematically. With slogans such as "Don't buy from Jews" they encouraged party members to join the boycott. In Munich NSDAP members were threatened with expulsion from the party if they visited "Jewish" department stores; in Dresden the local party group monitored the shopping behavior of its members with entry stamps.⁹ The party leadership avoided calls for a boycott, especially since there were a growing number of NSDAP supporters among the department store employees. The party newspapers constantly advertised a boycott of "Jewish" businesses, while the NSDAP press publisher was not prepared to forego advertisements by Tietz and Woolworth in the party organ *Völkischer Beobachter*.¹⁰

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Aufruf!

Einzelhändler, Handwerker, Gewerbetreibende, Mittelständler!

Es ist 5 Minuten vor 12 für Euch! Die Fundamente Eurer Existenzen wanken bereits!

Wollt Ihr kampfflos hinabgleiten in das graue Elend bitterster Not?
Oder wollt Ihr mit uns kämpfen für Schutz und für die Erhaltung
der Existenzen des Mittelstandes?

Und wenn Ihr das wollt, dann kann die Parole jetzt nur lauten:

„Kampf dem Warenhaus, dem Konsumverein, den Großfabrikbetrieben!“

Dies sind die wirtschaftlichen Totengräber des Mittelstandes!

Seit Jahren sagt Ihr nun schon: „So kann es nicht weiter gehen!“
oder: „Da muß doch etwas geschehen!“

Wunder geschehen aber nicht mehr durch Worte, sondern nur durch die Tat, durch Kampf!
Stünden alle Mittelständler in trozigem Existenzwillen zusammen, dann könnten sie eine
starke Front bilden, wie die anderen großen Berufsstände auch.

Eine starke Mittelstandsfront zu schaffen

und zwar schnellstens, das hat sich zur Aufgabe gemacht die

„Kampfgesellschaft gegen Warenhaus und Konsumverein“ der N. S. D. A. P.

die Euch hierdurch aufruft zum sofortigen Beitritt als Mitglieder.

Wenden!

Fig. 11: Summons of the Combat Group Against Department Stores and Consumer Associations.

Before Christmas 1932, many Jewish businessmen again had to suffer through National Socialist boycott campaigns.¹¹ For the time being, however, there were no violent riots against the Berlin Tietz department stores. This may have been because the owners were already expecting such actions and protected themselves by paying protection money to the NSDAP and it must have been in larger sums. On April 16, 1932, the head of the Reich Chancellery, State Secretary Hermann Pünder stated in a note on the financing of the NSDAP that a significant portion of the donations from businesses were provided as “so-called terror defense bonuses.” Pünder cited the Hermann Tietz department store group as an example.¹²

The “Anti-Jewish Boycotts” after the National Socialist Takeover

A few weeks after Hitler was appointed Chancellor, a continuous series of boycotts and attacks against the businesses of Jewish merchants began. These were not controlled actions specifically initiated by the new regime, but rather, a latent willingness to use violence that had already become apparent in the boycotts of the past few years was now spreading unchecked. The riots began immediately after the Reichstag election on March 5, 1933, against a backdrop of the abolition of fundamental rights, the beginning of persecution and the establishment of the Nazi dictatorship in the states. The perpetrators could now be sure of the complicity of a “coordinated” police force, which had been expanded to include “auxiliary police officers” from the ranks of the SA. Starting from the first actions in the Ruhr area, the wave of boycotts and violence spread quickly. On March 8th, a boycott was called for in front of the Hermann Tietz department stores on Leipziger Straße and Alexanderplatz in Berlin; on March 9th, employees of an Epa branch were mistreated in Magdeburg and shop windows were broken in Neumünster; on March 11th, Braunschweig experienced a “department store storm” in which a crowd of people in pogrom mood smashed the shop windows of the local department stores “in a ringing frolic.”¹³ In Hamburg, the Hermann Tietz department store on Jungfernstieg had to be closed on the same day because of the riots, and in Breslau “Jewish” department stores were occupied by SA troops.¹⁴ The police did not intervene, in fact, their new chief employer in Prussia, the acting Interior Minister Hermann Göring, called for further riots by denying department stores any protection in a speech in Essen on March 10, 1933: “Don’t buy from Jews, buy from the German people. I will use the police ruthlessly where anyone dares to harm the German people. But I reject the idea that the police are a protective force for Jewish department stores.”¹⁵

The day before, Hitler had called on party members, SA and SS members to maintain discipline, and on March 14, Reich Interior Minister Wilhelm Frick (NSDAP) called on the state governments in a circular to prevent "arbitrary actions" against department stores, yet the riots continued unchecked.¹⁶ The Reich government was particularly concerned not to be associated with the attacks that were being registered with concern abroad and in business circles. As long as Hitler could not be held responsible for this, he did not want to take action against the activists. This is also probably how his appeal was understood by the party base. On March 13th, there were riots in front of department stores in Frankfurt am Main, and in Karlsruhe, department stores had to be closed. On March 19th/20th, in Pirmasens, Rhineland-Palatinate shop windows were smashed and stock from a single-price store was set on fire.¹⁷ In his study on the displacement of Jews, Helmut Genschel cites 14 examples of department store boycotts and four of violent riots during the period from March 6 to 27, 1933.¹⁸

At the same time, the "Jewish" department store companies saw themselves exposed to smear campaigns by the NSDAP press. On March 9, this went so far that the Hermann Tietz company was accused in the Berlin supplement to the party organ *Völkischer Beobachter* of having supported the KPD [Kommunistische Partei Deutschlands] with donations. The NS newspaper presented a forged letter from a "cash register" belonging to the Hermann Tietz company on Leipziger Straße – which did not even exist at that location – to the Central Committee of the KPD, in which it referred to a large donation from the company to the election campaign fund ("Jewish capitalists as financiers of the K.P.D.").¹⁹ The forgery was so clumsy that it was exposed and became public knowledge on the same day.²⁰ It can also be seen from the *Völkischer Beobachter* article that the publication before the upcoming local elections was primarily directed against the KPD. However, the accusation was extremely dangerous for the Hermann Tietz owners, as practically anyone who was associated with the KPD could now expect to be arrested.

Against this background of numerous "anti-Jewish boycotts" in March 1933, Hitler and Goebbels decided to schedule a boycott of "Jewish" shops throughout the Reich for April 1st to 3rd. The Reich government once again stayed out of the public eye; Hitler left it to the Reich leadership of the NSDAP to call for the boycott, which the regime's propaganda presented as a "defensive action against international Jewish inflammatory propaganda." The Jewish entrepreneurs were unable to defend themselves against the expected terror. The Verband Deutscher Waren- und Kaufhäuser recommended that all affected members close their stores from April 1st, a Saturday, to April 3rd.²¹ Even within this professional association, firms like Wertheim and the Tietz companies could not count on much solidarity. Rudolph Karstadt AG, which had no major Jewish shareholder but had many employees of Jewish origin, preferred to "buy" its way out of the boycott at the expense of these employees.



Fig. 12: Tumult in front of the Alexanderplatz department store, March 1933.

The Karstadt board assured the NSDAP leadership that the Jewish employees would be fired and in return their stores remained open and sales were continued undisturbed on April 1st.²²

The Hermann Tietz department stores in Berlin, however, stayed closed on April 1st. SA guards paraded in front of their entrances with pre-made posters: “Germans! Defend yourselves! Don’t buy from Jews!”, and activists from the National Socialist Kampfbund covered the facades with anti-Jewish graffiti. As a result of the false report in the *Völkischer Beobachter*, posters with the slogan “Tietz supports the murdering Reds” were hung on tram poles in the streets around the KaDeWe on Wittenbergplatz.²³ A report in the *Frankfurter Zeitung* gives a clear impression of the events in Berlin:

At Alexanderplatz, in Königstraße, at the town hall and further up to the north, the traffic is difficult to manage in places. There are so many people out and about here. In these areas, protestors have supplemented the official boycott text. “Juda perish” and swastikas are painted brown on the large windows of the (closed) Hermann Tietz branches. “Attention, danger to life, Judas out, attention Itzig, off to Palestine, Jews out or to Jerusalem.” “Death to the Jewish agitation” also appears occasionally.²⁴

On the big stage in the center of Berlin, under the eyes of the foreign press and many photographers, the boycott day took place largely according to the party leadership's instructions without any attacks. Propaganda Minister Goebbels joined the Nationalsozialistische Betriebszellen (National Socialist Factory Cells), including those from the Tietz department stores, at a rally in Berlin's Lustgarten. Elsewhere exhibition windows were smashed, 600 shops were allegedly occupied in Munich, and 107 Jewish businessmen were taken into "protective custody" in Regensburg.²⁵ In Hamburg, the large Tietz department store on Jungfernstieg was kept open, but customers stayed away, even though there was only a single SA man with a sign standing in front of the entrance.²⁶

Although the boycott was not followed everywhere and was broken off after just one day, the Nazi leadership's action was useful in several ways. It had an integrating effect within the party; the activists in the SA, the Nationalsozialistische Betriebszellenorganisation (National Socialist Factory Cell Organization), NSBO) and the Kampfbund felt understood by the party leadership. An even more important result was the certainty that the public acknowledged the stigmatization of Jews without objection and that audiences in large cities saw it as a spectacle that they did not want to miss. Last but not least, it succeeded in spreading intimidation and uncertainty, which corresponded to the classic practices of a dictatorship.

The long-standing National Socialist operating cells of the Hermann Tietz department stores also received a boost from the boycotts. In March, NSBO activists moved to suddenly replace works councils with arbitrarily appointed commissioners²⁷ – several weeks before the abolition of freely elected works councils was officially regulated in the law on works councils and economic associations of April 4, 1934. Parallel to the "anti-Jewish boycotts," the cells organized work stoppages in the department stores that were passed off as solidarity actions. The salespeople appeared at work but did not serve the customers. Many apparently bowed to pressure from the NSBO, even though it was clear to them that their jobs would also be lost along with the customers. On May 11, 1933, Zwillenberg reported to the head of the Berlin branch of the Warburg Bank that the conditions in the company were "very disturbing." The owners had already turned to the NSDAP party leadership for help because of the cells' activities. From there they were assigned a party comrade as a commissioner who was now trying to get the employees back to work.²⁸ Such efforts were later described differently by two lawyers for the Tietz family in restitution proceedings before the Berlin regional court. According to their reports, the owners of the Hermann Tietz company commissioned an officer, Lieutenant Colonel Sichler, to prevent attacks by the National Socialist cells in the branches.²⁹ Why Sichler seemed suitable for this task remains an open question, as there is no information about him in the archives. A heavy burden for the Hermann Tietz owners, as well as for all depart-



Fig. 13 and 14: “anti-Jewish boycott,” April 1, 1933 in front of the KaDeWe (upper photo) and in front of the Leipziger Straße department store (lower photo).

ment store entrepreneurs, was that the future of this form of business appeared extremely uncertain. The associations and fighting groups of department store opponents were able to count as a success the law passed on March 12, 1933 to protect medium-sized businesses. The law completely banned the operation of single-price shops and prescribed a ban on the establishment of retail shops, which was initially limited to November 6, 1933, but was later extended and finally became a general concession requirement. The department stores were now also forbidden from operating craft workshops, their popular restaurants (“taverns and restaurants”) were only allowed to operate in exceptional cases, and the special sales that had previously taken place frequently were only permitted on a few fixed dates.³⁰ The press indulged now in the question “What will become of the department stores?”, the Main Association of German Retailers demanded the conversion of the department stores into “large specialty stores”, the Reich Finance Ministry was working on the introduction of another department store tax, and the “wild” boycott actions were most likely to continue.³¹

Edging towards Collapse: The Hermann Tietz Group in the Department Store Crisis of Spring 1933

This uncertainty was a catastrophe for department store companies. The boycotts of previous years had no impact on sales because participation was too low. Even the closure of the department stores during the “anti-Jewish boycott” on April 1st did not in itself have a decisive impact on business development. But now business dropped off dramatically. At the Hermann Tietz company, sales fell by 43 percent in April 1933, most significantly in the branch stores in Dresden, Gera and Weimar.³² A decline of a similar magnitude followed in May; overall, sales in German department stores were now 19.7 percent below the already low level of the previous year, and in the food departments they were down by 26 percent. The published comparisons with specialist retail stores show how much this decline was caused by the National Socialist campaigns. When it comes to clothing and textiles, department stores experienced a decline in sales of 18.3 percent, while specialist textile stores only recorded a decline of 4.2 percent. Even the press could only explain these figures by saying that department store sales were “under pressure from special circumstances.”³³ The downturn continued in June, even though the German economy was emerging from the global economic crisis and unemployment was gradually falling. Sales at department stores were now 22.2 percent below the previous year’s level overall, and 19.8 percent lower for textiles.³⁴

Apparently, a significant proportion of department store customers had changed their shopping behavior under the influence of the boycotts. This would have been particularly true for NSDAP members, whose number jumped to 2.5 million in the spring of 1933. They were forbidden by their local groups from entering department stores. Many others may have stopped shopping in department stores out of pure opportunism, others because they feared they would suffer disadvantages if they were registered or denounced as department store customers. It was of little use to Karstadt that the company was able to present itself as a “German company” after the mass layoffs of Jewish employees on April 1st. Sales also fell here because all department stores had apparently lost their previous popularity due to the boycotts.

In March 1933, Hermann Tietz OHG was still able to pay in full the mortgage interest due.³⁵ But due to the decline in sales in the following months, the already struggling company ran into massive payment difficulties. The economic policy magazine *Der deutsche Volkswirt* explained this fatal development in a review of the Hermann Tietz Group’s second quarter of 1933:

The Hermann Tietz company has suffered the most serious loss of financial mobility in the last few months. A department store purchases goods based on a preliminary budget: around January, April’s sales are estimated and orders are placed based on these expected sales. In the event of a significant, unexpected decline in sales, such as the one caused by the boycott movement, the goods debts suddenly increase and there are no funds available from sales to pay them.³⁶

Hermann Tietz OHG was now no longer able to pay the suppliers’ invoices or could only pay them with large arrears, and many suppliers stopped deliveries or insisted on payment in advance, which led to further liquidity problems and a “catastrophic shortage of goods” for Hermann Tietz OHG.³⁷ Because of the decline in income, there was a risk of running out of funds for salaries and wages. In order to save the company from collapse, Betty Tietz pledged a large part of her private equity holdings to Deutsche Bank on May 30, 1933: shares in Badische Grundwert AG, Bekleidungs-Handels AG, Brandenburgische Grundwert AG, Handelsstätte AG and Deutsche Boden AG. She was not forced to do this since as a silent partner she was not liable for the company’s debts.³⁸ However, according to Deutsche Bank, Betty Tietz could not avoid this step because there were shares on the OHG balance sheet that, as the property of a silent partner, were not liable capital.³⁹ With this pledge of securities, Oscar Tietz’s widow was, in a sense, risking the family’s silverware in this business gamble. These pledged securities included the shares of Brandenburgische Grundwert AG, which owned the buildings of the Leipziger Straße department store and the corporate headquarters. Also included were the shares of Deutsche Boden AG, which owned a real estate

area on Kurfürstendamm. On June 8, 1933, Betty Tietz also pledged her assets as a silent partner. Her daughter Elise Zwillenberg joined in and made a similar commitment regarding her silent contribution.⁴⁰



Fig. 15: Hermann Tietz company cell of the NSBO, May 1, 1934.

Through these pledges it was possible to keep the suppliers quiet for the time being. However, the banks now considered the Hermann Tietz Group's situation to be "extraordinarily precarious."⁴¹ It was obvious that the company could not hold out much longer. In June 1933, the Hermann Tietz company was on the brink of illiquidity and could only be saved with a double-digit million loan to pay back suppliers. The owners had already turned in vain to the Deutsche Bank for this loan.⁴² The fact that the bank refused was not surprising given the credit freeze that had apparently been in place for a long time, and the Tietz owners were able to calculate that they would not have received this required loan from any other major German bank. But the credit freeze was not for the usual reasons in banking, but rather because the banks were no longer willing to stand behind Jewish department store entrepreneurs. Jewish publishers were no different. The Rudolf Mosse Foundation of the Lachmann-Mosse publishing family learned in June 1933 that they could only receive a bridging loan from the Dresdner Bank with the consent of the Reich government.⁴³

The banks readily met the expectations of the state and party leadership, but at the same time were caught in the new political framework. As long as the future of the department stores in the Nazi state was completely uncertain and further boycotts against “stores run by Jewish owners” had to be expected on a daily basis, a million-dollar loan to a “Jewish” department store group represented an incalculable risk for the banks involved. The only way to limit the risk was through political connections. Because of the changed jurisprudence of the Reich Court, the banks had little leeway in these matters. According to the principle of creditor liability introduced in a decision by the Reich Court, loans to “companies that are already at risk” were considered a delay in bankruptcy and made the bank liable to recourse against other creditors. Even with sufficient collateral, such loans were not permissible as “bank loans.”⁴⁴ A large company as “endangered” as Hermann Tietz OHG simply could not obtain the required million-mark loan without political approval.

The Tietz owners’ good connections to foreign banks were also of little use in this situation. Banks in Amsterdam and Zurich, the Transandine Handel Mij. and Blankart & Cie. were prepared to step in with a bridging loan of 7.5 million RM, but did not receive the necessary approval from the German authorities.⁴⁵ The Hermann Tietz owners now turned to the Akzeptbank, which a year earlier had saved Karstadt AG from bankruptcy with the aforementioned 25 million RM loan. This financial institution was founded by the Reich during the banking crisis of 1931 as a backup bank (“Bad Bank”) for twelve banks, including all of Berlin’s major banks. The Reich held a share of 80 million in the share capital of 200 million RM, and the Reichsbank subsidiary Deutsche Golddiskontbank and Deutsche Bank each held 20 million RM. With a rediscount commitment from the Reichsbank, the Akzeptbank granted loans that were not permitted by the Reichsbank.⁴⁶ The considerable influence of the Reichsbank and the Reich government was no obstacle to the Karstadt loan from the Akzeptbank. The Brüning government had stayed out of the proceedings at the time, but now it was about a major loan for a “Jewish” department store company during the Nazi government. The case was so sensitive that the Reichsbank, which was behind the Akzeptbank, did not want to leave the decision to the Reich Ministry of Economics; rather, its Ministerial Director Reichardt was asked to obtain the consent of the Reich Cabinet. This made the loan a high-level political issue; the decision would rest with Hitler.

There was strong support from the business community and the Reich Ministry of Economics for the Tietz owners’ loan application to the Akzeptbank. People there were firmly convinced that the department store group was only in temporary payment difficulties and could be saved. However, dropping the application would have unmistakable consequences for the entire German economy. The

“system relevance” (too big to fail) of the Hermann Tietz department stores, on which around 20,000 mainly medium-sized suppliers depended, was not the only argument. For informed observers, there was no doubt that this company had come to the brink of insolvency not because of the high level of debt, but because of the political campaigns against “Jewish” department stores, and that this was different from what had happened before with Karstadt – it was a temporary crisis that could be overcome with the backing of the loan applied for. The *Frankfurter Zeitung* wrote on July 15, 1933: “According to the conviction of well-informed sources, the tense situation into which the Hermann Tietz group had found itself is essentially to be viewed as a result of the special crisis affecting department stores in general and some large corporations in particular for several months.”⁴⁷

This was also the conviction in the Reich Economics Ministry. When the Reich Cabinet discussed an “intervention in favor of the Hermann Tietz department store group” outside the agenda on June 23, Ministerial Director Reichardt commented on the status of the company: “The business turnover has fallen sharply. The supplier debts can not be paid and orders to the industry will not be placed. The company’s balance sheet is healthy and its assets exceed its liabilities. The company is only in temporary difficulties.”⁴⁸ Reichardt campaigned with great vigor to save the Hermann Tietz Group with a loan of eleven million RM to pay off supplier debts. The Akzeptbank was willing to do this with the help of the Reichsbank, sufficient security was provided, but the Reichsbank wanted to know “whether the Reich government agreed to this loan.”⁴⁹

Reich Economics Minister Alfred Hugenberg (DVP, German National People’s Party) supported Reichardt and explained that the expansion of department stores had to be prevented, but that breaking up existing companies would damage the German economy. Hitler was not impressed by this reasoning. He believed it was pointless to support department store groups; they were “not viable.” Measures like the proposed loan “would only serve the purpose of postponing the catastrophe.”⁵⁰ The cabinet then made no decision. On the same day, Reichsbank President Hjalmar Schacht made it clear in a letter to the State Secretary of the Reich Chancellery that the Reichsbank could only intervene in the Hermann Tietz Group once “secure economic foundations for granting loans have been created.” By this he meant that the “Mittelstand issue of the department store problem with the complications that have arisen from a national perspective” would be clarified “positively.”⁵¹ The Reichsbank President thus made it clear that the Akzeptbank would only support the Hermann Tietz Group when the future operation of department stores was politically secure.

But there wasn’t that much time left. The supplier debts had now risen to around 32 million RM, the bank debts to 50 million RM, the mortgage debts to

52 million RM, and the Tietz family could not pledge an unlimited amount of privately owned securities in order to hold off the creditors. The banks expected that the Hermann Tietz company would have to stop payments on June 30th if it did not receive a loan.⁵² To prevent the worst from happening, the Akzeptbank stepped in with a bridging loan of 1.5 million RM against mortgage collateral.⁵³

The Path to Hertie: The Banks' Conversion Plans and the Political Framework

The Reich-wide “anti-Jewish boycott” of April 1st turned out to be an overture to the “Aryanization” of department stores, which now began under the slogan of “Gleichschaltung” [enforced alignment]. In the following, “Aryanization” is understood to mean the transfer of values from the property of Jews to non-Jews during the National Socialist era, including processes aimed at this result.⁵⁴ Since it is a term from National Socialist terminology, its use is problematic. Nevertheless, this term is used worldwide in specialist literature because there is no similarly apt term.⁵⁵ This special context is expressed by writing the term in quotation marks. The use of the contemporary term “Gleichschaltung” also requires explanation. In the case of the Hermann Tietz Group, it seems appropriate to differentiate between the first stage of “Aryanization” in the spring and summer of 1933, which led to the Tietz family being pushed out of their company, and the family’s forced renunciation of their company assets a year later. For the first phase, the contemporary term “Gleichschaltung” is therefore also used, which, in the sense of a uniform alignment, was introduced by the Nazi state and in the spring of 1933 quickly became a synonym for the exclusion of Jews and politically unpopular people from administrative bodies, companies, associations, and clubs.

Along with publishers, department stores were among the sectors of the private economy that were included in the “Gleichschaltung” at an early stage. Unlike in the public sector, the dismissal of Jews in private companies and associations took place in the early years of the regime without any legal basis. The “Aryanization” of property values in this sector was also based on private law contracts and orders from individual authorities until 1938. Through boycotts, the withdrawal of orders, targeted incitement and open terror, it was possible to destroy the economic existence of Jewish business owners just as much as through laws. In the large retail sector, the ouster of Jewish owners and the dismissal of Jewish employees were the subject of a political campaign in the spring of 1933, with which the banks aligned themselves. After Karstadt fired its Jewish employees on April 1, 1933, the Jewish board members of one of Germany’s largest department store companies had to resign on the day of the boycott. On that day,

Alfred Leonhard Tietz was forced to hand over management of Leonhard Tietz AG, in which his family still held 53 percent of the capital. The eldest son of the company founder, a cousin of Georg and Martin Tietz, feared for the existence of the company. In the run-up to April 1, he brought his wife and children to the Netherlands out of concern for their safety. He then negotiated together with board member Franz Levy in Berlin with representatives of the financial world, the government and the NSDAP. He was promised that the company would be preserved on the condition that all Jewish members of the supervisory board and executive board resigned from their positions. After Alfred Leonhard Tietz and the other Jewish board members resigned on April 1, the Jewish supervisory board members announced their resignation two days later at a meeting in Deutsche Bank's offices in Berlin. Finally, two Jewish board members were allowed to stay temporarily and Alfred Leonhard Tietz was allowed to move to the supervisory board. To confirm the new board, the company had to obtain approval from the NSDAP leadership. It was granted on the condition that the descendants of Leonhard Tietz sold their majority shareholding to non-Jews ("Aryans"). The shares were acquired at a bargain price of ten to eleven percent of the nominal value by a consortium of banks, led by the Commerzbank (then Commerz- und Privat-Bank).⁵⁶

It could not have been demonstrated more clearly that the banks were now following the guidelines of the Nazi regime. They were unable to assert any economic reasons for the "Aryanization" of Leonhard Tietz AG. The company was solidly positioned and did not rely on a loan worth millions, but was only threatened by attacks from the National Socialists and by political pressure. The banks also had no economic incentive for such involvement in the department store industry. All department stores had suffered from the global economic crisis, and their future was an open question after the National Socialists came to power. In view of the propaganda of the Fighting Leagues for Small and Medium-Sized Businesses and the constant "anti-Jewish boycotts," no one could guarantee the continued existence of this form of operation. From this point of view, it was a high risk for the banks to invest in a department store group. In general, financial institutions entered into such investments out of commercial obligation because no other buyer could be found. But now they acted primarily out of political expediency. By placing themselves in the service of "Gleichschaltung," they took on a role expected by those in power that did not correspond to the traditional principles of the industry. It was not part of a banker's business to restructure corporate clients' boards of directors according to political guidelines and to intervene in ownership structures; even state banks had not previously seen this as their task. It was certainly not appropriate for a respectable businessman to base his

behavior on the religion of the respective business partner and to take advantage of the no-fault plight of a long-standing corporate customer.⁵⁷

The behavior of the creditor banks towards the company Hermann Tietz changed accordingly. As already mentioned, when the first considerations surfaced in February 1933 of intervening in the management of the company with a representative of the consortium, probably no one was thinking about “Aryanization”. Presumably the creditor banks had an eye on changes in the corporate management similar to those at Karstadt AG, where the chairman of the board Hermann Schöndorff in May 1931, “following a suggestion from the finance committee” of the supervisory board, had the board resign and a bank trustee, Paul Spethmann, appointed as CFO.⁵⁸ But Schöndorff had to resign solely because of the firm’s high losses, not because of his Jewish origins, and, similarly, the respected, 76-year-old (non-Jewish) company founder Rudolph Karstadt was moved from the board of directors to the supervisory board in 1932 for age-related reasons.⁵⁹

After the Tietz family was forced out of Leonhard Tietz AG, there could be no doubt that politicians and the banks would also push for “Aryanization” at Hermann Tietz OHG and that this would no longer just be a matter of economically justified restructuring. Although the company ran into increasing financial difficulties, the banks had no plan to make this move until early June 1933. It was only when the loan application was submitted to the Akzeptbank that they began to develop concrete ideas. This is documented in detail in the minutes of the meetings at the Berlin branch of the bank M. M. Warburg & Co., whose head, Spiegelberg, regularly exchanged ideas with Zwillenberg. According to the minutes of the meeting on June 7th, from that point on, the banks discussed whether the Hermann Tietz company “could be transformed into a German company.”⁶⁰ The banks were faced with the problem “that it was a private company operating with 100 % Jewish capital.”⁶¹ The owners Georg Tietz, Martin Tietz and Hugo Zwillenberg were personally liable partners and therefore could not resign like the Jewish board members of the stock corporation Leonhard Tietz. If a personally liable partner left, he had to be released from liability in accordance with the then still valid legal provisions. However, the owners of Hermann Tietz OHG were liable for the entire debt burden of the company with their private assets. The banks did not want to release them from this obligation without an analysis of their assets, and who would have been prepared to assume liability in their place for debts of this magnitude?

There were considerations about leasing the Hermann Tietz Group in its entirety to Rudolph Karstadt AG or Leonhard Tietz AG, which could then be considered a “German company”, as well. However, the formation of such a gigantic department store group was regarded to be unreasonable.⁶² When intensive

negotiations were held in mid-June about a large loan from the Akzeptbank for the Hermann Tietz company, the creditor banks willingly gave the Akzeptbank the lead.⁶³ This only changed when it became clear that the Akzeptbank loan would not be possible and Hermann Tietz OHG would collapse on June 30th. Now, due to the Hermann Tietz case, the entire “department store question” suddenly came back onto the agenda of the government and the NSDAP party leadership. The head of the NSDAP's main economic policy office, Otto Wagener, commissioned his party comrade Björnson Schaar to take care of the department store problem.⁶⁴ This could not have been good news for the banks. Schaar had already been discussed as commissioner for private banks in May 1933. In the meeting minutes of the Berlin management of M. M. Warburg & Co. he was introduced as “a National Socialist who is mentioned here very often” and who had previously been a temporary representative of the US company Field, Gloré & Co.⁶⁵

A meeting was scheduled for June 26th at the Akzeptbank with the heads of the creditor banks of the Hermann Tietz Group. The chairman of the supervisory board of Akzeptbank, Bernhard Dernburg, a man who had always been highly respected in the financial world and the ministerial bureaucracy, announced at this meeting that his bank had provided the Hermann Tietz company with a loan of 1.5 million RM, so that the company did not have to stop payments at the end of the month.⁶⁶ Dernburg had apparently succeeded in convincing Reichsbank President Schacht to agree to a bridging loan of this amount. He now made it unequivocally clear to the representatives of the creditor banks that the Akzeptbank would meet the further credit requirements of the Hermann Tietz company, which he estimated at 15 million RM, but “only with a guarantee from the banks and the consent of the government.” According to the report from M. M. Warburg & Co., the bank representatives present then declared that “the first prerequisite for the loan is that the boycott against the department stores ends.”⁶⁷

At the close of the meeting, a committee was formed from the three largest creditors – Deutsche Bank, the Dresdner Bank Group and the Mendelssohn & Co. bank – with top-notch members, including board members Theodor Frank and Fritz Wintermantel (both Deutsche Bank), Siegmund Bodenheimer (Dresdner Bank) as well as the private bankers Charly Hartung (Hardy & Co.) and Rudolf Löb (Mendelssohn & Co.).⁶⁸ It should be noted that four of these five bankers were of Jewish origin, and thus Frank and Bodenheimer had to leave their banks a few months later, and that Hartung and Löb also had to leave their positions and then emigrated a few years later.

In the meeting at the Akzeptbank on June 26, it was also announced that the owners of the Hermann Tietz company were “in principle prepared to submit to a process of ‘Gleichschaltung.’”⁶⁹ However, this was not a voluntary readiness, as

the family was not willing to negotiate its departure from the company. Unlike Alfred Leonhard Tietz, Georg Tietz, Martin Tietz, and Hugo Zwillenberg did not feel personally threatened, and as personally liable partners, they saw themselves in a comparatively secure position. Without their signature, the company's annual financial statements were not legally binding.⁷⁰

How the Tietz family's resistance was broken cannot be proven beyond doubt and leaves a lot of room for speculation. The Tietz lawyers Hans Aldenhoff and Walter Schmidt stated in a restitution procedure before the Berlin Regional Court that the Hermann Tietz owners had been put under pressure by depriving them of their liberty and confiscating their passports. They relied on affidavits from Georg and Martin Tietz, which are no longer available.⁷¹ Since the extortion is neither contemporary nor mentioned in other documents from the numerous restitution proceedings, the description by the lawyers Aldenhoff and Schmidt from 1950 is a problematic source. But it is entirely possible that the Tietz family was forced by such methods to agree to the "Gleichschaltung" of their company. The lawyers' statements are therefore reproduced below with reservations.

Georg Tietz, Martin Tietz and Hugo Zwillenberg went to the luxury Adlon Hotel on June 22, 1933 for a discussion about measures to be taken against the National Socialist company cells. After the company owners were led into a room, it turned out that it was a trap. Hermann Göring's cousin Herbert unexpectedly arrived and explained "that serious accusations were being made against them." Göring asked the company owners to "view themselves as his guests at their own expense and not to leave the room until they had agreed in principle to the inclusion of a GmbH to be formed by the banks as a "Gleichschaltung" partner in the company and to the dismissal of the head of central purchasing, Nathan Müller."⁷² At the same time, Georg Tietz, Martin Tietz, and Hugo Zwillenberg had their passports confiscated.⁷³ But they did not let this intimidate them. Despite the hopeless situation, they only agreed to these terms after ten hours of deliberation.⁷⁴

The aforementioned names and details would seem to substantiate a valid core to this description of events. Herbert Göring later became general advisor in the Reich Ministry of Economics and was a member of numerous supervisory boards.⁷⁵ It is unlikely that he was sent by a bank; it is more likely that it was an action initiated by the Reich Ministry of Economics or a special mission on behalf of Hermann Göring. Coercion of this type was not uncommon at the time. It was almost common practice for a "man in charge" to take over if Jewish entrepreneurs did not want to conform to a "Gleichschaltung" process. For example, a man appeared at the Rudolf Mosse Foundation who claimed to be a state commissioner for special assignments and department head of a state police office, declaring that he had been commissioned by the Prussian Prime Minister Göring "to settle the matter on his own."⁷⁶

If the extortion in the Adlon Hotel took place on June 22nd, 1933 as Aldenhoff and Schmidt stated – which is not ironclad because its declaration contains obvious dating errors – then it is obvious to assume a connection with the scheduling of the bank meeting on June 26th and the bridging loan granted by the Akzeptbank in those days.⁷⁷ Seen from this point of view, the group would have stopped payments on June 30th without the forced consent of the owners to accept “Gleichschaltung.” Perhaps the knowledge of this and the banks’ credit freeze were enough to move the Tietz family to agree.

What is certain, however, is that even before the meeting of the bankers at the Akzeptbank on June 26th, there had been considerations about the “Gleichschaltung” of the Hermann Tietz company by establishing a limited liability company (GmbH). The underlying idea is easy to understand. By engaging a GmbH as the personally liable partner of the general partnership Hermann Tietz company, control over the management could be gained without having to be liable for the large debt amount.

At the Warburg Bank, this plan was known as “Dr. Spiegelberg’s suggestion,” since it could then be traced back to a Jewish private banker.⁷⁸ However, Spiegelberg’s suggestion can only be found in the minutes of a meeting on June 30th, in which he reported about the bank meeting on June 26th. If the plan had been completely new at the time, Herbert Göring would not have known about it when he blackmailed the company owners in the Adlon Hotel. In fact, Spiegelberg only summarized in his “proposal” the status of the talks, in which many parties were now involved: the creditor banks, the Akzeptbank, the Reich Ministry of Economics, Wagener’s special representative Schaar and, last but not least, the Tietz family. Spiegelberg, together with the department store entrepreneur Salman Schocken, persuaded Schaar to stop the boycotts against department stores. The concern that the department stores would not survive their opponents’ campaigns led Spiegelberg to see “Gleichschaltung” as the lesser evil. Not willingly, but out of necessity, he was focused urgently on “finding the minimum formula for ‘Gleichschaltung’ in the Tietz case, since without it the government cannot find a way to terminate the boycott movement.”⁷⁹

With the caveat that “if a ‘Gleichschaltung’ was necessary,” Spiegelberg recommended “as the simplest formula” the following:

It will be a G.m.b.H. or AG. This G.m.b.H. or AG., whose capital is taken over by the two major banks involved with the corresponding conversion of loans into shares, joins the general partnership Hermann Tietz as a personally liable partner. The general partnership Hermann Tietz then has to change its name and legal form to G.m.b.H. or AG. And becomes, for example, “Deutsches Kaufhaus AG.” [. . .] At the moment, this proposal is at the forefront of the discussion compared to all other conversion plans. Björnson Schaar described it as probably acceptable to the party and the Tietz owners also found it to be the most acceptable.⁸⁰

The proposals for the “Gleichschaltung” of the Hermann Tietz company through the involvement of a GmbH or AG were pursued after the bank meeting on June 26th, but they only made sense if the company received the large loan it needed from the Akzeptbank and remained solvent. Of the two conditions that Dernburg, chairman of the Akzeptbank Supervisory Board, had set for this move, “a guarantee from the banks” and “the consent of the government,” this first one was considered to have been fulfilled after the banking meeting at Akzeptbank and the constitution of the Banking Committee. The government’s consent – and that was to be equated with Hitler’s consent – was still pending.

The discussions in the Reich Cabinet about the attitude concerning the Akzeptbank loan applied for by the Hermann Tietz department store group would probably have dragged on even longer if Reich Economics Minister Hugenberg had not resigned on June 27, 1933 because of a scandalous speech at the London World Economic Conference. Kurt Schmitt, the previous general director of Allianz Versicherung (then Allianz and Stuttgarter Verein Versicherungs AG), was appointed as his successor. He had only been a member of the NSDAP for a few months, but was Göring’s preferred candidate, who thus prevailed with Hitler. After Hugenberg, who was loathed in the industry, Göring wanted to see a business representative in this position.⁸¹

On July 4, 1933, the cabinet, with its changed composition, again discussed a large loan from the Akzeptbank for the Hermann Tietz company, this time in connection with a loan for the “Jewish” Mosse Group, which was also up for a decision. The new Reich Economics Minister pointed out that there was a threat of illiquidity and that this would affect 30–40,000 livelihoods. He suggested “that the banks should be allowed to restructure these businesses in an economically justifiable manner, unless there are particular political reasons against this.” Of all people, the new State Secretary of the Reich Ministry of Economics, the Nazi economic ideologist Gottfried Feder, who played a key role in writing the party program of 1920, jumped to the minister’s side. He pointed out that a large number of medium-sized suppliers depended on the Hermann Tietz Group. Hitler now had no objections. In summary, at the end of the meeting Feder stated that there were no concerns raised about a successful restructuring. It remained up to the banks to check whether they believed they could carry out a restructuring.⁸²

Twenty years later Elmar Michel, former high ranked officer for retail matters, stated in an interview with Heinrich Ulig, journalist and author of the book *Warenhäuser im Dritten Reich [Department Stores in the Third Reich]*, that he had learned more from Minister Schmitt and State Secretary Posse. Based on Michel’s recollections, Ulig wrote: “Hitler, of course, indignantly rejected the restoration of a non-Aryan department store using Reich loans. Schmitt then presented him with statements from industrial circles and food processing companies as well as

the documents about the business connections of the Hermann Tietz Group. After two hours of heated arguments, Hitler capitulated.”⁸³ One can assume that Michel, who was now working as a minister in the Federal Ministry of Economics and was controversial because of his Nazi past, wanted to see his former minister properly honored.⁸⁴ It was not Hitler's manner to capitulate to a minister. But it is clear from the course of the decision-making process that Schmitt must have played a significant role. Hitler changed his attitude to the Akzeptbank's Tietz loan between June 23 and July 4, 1933, and Schmitt took office on June 30th. The deciding factor was probably not just Schmitt's arguments, but also a change of course in the regime's economic policy, which was linked to Schmitt's appointment.

Göring had offered Schmitt the position of Reich Economics Minister and promised the politically inexperienced Allianz General Director his and Hitler's support.⁸⁵ It had previously been expected that Otto Wagener, Hitler's long-time confidant on economic issues, would be appointed Reich Economics Minister. Wagener had strong support in the party apparatus, was an “old fighter” of the NSDAP and was close to the Kampfbund. In the corporations he had made few friends with the brutal “Gleichschaltung” of the business associations, including the Association of German Department Stores.⁸⁶ When a number of NSDAP officials advocated Wagener's appointment as Reich Minister for Economics and when a campaign against the “capitalist” Schmitt arose in the party, Hitler sensed that opposition to the party leadership was brewing and took firm action: Wagener was stripped of all his offices.⁸⁷ Against this background, Hitler could hardly resist Schmitt's insistence on a Tietz loan.

Feder's vote probably also had some weight in the Cabinet meeting on July 4th, which so far has been seen as something of a curiosity.⁸⁸ Apparently the Kampfbund had backed down in the negotiations with the Akzeptbank in order not to risk the collapse of the department store groups. Those involved did not want to take responsibility for the consequences of their own actions.⁸⁹ Feder, like Schmitt, had also received stacks of mail from very concerned medium-sized Tietz suppliers.

However, Hitler's about-face in the case of the Tietz loan was not just about preserving the second largest German department store group. The approval of this loan was also a litmus test for the change in direction in economic policy initiated by Schmitt's appointment. On July 6th, Hitler declared the National Socialist “revolution” complete in front of an audience of Reich governors,⁹⁰ and on July 7th, his deputy in the NSDAP, Rudolf Hess, issued a decree prohibiting the party members' actions against department stores:

The attitude of the NSDAP to the ‘department store question’ is fundamentally still unchanged. Its solution will come at an appropriate time in accordance with the Nazi program. With regard to the general economic situation, the party leadership does not consider it necessary for the time being to take an active approach with the aim of bringing department stores and department store-like businesses to a standstill. At a time when the Nazi government sees its main task in helping as many unemployed people as possible to find work and bread, the Nazi movement must not counteract this by denying jobs to hundreds of thousands of workers and employees in the department stores and the companies dependent on them. The divisions of the NSDAP will therefore be forbidden to take actions against department stores and department store-like businesses until further notice. Alternatively, NSDAP members are forbidden from advertising for department stores.⁹¹

The Hess decree was a shock for the Kampfbund, but it was also clear from the wording that the “solution to the department store question” had only been postponed, not put to rest. The decree was not only deliberately made this way out of consideration for the department store opponents in the party. Hitler was not prepared to guarantee the existence of the department stores; he still considered them harmful. For him, the shift in economic policy only had a tactical meaning; it was situational and reversible at any time. The public understood the decree in this way, which ultimately meant that the uncertainty remained, and this damaged the business of the department stores.

The Founding of Hertie and the Beginning of the “Aryanization” of the Hermann Tietz Company

With Hitler’s approval of the Akzeptbank loan and the ban on department store boycotts, the political conditions were in place to support the Hermann Tietz company. The Reichsbank’s conditions for the million-dollar loan from Akzeptbank that the company applied for were also met. In a letter to Hjalmar Schacht dated July 10, 1933, Reich Economics Minister Schmitt gave the Reich government’s assurance that the department stores were no longer at political risk and asked the Reichsbank President to release the loan funds.⁹²

The press had not yet reported on the critical situation of the Hermann Tietz Group, the negotiations for a loan, and the banks’ plans. On July 15th, Hardy & Co. went public with a press release: “In the last few days, consultations have taken place with the institutes and banks that are primarily interested in the Hermann Tietz company. As a result of these discussions, it can be announced that after the company has been reorganized, the continuation of the business on an economic basis is secured.”⁹³ Four days earlier, the general meeting of Leonhard Tietz AG had decided to rename the company as Westdeutsche Kaufhof AG. The new chairman of the board, Otto Baier, had explained that through the “conversion” of the

company and the boycott ban issued by Hess, it was hoped that it would now be possible for the firm to win back customers.⁹⁴

In the meantime, the committee of creditor banks of the Hermann Tietz Group was wrestling over the personnel details of the planned GmbH. The Dresdner Bank had in February already appointed Trabart von der Tann, whose full surname was Reichsfreiherr von und zu der Tann-Rathsamhausen, as representative for the Hermann Tietz case. Presumably the Dresdner Bank supervisory board chairman and former Hardy managing director Andrae had chosen him for this task.⁹⁵ Since the Dresdner Bank and its related private bank Hardy & Co. were together the largest lenders to the Hermann Tietz company, this group was entitled to chair the planned GmbH. On July 10, it seemed to be clear that Georg Karg, the representative authorized by Tietz, would become one of the two managing directors from whom Tann received the chairmanship of the advisory board that acted as a supervisory board, and besides him, Charly Hartung, a partner in the Hardy & Co. bank, and BjörnSEN Schaar would also belong to the advisory board.⁹⁶ At the beginning of July, Schaar is said to have been tasked by the NSDAP party leadership with the "Gleichschaltung" of the Hermann Tietz Group.⁹⁷ But there was then strong resistance to von der Tann's appointment. Schaar explained that a titled aristocrat was unacceptable to the NSDAP and brought into play Paul Spethmann, whom the banks had appointed as Karstadt's financial director in 1931.⁹⁸ Now one could imagine a management consisting of Karg and Spethmann, but the latter was not willing to defer to von der Tann and preferred to remain on the Wertheim Supervisory Board. Soon afterwards he became financial director of Aschinger AG, where he had an inglorious career as an "ariseur."⁹⁹ Schaar disappeared into obscurity after Hitler rejected his mentor Wagener, while von der Tann continued to enjoy support at the Dresdner Bank. The Berlin management of M. M. Warburg complained "that the Dresdner Bank wanted to accommodate von der Tann under all circumstances in this case, although his suitability for the position is extremely problematic and his demands are incredibly high (RM 90,000 p.a.)."¹⁰⁰ Support for von der Tann's candidacy for chairmanship of the advisory board was, however, lacking. The committee of creditor banks agreed to give Hartung von Hardy & Co. the chairmanship and to move von der Tann together with Karg into the company's management. In this merry-go-round of personnel changes, Karg was the only constant; everyone on the management side considered him an indispensable expert.

On July 24, 1933, the "GmbH" of the creditor banks of the Hermann Tietz Group was given a name: Hertie Kaufhaus- und Beteiligungs GmbH [Hertie Retail and Holding Company], whereby a reference to the term "Warenhaus" [department store] was very consciously omitted. The name "Hertie" most likely went back to a suggestion by Karg, who later advocated sticking to this portmanteau of

the company name Hermann Tietz. Artificially constructed names like “Deutsche Kaufhaus AG” and “Westdeutsche Kaufhof AG,” which no doubt seemed appropriate to the creditor banks, were probably a horror for the “department store man” Karg. “Hertie,” on the other hand, was a piece of the tradition of the Hermann Tietz department stores. Even before the First World War, the name had been introduced as a name for the company’s own brand; customers had long been familiar with it in connection with products such as “Hertie” tableware or “Hertie” stockings.

When Hertie Kaufhaus-Beteiligungs GmbH [hereafter Hertie] was founded on July 24, 1933 on the premises of Hardy & Co. at Markgrafenstraße 36, Karg and the businessman Helmut Friedel were registered as partners, having paid the share capital of 100,000 RM in equal shares, and the object of the company was defined as “participation as partners in the general partnership of the Hermann Tietz company in Berlin.” The contract also provided for an advisory board of at least three people to be elected at the shareholders’ meeting, and the quite unusual provision that a member of the advisory board could also be delegated to the management. The two shareholders finally stated that Karg would be appointed managing director.¹⁰¹

As partner and managing director of Hertie, Karg moved into a new role that meant he would change loyalties. The authorized representative of the Hermann Tietz OHG now managed the business of a company that had to carry out the “Gleichschaltung” and “Aryanization” of this group. He shared the management with von der Tann, who held a prominent position as delegate to the advisory board. Since he came from the financial industry, he was supposed to complement the department store expert Karg. His co-partner Friedel, who unlike him did not become managing director, was an employee from the corporate administration who always remained in Karg’s shadow and probably saw himself as his follower. He most likely became a partner in Hertie only because they needed someone else besides Karg. Friedel was then registered as a partner in several group companies, and in January 1935 he was promoted to authorized representative and soon afterwards moved to Weimar as manager of the branch there.¹⁰² No further information about him was available.¹⁰³ The only thing certain is that he was not – as had already been claimed – an employee of the Hardy & Co. bank.¹⁰⁴

Through his new position, Karg had gained more influence, but his standing should not be overestimated. At that time, Hertie was not much more than a “committee of creditors,” as Karg later aptly remarked.¹⁰⁵ The advisory board provided by the banks had the say, and Karg had no closer connections to the financial world before founding Hertie; he was considered a department store special-

ist and was appointed managing director, not as a protégé of the banks like von der Tann was.¹⁰⁶ The partners Karg and Friedel were not the owners of Hertie. They had paid the capital deposits as trustees of the creditor banks, which made this capital available to them. Hardy & Co. had advanced the amount and then collected it proportionally from the other banks.¹⁰⁷ The auditing firm Treuhand-Vereinigung AG, which belonged to the Dresdner Bank Group, was later recorded in notarized documents as the owner of the core deposits.¹⁰⁸ The Hertie management office was in the Leipziger Straße department store, and the advisory board meetings took place at Hardy & Co.

Already at the first meeting of the advisory board on July 29, 1933, Karg was obliged to provide weekly reports on the business situation, which was not to be understood as a vote of confidence.¹⁰⁹ According to Hertie's statutes, the advisory board was also authorized to supervise the management's activities and obtain its approval – a humiliating requirement for a self-confident managing director.¹¹⁰ Karg's position was also constrained by the deployment of the advisory board member von der Tann as a member of management. A file note from Dresdner Bank documents that von der Tann came to the management as a "trustee for us and for the Deutsche Bank und Diskonto-Gesellschaft."¹¹¹ This statement can be understood to mean that von der Tann was placed at Karg's side not only as a colleague, but also as a supervisor.

In contrast to other board members, when von der Tann was mentioned in the files of the Hertie advisory board, he was never assigned to a company and was apparently not employed by a bank or trust company at the time. The previous activity of the Doctor of Law from an old Franconian noble family is also obscure.¹¹² At Hertie GmbH he was sponsored by the Dresdner Bank board member Hans Pilder, who was chairman of the Supervisory Board of the Trust Association (Treuhand-Vereinigung AG).¹¹³ In a more recent publication von der Tann is mentioned in connection with his role in the "Aryanization" of the porcelain manufacturer Ph. Rosenthal AG as director of the Nuremberg branch of the Dresdner Bank.¹¹⁴ However, a branch director from another region would hardly have been able to carry out the dual role that he took on at Hertie as an advisory board member and managing director on the side. It is more likely that he was released from Dresdner Bank for this mission. In the fall of 1934, von der Tann was involved in ousting the Rosenthal family from their company in Selb, Upper Franconia. Three years later in Munich, he negotiated to take over the Heinrich Uhlfelder department store, whose Jewish owner Max Uhlfelder was forced to sell.¹¹⁵

Of the seven members of the first Hertie advisory board, only three had already belonged to the committee formed on June 26 from which Hertie emerged.

Tab. 4: Members of the administrative advisory board of Hertie Kaufhaus-Beteiligungs GmbH/Hertie Waren- und Kaufhaus GmbH 1933–1935.¹¹⁶

July 1933	September 1935
Charly Hartung, Hardy & Co., chairman	Erich H. von Berger, chairman
Kurt Hamann, Victoria Versicherung	Kurt Hamann, Victoria Versicherung
Alfred Hölling, Dresdner Bank	Charly Hartung, Hardy & Co.
Rudolf Löb (from August 1933 Alfred Dresel), Mendelssohn & Co.	Alfred Hölling, Dresdner Bank
Reinhold Quaatz, Dresdner Bank	Ernst Karding, Deutsche Centralbodenkredit AG
Trabart von der Tann	Hans Paschke, Deutsche Bank
Fritz Wintermantel, Deutsche Bank	Hans Pilder, Dresdner Bank
	Fritz Wintermantel, Deutsche Bank

The Dresdner Bank Group, to which Hardy & Co. belonged, was now significantly better represented as the largest creditor with four out of seven members (Hartung, Hölling, Quaatz, von der Tann) than in the previous committee. The mortgage creditors were represented by Kurt Hamann, who was then a board member of Victoria zu Berlin Allgemeine Versicherungs-AG and who became general director of the three Berlin Victoria companies in the fall of 1935. The proportion of Jewish bankers was no longer quite as high as in the committee, but it is noteworthy that several members of Hertie's first administrative advisory board were later themselves affected by the Nazis' racial madness. The Mendelssohn & Co. partner Rudolf Löb had to emigrate to Argentina in 1939 because of his Jewish origins. Mendelssohn's general counsel Alfred Dresel, who had replaced Löb on the Hertie advisory board after the first meeting, emigrated to Great Britain in 1938.¹¹⁷ Reinhold Quaatz was dismissed from the Dresdner Bank as a "half-Jew" already at the end of November 1933.¹¹⁸ The first chairman of the advisory board, Charly Hartung, was also considered a "half-Jew" according to the National Socialist racial categories. He was pushed out as a partner at Hardy & Co. in 1935 and had to leave a year later.¹¹⁹

Hertie's administrative advisory board was obviously not appointed under the pressure of political influence. Things would have looked different if – as temporarily planned – Wagener's Adlatus Bjørnsen Schaar had been appointed to the advisory board. The men who came together to "Aryanize" the Hermann Tietz Group included not a single NSDAP member, and the managing director Karg was

not a member of the party either.¹²⁰ Most of them were bankers who would have been good business partners for the Tietz owners under other conditions. It remains to be seen whether there were any scruples in this circle about depriving the family of their company; such statements would not have been included in the minutes of the advisory board meetings. Only Dresel, the representative of the "Jewish" private bank Mendelssohn & Co., clearly had reservations. In the fall of 1933, at an advisory board meeting, he pointed out that "the banks' money was not provided for "Gleichschaltung" and also not for the opposite."¹²¹ Hertie GmbH was founded exclusively to exercise "Gleichschaltung" in the Hermann Tietz company.

The mandates on the advisory board were distributed according to the quotas in the creditor consortium. Von der Tann was a special case because of his role as representative of the advisory board in the management, but there must also have been special reasons for the decision to give the chairmanship of the advisory board not to a director of Dresdner Bank, but to Hardy & Co.'s managing director Hartung. The Hardy & Co. bank not only provided the first chairman of the advisory board, but also played a key role in the following years as trustee of the consortium of creditors.

One explanation may be that Dresdner Bank brought Hardy & Co., which was closely aligned to it and in which it held a 26 percent stake at the time, into business during "Aryanizations" specifically to help stabilize this bank after the banking crisis and its losses in the global economy. Particularly in the "Aryanization" of the important Berlin business of the private bank Gebr. Arnhold and S. Bleichröder, Hardy & Co. was a leading participant.¹²² There could also have been other reasons why Hardy & Co. was given the lead in the Hertie consortium. The bank had worked closely with the Tietz family for decades. During the economic crisis of 1900/01, Hardy & Co. saved the Hermann Tietz company with a loan of one million marks, for which Oscar Tietz always remained grateful. When the department store company's credit needs grew to a different level, a private bank like Hardy & Co. could no longer keep up. As Georg Tietz later reported, the family remained connected to partners of Hardy & Co. not only through business but also through personal friendships, "as long as the then owners Hardy, Pohl and Andreae had something to say in this bank."¹²³ In the 1920s, Richard Pohl and Fritz Andreae had run Hardy & Co. After the banking crisis, Andreae had to resign from the management, but retained the supervisory chairmanship of Dresdner Bank, which he had held since 1926. He remained in this office until 1936, even though he had been discredited by the National Socialists, since, like Hartung, he was a "half-Jew" and, as the brother-in-law of the former "President of the AEG" (AEG: Allgemeine Elektrizitäts-Gesellschaft, General Electricity Company) and then Foreign Minister Walter Rathenau, who was murdered by right-

wing extremists in 1922. It is possible that Hardy & Co. was given leadership of the consortium of creditors because of its long-standing ties to the Tietz family. It may have been bitter for the family to witness that their company was “Aryanized” under the leadership of this bank and the Dresdner Bank, which Andreae supervised.

Just five days after Hertie GmbH was founded, the owners of Hermann Tietz OHG signed an amendment to the partnership agreement, as a result of which they lost control of the group. The contract dated July 29, 1933, which came into force retroactively on July 15, 1933, stipulated that Hugo Zwillingenberg was replaced as a personally liable partner by Hertie Kaufhaus-Beteiligung GmbH, and had to switch to the status of a silent partner. Since Georg and Martin Tietz remained, the family retained a majority among the personally liable partners, but they were disempowered in the management by representatives of the new third personally liable partner, Hertie GmbH. Since partners could only dispose of the company’s assets with the consent of the others (§ 719 BGB), Georg and Martin Tietz were now also dependent on Hertie in this respect.¹²⁴ In the preamble to the contract of July 29, the “assumption of power” by Hertie at the Hermann Tietz Group was bluntly justified: “For the purpose of the ‘Gleichschaltung’ of this company, i.e. for the purpose of creating an Aryan predominance in the management and for the purpose of obtaining a larger long-term loan.”¹²⁵

The forced changes were associated with an adjustment of the company name, which was expanded to Hermann Tietz & Co. The addition stood for the new, non-family shareholder. The creditor banks had opted for this solution as a transitional form until the Tietz/Zwillingenberg family was completely removed, because it meant that their members would initially remain liable for the company’s debts. With this in mind, it should also be explained why Hugo Zwillingenberg was the first of the three family members and personally liable partners to be forced out of the company. With the change to the status of a silent partner, he was still liable for the debts that had accumulated so far, but no longer for any further debts of the company. The liable capital did not decrease significantly as a result, since Zwillingenberg’s share of the company’s assets was much smaller than that of his brothers-in-law. The equity investments in group companies that Elise Zwillingenberg had inherited from her father Oscar Tietz were not allocated to her husband’s liable assets, but remained with her, and she had always been a silent partner.¹²⁶

The fact that Hertie became a personally liable partner in Hermann Tietz & Co. as a limited liability company was an obvious contradiction. Hertie also joined Hermann Tietz OHG in a form that would hardly have been permissible under other circumstances. According to the partnership agreement, Hertie did not make any capital contribution and its partners were practically not liable for the

OHG's debts, as their liability was limited to the capital contribution paid into the GmbH. The capital contributions made by Karg and Friedel when Hertie was founded were each 50,000 RM, an amount that was most likely deliberately set low.¹²⁷

Wir beehren uns mitzuteilen,

dass Herr Dr. Hugo Zwillenberg aus unserer Firma als persönlich haftender Gesellschafter ausgeschieden ist. An seiner Stelle ist die ~~Hertie GmbH~~ **Hertie GmbH** mit einer Beteiligung von 80% eingetreten. Diese Gesellschaft wurde einstimmig mit dem Reichsstatistikamt in unsern Großstädten gegründet, in deren Händen sich ihre Anteile befinden. Derartige Zugeständnisse haben dieser Gesellschaft einen entscheidenden Einfluss in unsere Geschäftsführung und damit einen überwiegenden Einfluss in unserer Firma. Maßnahmen zur Angleichung unserer Betriebsführung an die Grundsätze nationaler Wirtschaftsführung sind in Vorbereitung.

Um dieser grundlegenden Veränderung äußeren Ausdruck zu verleihen, wird die bisherige offene Handelsgesellschaft Hermann Tietz in Zukunft als

Hermann Tietz & Co.

firmieren.

Wir bitten, die Firma Hermann Tietz & Co. in dem Bestreben zu unterstützen, das Unternehmen fortzuführen und damit unsern ca. 12.500 Angestellten und ihren Familien Arbeit und Brot zu erhalten.

Hermann Tietz 27. Aug. 1933 **Hermann Tietz & Co.**

Fig. 16: Newspaper advertisement for the “change of the firm’s name,” August 27, 1933.

Although Hertie GmbH did not participate in the capital investment, in the contract dated July 29th, it was given the majority in the management. Karg and von der Tann replaced Zwillenberg in the management, which now consisted of four men, the owners Georg and Martin Tietz and the two managing directors of Hertie. Formally, everyone had one vote, but in the event of a tie, the decision was made by von der Tann, the bank’s representative, according to Section 6 of the contract.¹²⁸ Georg and Martin Tietz’s hands were tied by such provisions. From then on, they received a salary set by Hertie’s administrative advisory board, which amounted to further humiliation for the owners.

The contract dated July 29th also stipulated that the profits and losses would not be distributed according to the number of personally liable partners or the shareholding in the share capital, but rather according to a politically opportune ratio. Hertie GmbH would account for 60 percent of the profits, Georg and Martin Tietz for 40 percent.¹²⁹ The fact that Hertie had to cover 60 percent of the losses due to this regulation was accepted. What mattered more was that this ratio allowed Hermann Tietz & Co. to be presented as a company with an “Aryan” majority, even though two of the three personally liable partners were Jews. Even before the contract was signed, the company placed large advertisements in the

press announcing its new name and Zwillenberg's departure as a personally liable partner. It said that Hertie Kaufhaus-Beteiligungs GmbH had "entered with a 60 % stake" and had been "founded by our major creditors in agreement with the Reich Ministry of Economic Affairs." Contractual agreements would ensure the "predominant Aryan influence in our company," which is what the new name Hermann Tietz & Co. was to stand for.¹³⁰

The contract of July 29th committed Hertie and with it the creditor banks to provide the Hermann Tietz company with a loan of 14.5 million RM.¹³¹ It was approved and paid out practically on the same day, and retroactively to July 15th. Strictly speaking, there were two loans totaling 14,466,780 RM. The first loan (Loan I) in the amount of 5,758,000 RM was granted by the Akzeptbank with a rediscount commitment from the Reichsbank, and a bridging loan of 1.4 million RM granted at the end of June calculated on this amount, the second (Loan II), 8,741,780 RM, was provided by a consortium of creditor banks. The warehouse of the Hermann Tietz company with a total value of around 22 million RM, the inventory of the department stores, unspecified basic securities and a default guarantee from the mortgage banks for two million RM served as security.¹³² The file note on this loan transaction drawn up at Dresdner Bank left no doubt that the loans were tied to the "Gleichschaltung" agreement of July 29th: "The prerequisite for the granting of the loans was the "Gleichschaltung" of the company."¹³³

Previously, the involved mortgage banks and credit banks had disputed their respective participation in the loan volume. It was originally stipulated that one third of the entire loan would be allocated to the Akzeptbank, the credit banks, and the mortgage banks.¹³⁴ Since the mortgage banks categorically rejected direct participation because they had only granted loans on non-department store properties, the credit banks had to take a share of around 60 percent. The chairman of the Supervisory Board of Akzeptbank, Dernburg, had pointed out in vain how engaged the mortgage banks should be in supporting the department store group. If the mortgages granted to the Hermann Tietz companies – at Deutsche Centralbodenkredit AG alone they amounted to around ten million RM – were to "slip," this would lead to a shock to the entire bond market.¹³⁵ The mortgage banks finally agreed to provide a counter-guarantee of two million RM, although, in the opinion of the Reich Ministry of Economic Affairs, this was not compatible with the Hypothekendarstellungsgesetz (Mortgage Banking Act).¹³⁶ In coordination between Dernburg, the Reich Ministry of Economics and the Reich Commissioner for the Banking Industry (from 1935: Reich Commissioner for Credit), the participation of the mortgage banks was permitted as an exceptional case under the supervision of the Reich Commissioner.¹³⁷

At the beginning of August 1933, the commercial banks involved in the loan signed a standstill agreement with the mortgage creditors – these were 17 mort-

gage banks, insurance companies, trading companies and private individuals, including the Jandorf heirs and Max Emden – with a term of up to March 31, 1935, in order to protect Hermann Tietz & Co. from repayments during this period and to relieve the company by deferring interest and repayments.¹³⁸ According to the Dresdner Bank, mortgage debts of 44 million RM fell under the standstill agreement together with domestic bank debts of around 33 million RM.¹³⁹

Eleven banks were involved in the consortium for Loan II, primarily the Dresdner Bank Group with the consortium leader Hardy & Co. and Deutsche Bank, i.e. the banks that were significantly represented on the Hertie advisory board. The quota of banks within the consortium was based on their respective share of the domestic bank debts of Hermann Tietz & Co. Of the other financial institutions, only Mendelssohn & Co. was represented with a larger proportion and, accordingly, a mandate on the Hertie advisory board. The consortium included a total of four private banks with Jewish owners (Mendelssohn & Co., M. M. Warburg & Co., Simon Hirschland, Jacquier & Securius) with a total share of around 16 percent of the loan. They were included because they were part of the Tietz family's bank connections.

Tab. 5: Participation of the banks in the syndicated loan (Loan II) for Hermann Tietz & Co. in RM, July 1933.¹⁴⁰

Bank	Bank liability (Loan II)	Standstill loans (previous loans)
Deutsche Bank und Disconto-Gesellschaft	3,307,973	12,474,592
Dresdner Bank einschl. Proehl & Gutmann	2,659,316	10,029,452
Hardy & Co.	986,972	3,720,945
Mendelssohn & Co.	959,872	3,620,347
Simon Hirschland	236,908	893,025
Bayerische Vereinsbank	168,72	637,725
Adca Chemnitz	166,972	631,36
M. M. Warburg & Co.	152,111	573,645
Commerz- und Privatbank Plauen	69,946	261,788
Jacquier & Securius	33,2	123,97
<i>total</i>	<i>8,741,780</i>	<i>32,966,849</i>

After the “Gleichschaltung” agreement of July 29, 1933, the new managing directors began to address the Tietz family’s early departure from the company. The involvement of Hertie was designed to ensure that the next step would be the separation between Hermann Tietz & Co. and the family in the form of a severance agreement. Von der Tann made this sternly clear to Georg and Martin Tietz in December.¹⁴¹ Because of the pressure of political expectations, they never considered leaving family members in the company. However, von der Tann pursued their departure with a rigor that not all members of the advisory board understood. In a note preserved in the Deutsche Bank files, the author – presumably Hans Paschke – criticized Tanns’ “constant speeches regarding the alleged opinion of the Reich Minister for Economic Affairs about the necessity of removing the two Tietz family members from the company.”¹⁴² The assumption arose that the managing director was pursuing his own goals, as he planned to convert Hertie into a stock corporation and was supported therein by Dresdner Bank board member Pilder. Such considerations were not realistic, however, because the company would not have received approval for a “company formation on the basis of contribution in kind” due to a lack of liquidity.¹⁴³

Immediately after the Tietz owners were disempowered, Karg and von der Tann began to lay off Jewish employees en masse. After just eight days, the Hertie advisory board was able to see from the first management report that 278 employees had received their notice of termination. Layoffs are necessary “for economic reasons,” and with this “opportunity,” in accordance with the wishes of the NSBO, “a significant percentage of Jewish employees” were fired.¹⁴⁴ Now, too, the company’s difficult economic situation was used to further promote the “Gleichschaltung.” Karg and von der Tann were not forced to do this because the law to restore the professional civil service, passed on April 7, stipulated the dismissal of Jewish employees for the public service and state-owned companies, but not for private companies. At Hermann Tietz & Co., the heavy debt burden had about the same effect as the purge law in public companies. The managing directors saw the mass layoffs of Jewish employees as an effective means of combining two goals: reducing costs (“economic reasons”) and the change to an “Aryan” company. Although they were pressured to do so by the National Socialist company cells, they could have resisted their demands if they had wanted to.

In August 1933, the managing director in Magdeburg and the branch manager in Munich were fired, and the manager of the Leipziger Straße department store also had to resign.¹⁴⁵ Some names of dismissed Jewish employees have come down to us from statements in restitution proceedings. Those mentioned here include: the branch managers Larlam, Hesslein and Rosenthal, the Gera branch

manager, Hermann Sklow, the employees Sally Weinstein, Oliven, Praser and Petzall.¹⁴⁶

As early as August 30, 1933, Karg was able to inform the advisory board: "A total of around 500 non-Aryan employees were fired." Previously, a false report from Moscow that the Hermann Tietz Group had fired 5,000 Jews had caused quite a stir.¹⁴⁷ Karg was able to deny this rumor, stating that on August 1, 1933, there were only around 1,000 employees of Jewish origin, which would have corresponded to a workforce share of 7.2 percent, almost ten times higher than the proportion of religious Jews in the Reich.¹⁴⁸ The number given by Karg may have been underestimated. At Warburg, at the beginning of July 1933, it was assumed that the proportion of Jewish employees in the Hermann Tietz company's workforce was between ten and twelve percent.¹⁴⁹ In his report from August 30, Karg attached importance to the statement that the dismissals had been coordinated with the representatives of the National Socialist company cells. This made it possible to retain "non-Aryan employees who we cannot do without for operational reasons." In order to accommodate the Berliner SA, the management agreed to "employ its members in suitable positions in our particular houses."¹⁵⁰

Of course, the SA could not offer an equivalent number of replacements for such a large number of laid-off employees. Even for a smaller number of new hires, there were not enough retail-trained non-Jews on the job market. Karg had to complain that at Karstadt, where the mass layoffs of Jewish employees had already started at the end of March 1933, they had "gotten into line more quickly" and therefore "hired suitable personnel."¹⁵¹ The layoffs led to a disruption of operations and a loss of quality in the Hermann Tietz department stores. There was a risk of further declines in sales because customers were unlikely to seek advice from semi-skilled SA members when shopping.

Against this backdrop, Karg declared the "changeover" to be finished after four weeks. Following his accommodating the NSBO with the wave of layoffs in August, he believed he could "reject the original demand to lay off all non-Aryan employees first."¹⁵² Now more non-Jewish employees were laid off and the department store in Dresden was closed.¹⁵³ At the meeting of the Hertie advisory board on November 21, 1933, Karg announced that "the management of the companies from the purchasing department on down was still 80 % Jewish," and was determined to stick to this ratio. The "Gleichschaltung" had been so expensive that it could not be continued; otherwise additional costs of 500,000 RM could be expected in the next six months.¹⁵⁴ Karg did not act out of consideration for Jewish employees, but rather as a sober, calculating businessman; for political reasons, he did not want to burden the company with further costs, especially since the advisory board did not agree on this issue. Fritz Wintermantel, a board member of Deutsche Bank, complained that there were still 150 "non-Aryans" in senior

positions, and maintained that they must be deprived of their management tasks and, if necessary, employed unofficially. Mendelssohn's Counsel, Alfred Dresel, objected that the National Socialists' "struggle" would "not actually be directed against Jewish employees, but against the department store."¹⁵⁵ The former was certainly not true, but the latter was. Simply by pushing out the Jews, the department stores did not remove themselves from the line of fire coming from the Nazi activists, and lost customers could not be won back as a result.

In view of the concerns about attracting young talent, the training system contracts with Jewish apprentices were upheld until 1935. In November 1934, the department store on Berlin's Alexanderplatz even hired one "non-Aryan" director.¹⁵⁶ In a statement written in 1947 by Hertie's managing director von der Tann, he says that "the reduction of the very high percentage of Jewish employees in the company took a very long time and, as far as I know, was only completed in 1938."¹⁵⁷

Karg's change of course on the dismissal of Jewish employees clearly shows that he was always guided by business interests on this issue. When political pressure threatened to become an obstacle to business, he had no scruples about imposing strict layoffs, and when the business threatened to suffer as a result of the layoffs, he just as resolutely ignored the demands of the National Socialist company cells and shop stewards. In both cases, the fate of those affected did not influence him, and there is also no indication that he helped a persecuted Jewish employee or business partner, for which there would have been ample opportunity within his sphere of influence. However, he stuck to contractually agreed promises to deserving Jewish colleagues, even if he could have acted differently.

This is clearly demonstrated by the way pension entitlements were handled for the long-time authorized representatives Löwenberger, Müller and Adler. They were forced out due to "Gleichschaltung" requirements because of their Jewish origins, but were not dismissed without notice and did not lose their pension rights, as was the case in comparable instances in some other companies. David Löwenberger emigrated to the Netherlands at the beginning of August 1933, still without notice. His salary was initially "credited to the company's books." From Holland, he asked for his pension entitlement of 20,000 RM per year to be settled with a one-off payment of 100,000 RM. Karg and von der Tann wanted to work toward this, but it is not known whether the payment was actually made.¹⁵⁸ Nathan Müller, who in particular had long suffered from attacks by the National Socialists, was released at the insistence of the NSBO and, in compliance with the agreed upon date, was terminated by the deadline of December 31, 1934. He suggested that his pension entitlements of 20,000 RM/year be paid in a one-off payment of 150,000 RM and to continue to provide him the life insurance that the company had once given him as a token of appreciation. In this case it is no longer possible to determine whether

payment was made. However, it is documented that Müller received a loan of 75,000 RM in October 1933 to set up a new professional business abroad. Karg may have taken into account that two years earlier, in a difficult situation, during the banking crisis of July 1931, the Hermann Tietz company had received a loan of over 100,000 RM from the private savings of Müller and his daughter.¹⁵⁹ Adolf Adler had to resign on October 1, 1933, with continued salary payment until March 31, 1934. He suggested settling his pension claims with a payment of 75,000 RM and asked for his life insurance policy to be handed over. The administrative advisory board made a promise, but in this case too, it is not recorded whether it was kept.¹⁶⁰ This information on the pension entitlements of the three dismissed authorized representatives is provided through reports that Hitler's economic advisor Wilhelm Keppler demanded from the managing directors. Keppler had received a denunciation with very detailed information about the severance payments for Löwenberger, Müller, Adler and the long-retired former Tietz notary Działoszynski, which could only have come from the central administration in Krausenstraße, but also circulated in the branch offices where it caused some unrest. The informer pointed out that Hermann Tietz & Co. was wasting money on Jews: "Almost 580,000 RM for 4 Jews are put on the table in one fell swoop, while on the other hand, negotiations with the Dresdner Bank are conducted for further subsidies of several million."¹⁶¹ The information turned out to be exaggerated, and Keppler was apparently satisfied after the managing directors had assured him that they were only taking into account contractually agreed upon employment claims. Von der Tann, who was responsible for pension regulations in the management, also informed the Führer's economic representative on this occasion "that, with a few exceptions, pensions would only be paid in individual cases in the area of the Munich branch and to a large number of low-level employees."¹⁶² This situation in Munich had probably come about because long-standing employees of Jewish origin had also been dismissed with the first wave of layoffs.¹⁶³

Hertie hoped that the "change in our group" would help to overcome the public stigmatization of the Tietz name and win back lost customers. However, it soon became apparent that such a minor change in the company name and the dismissal of 500 Jewish employees were not enough. The press reports about the "reorganization" at Tietz were hardly noticed by the general public, and for many of the customers, Hermann Tietz & Co. remained Tietz. In many places, Nazi activists continued to agitate against the "department store Jews," and the customers who had been lost in the spring avoided Tietz department stores even without "anti-Jewish boycotts." The managing directors of Hertie gained an impression of this when they took a tour of the branches outside Berlin in August 1933. Von der Tann then reported at a meeting of the advisory board: "The party's battle in the provinces, especially in Thuringia, is considerably stronger than in Berlin with a

correspondingly detrimental effect.”¹⁶⁴ After the trip, von der Tann went to the Reich Ministry of Economics, where he had been promised that he would be able to inform Hitler’s deputy, Hess, and instruct the press.¹⁶⁵ At the beginning of September, the Hertie management received a certificate from the Reich Ministry of Economics enabling them to obtain the designation “German business.”¹⁶⁶

However, Hertie’s management was no longer satisfied with such posters. Hermann Tietz & Co.’s business figures were too negative, even though the suppliers were no longer holding back. After the 14.5 million loan was paid out, the debts to suppliers were quickly reduced and fell from 12.5 million RM to 4 million RM within four weeks. Nevertheless, Karg expected a loss for August 1933 of 580,000 RM, for September of even 920,000 RM, and for the entire financial year (02/01/1933–01/31/1934) of 2.7 million RM.¹⁶⁷

The advisory board openly considered another “company change.” A proposal from von der Tann to establish affiliated companies under different names in the “provinces” was approved.¹⁶⁸ A proposal by Karg to transfer the particularly weakened food departments to a cooperative, which would continue to operate as a tenant in the department stores, was considered but not decided upon.¹⁶⁹

As a first act, a branch in critically affected Thuringia was “switched over”: the department store in Weimar from then on operated under the name “Hans Kröger am Markt GmbH, Weimar”. From the press releases about the “reorganization” one could conclude that the owner had changed. But that was not the case. Hans Kröger am Markt GmbH was nothing more than a branch operation that was fully integrated into Hermann Tietz & Co. as an affiliated company. It was named after an employee of the Berlin headquarters who, along with Helmut Friedel, was also one of the newly appointed managing directors of the subsidiary Conrad Steinecke GmbH and was promoted to authorized signatory in 1935.¹⁷⁰ Kröger may have held a stake, but was not even managing director of the department store named after him.¹⁷¹ “Hans Kröger at the market” – it sounded as if the shop belonged to a long-established retailer with a name that even the fanatical Weimar Gauleiter Fritz Sauckel could not object to, had been taken over.¹⁷² This camouflage, which was actually not permitted under commercial law, quickly paid off. In November 1933, Karg was able to report to the Hertie advisory board that Hans Kröger’s revenue (“solution”) on the market was only 16 to 17 percent below the previous year’s level, while Hermann Tietz & Co.’s overall revenue was 26 to 27 percent below the previous year’s level.¹⁷³

The department store in Magdeburg, which was only taken over in 1931 and still operated under the old name Siegfried Cohn, continued to operate as Tezet Textilhaus Zentrum Webereiwaren GmbH.¹⁷⁴ August Lewecke GmbH was founded as a branch for the Stuttgart affiliate, which, as in Weimar, was given the name of a Berlin employee. Lewecke at least became one of the sharehold-

ers and one of three managing directors.¹⁷⁵ Since the authorities here, unlike in Weimar, were not prepared to register the business under this name as a branch of the parent company, the Stuttgart department store initially continued to operate under the name Hermann Tietz & Co.¹⁷⁶

Early on, the management used the "switching" of department stores under a different name to implement a new concept. The Berlin department stores Brunnenstraße, Frankfurter Allee and Kottbusser Damm were transferred in February 1934 to a new subsidiary called "Union Vereinigte Kaufstätten GmbH," which offered a flat range of inexpensive mass-produced products based on the model of Karzentra, which had been created at Karstadt two years earlier.¹⁷⁷ The Union department stores thus contributed to cost reductions and competed with uniform price stores. As already mentioned, since 1932 new single-price stores were no longer allowed to be opened. However, it was not forbidden to convert an existing department store to another type of retail business, following a similar concept. As early as March 13, 1934, Karg was able to report to the advisory board "that the customers were very satisfied with the switch to Union because they no longer considered them to be Tietz. The previous decrease in sales of 25 % has turned into an increase of 20 % since the changeover."¹⁷⁸ In fact, this success, which Karg attributed to renaming, can be explained primarily by the inexpensive range of merchandise offered. All three Union department stores were located in working-class districts of Berlin, where they had once been built by Jandorf as "people's department stores." The spin-off into Union Vereinigte Kaufstätten GmbH was therefore less a camouflage than a diversification of the business form.

The measures taken by the new managing directors did not change anything, which meant that Hermann Tietz & Co. remained in a difficult situation. The 14.5 million loan received at the end of July 1933 was largely used up within a year by overdue repayments. In late autumn 1934, the management had to apply for another loan of five million RM, which was not approved until January 1935 and then only half of it.¹⁷⁹ The businesses suffered from the debt-burden and low sales, but also due to the operational changes that lasted around a year. The reorganization of the accounting department lasted until the end of 1934, and only then could the profitability of the central departments and branch operations be realistically assessed. A further burden was the uncertainty about the conditions of the family's departure from the firm.¹⁸⁰ Other department store companies also did not manage to overcome the setbacks they had suffered, despite the improving economy and falling unemployment figures. Overall, sales in department stores for textiles and clothing increased compared to the catastrophic slump in the first half of 1933, but did not even reach the level of the already critical year of 1932. According to the Institute for Economic Research, sales in department stores for textiles and clothing

were flat in June 1934 at seven percent below the level of June 1932, while the sales of textile specialist shops rose by 17 percent above the earlier level.¹⁸¹

Hermann Tietz & Co. lagged behind even in comparison with the other leading department store groups, which was probably also due to the uncertainties of the protracted “Aryanization process”. While in 1934 sales at Karstadt AG increased by twelve percent and at Westdeutsche Kaufhof AG (formerly Leonhard Tietz AG) by four percent, Hermann Tietz & Co. recorded an albeit slight decline in sales of 0.5 percent. With a turnover of 144 million RM, the company had now fallen far behind Karstadt (210 million RM).¹⁸² The negotiations between the managing directors and the Tietz family regarding a settlement agreement had not made any significant progress in the spring of 1934. In March, the Hertie advisory board rejected the family’s demands as unrealizable. This was followed by further, tough rounds of negotiations. When there were still no signs of a contract being concluded in July, the Reich Ministry of Economics did not want to wait any longer. In a letter to the family’s lawyers dated July 25, 1934, State Secretary Hans Posse urged “with all determination” that “a conclusion that is binding for both parties be achieved,” and added: “If, contrary to expectations, the agreement prepared so far cannot be concluded in this way, I would have to regret this result and the further measures that would necessarily result from it, even more so now since, in my opinion, the chairman of the advisory board has in fact so far genuinely endeavored to bring about a voluntary agreement on a private-sector basis.”¹⁸³ Despite the bureaucratic semantics, the threat was clear: if the negotiations were not concluded quickly, “measures” would be taken. The Tietz family would then have to leave the company without a “voluntary agreement.” It cannot be ruled out that the letter was ordered by the banks in the Reich Ministry of Economic Affairs, as it also contains a clear statement about the provisions of the contract, namely that “the compensation paid to the Tietz family members from the partition agreement should be economically viable for the firm.”¹⁸⁴ There was now no more room for maneuvering in the negotiations; two and a half weeks later, on August 13, 1934, the contract was signed.

The “Aryanization” of the Group Assets in the Partition Agreement of 1934

When the “Aryanization” of Hermann Tietz & Co. was a good two months in the past, Hertie’s management felt compelled to summarize and justify the transfer of the group’s assets in a “motivation report.” This key document, dated October 30, 1934 and most likely written by Karg, also reflected the opinion of the advisory board, was sent to the Reich Ministry of Economic Affairs

and served as security on all sides.¹⁸⁵ It was important to record that the Tietz/Zwillenberg family was dealing with a “voluntarily agreed upon separation” – “change of position” was eliminated, which the family would hardly have seen as such, but from the management’s point of view, it was a justification – not because of the expulsion of the family from the firm, but because of the waiver of an even more cost-effective solution at the expense of the family.

The motivation report explains how the alternative to one “voluntarily agreed upon” “Aryanization” of the department store group would have looked: “The path that initially seems to be the most obvious would have been for claims against the individual family members to be made due and then the values seized by them by way of execution would have been taken over.”¹⁸⁶ According to the motivation report, this option would have been rejected because of the commercial law obstacles and the economic consequences. Since the personally liable partners were liable as “secondary debtors” alongside Hermann Tietz OHG, the enforcement would also have had to be carried out against the company, which would inevitably have resulted in the company’s bankruptcy. The trade credits amounting to approximately 15 million RM would then have become due at once.¹⁸⁷

According to this reasoning, the creditors would have been saved from foreclosure only through such considerations, but not through scruples. In fact, the question never arose because the creditor banks did not even consider foreclosure; it was a course of action too far-fetched because of the obvious consequences. In a statement written after the war, Karg explained that the Reich government could have forced bankruptcy at any time “through the normal legal process” in order to “make their demands due” by emphasizing their order for the family to leave the company by “accepting the bank affiliated with the Reich.”¹⁸⁸ The Reich government could have proceeded in this way, but did not want to. After all, the Reich Ministry of Economic Affairs had steadily worked very hard to prevent the Hermann Tietz Group from collapsing. The “measures” threatened in the letter from the Reich Ministry of Economics dated July 25, 1934 cannot therefore be interpreted as a threat of compulsory enforcement. For the managing directors of Hertie, as expressed in their motivation report, it was obviously important to retrospectively make foreclosure appear as an alternative, in order to underline the supposedly “voluntary” form of the Tietz family’s exit from the firm, and to justify the associated expenses for their “severance payment.”

The process initiated with the founding of Hertie through the “Aryanization” of the Hermann Tietz company could not lead to a purchase agreement, because both sides were partners in the company. Formally speaking, it was not a matter

of a sale, but rather of the withdrawal of two personally liable and three silent partners from the partnership agreement. In such a case, the liable owners had to be released from liability and compensated with the part of the company's assets that they would have received if the company had been dissolved. However, according to the legal provisions, it would not have been permissible to let the shareholders leave empty-handed (§ 738 BGB).¹⁸⁹ With this in mind, it is easy to understand why the managing directors used compulsory enforcement as a reference scenario in their motivation report. In the settlement agreement, the family was to receive not much more than a person leaving an over-indebted company that had gone into foreclosure would have received. This guideline was then also adhered to when evaluating some of the company's assets in the balance sheets, which will be discussed later.

The auditing firms Treuhand Association (Dresdner Bank Group) and Treuverkehr (closely aligned with Deutsche Bank) had, after the signing of the "Gleichschaltung" agreement of July 29, 1933, received the order to determine the company's assets as of July 15, 1933, so that on this basis the family's capital contributions could be determined.¹⁹⁰ At the same time, the advisory board checked whether the family partners had made major transactions abroad.¹⁹¹ It was a great deal of hard work for the auditors to prepare balance sheets from the available documents. They found themselves faced with a web of claims between more than 20 group companies with opaque ownership structures. A note from the Berlin headquarters of Deutsche Bank, where the unclear conditions in the Hermann Tietz Group had long been criticized, conveys this state of affairs:

In terms of its construction, the Tietz Group is built completely arbitrarily and without a system. The distribution of the capital of the numerous companies between the general partnership, the personally liable partners and the silent partners is different for almost all companies. Through mutual indebtedness and guarantees, the interconnections have become so extensive that it must be completely impossible even for the company's senior management to get a precise overview. In addition, in the majority of cases the same people have been appointed as managing directors or board members at the more important companies (e.g. formerly Löwenberger, now Karg) who are not in a position to fulfill this area of activity.¹⁹²

A particular challenge was the valuation of the extensive real estate holdings, on which – as in every Hermann Tietz balance sheet – the valuation of the entire group depended. There was practically no market for buildings designed for a specific purpose, such as department stores, especially not when they were as heavily mortgaged as the Hermann Tietz Group's department stores. The auditors of the trust companies also had to discover that properties in the company's books had been valued inconsistently without any comprehensible criterion, sometimes with half the standard value that was determined by the tax authori-

ties at regular intervals as the assessment basis for property taxes on the multiple unit value. The trust companies then made do by calculating operating values for the department stores from sales and rent levels. As was to be expected with the crisis in the department store business, these estimates were so significantly below the book values that additional provisions had to be made in the balance sheets.

In the balance sheet of Hermann Tietz OHG as of July 15, 1933, the over-indebtedness of four million RM as determined by the trust companies increased by between 10 and 20 million RM, depending on the evaluation.¹⁹³ When the trust companies submitted their audit report on November 11, 1933 with the prepared balance sheets, their assignment ended in disaster. The Tietz/Zwillenberg family refused to negotiate a settlement agreement based on such assessments. Hertie then also did not recognize the balance sheets and ordered the preparation of a balance sheet for January 31, 1934.¹⁹⁴

On this basis, the modalities of the settlement agreement were negotiated in the spring of 1934. Hertie was represented by the managing director von der Tann and the lawyers Richard Carl Wolff and Hans-Heinz Steffani, the family by the lawyers Wilhelm Beutner and Walter Berend, the auditor Wilhelm Graetz and the economics expert Rossi.¹⁹⁵ The negotiations were more difficult than expected, and the advisory board later complained about "extraordinarily lengthy partition negotiations."¹⁹⁶ The fact that it was not about a purchase price, but about the evaluation of claims, did not make the negotiations any easier. Von der Tann and Hertie's lawyers were faced with the task of, on the one hand, keeping concessions to the family to a minimum so that they could not be accused of damaging the company's assets, and on the other hand, responding to demands to such an extent that the family would agree to sign the settlement agreement.

It was now clear to the family that they could no longer prevent their exit and that they would lose the company. They were now primarily concerned with regulations that would facilitate their emigration: a complete release from liability while taking part of their company assets with them, an exemption from the Reich flight tax, and capital to set up businesses abroad.¹⁹⁷ The family refused an offer from the negotiators to tie them to the company through a severance payment with participation certificates, preferring a "one-off, definitive settlement." The Hertie advisory board was then only willing to offer some "property of a non-administrative nature" as compensation.¹⁹⁸

Under the pressure of the already mentioned intervention of the Reich Ministry of Economics on July 25, 1934, the family's lawyers no longer had any leeway, which had a detrimental effect on their clients. Now all that was left to do was to quickly draw up the partition agreement, which was signed on August 13, 1934 in the Nobel Hotel Esplanade in Berlin by the Tietz/Zwillenberg family and Hertie's

management director Karg.¹⁹⁹ The procedure was set up in such a way that Georg Tietz and Hugo Zwillenberg, the two members of the family present with powers of attorney, presented the contract to Hertie as an offer. Nobody was to be able to say later that it was not a voluntary agreement.

The settlement agreement determined the ownership of the “dividing mass,” which included the entire company’s assets and the family’s private assets, with the exception of purely privately used items. What formally took the appearance of a division was, in material terms, an almost complete transfer of the firm to Hertie. The preamble stated that the family’s departure was “termed as necessary in the public interest” – a notable contrast to Karg’s later assertion that it was “not a matter of Aryanization, but rather that the departure of the Tietz family was caused by the economic difficulties that arose before 1933.”²⁰⁰ In the following, only the most important provisions of this complex contract, which even without appendices has a length of 44 pages, can be summarized. The transfer of Tietz’s assets was regulated in the first two paragraphs:

- The members of the family had to agree to leave the general partnership Hermann Tietz under the agreed conditions (§ 1).
- All of the family’s shares in the group’s real estate, trading and manufacturing companies were to be transferred to Hertie GmbH. In addition, two properties that were privately owned by Betty Tietz – a building in Berlin, Krausenstraße 52, and a warehouse in Altona – were to be transferred to Hertie (§ 2).

Furthermore, Georg Tietz, Martin Tietz and Hugo Zwillenberg were to be assigned to Hertie their securities (“private stocks and bonds”) held in deposits at the Swiss Bank Association (Section 7). In order for Hertie to repay loans and real estate charges incurred by the Tietz/Zwillenberg family, including real estate charges on the family’s villas totaling 610,000 RM taken out from Akzeptbank, the family was to provide securities from their deposits at three Berlin banks (§ 5, § 9).

The settlement agreement also contained beneficial provisions for the family. Hertie’s negotiators could not get around this because of the legal provisions for the asset division between shareholders, and of course the Tietz family also had to be prepared to sign the contract. However, contrary to some later representations, these promises remained limited to the legally required release of liability for departing personally liable partners, the transfer of private villas and some real estate from the company’s assets, as well as special regulations for a group company to remain with the family and to generate a restricted amount of foreign currency to fund their emigration:

- The family’s most urgent concern, the declaration of release from liability, was contained in § 10 of the contract: “Hertie waives all claims against the

members of the Tietz family and guarantees that the OHG and the following group companies are liable for all claims against the Tietz family.” Official declarations of release from liability then had to be formally obtained.

- The following was to remain with the family: the group companies Königsberger Grundwert AG, real estate company Koenigsallee 71 GmbH (private villa Edith and Georg Tietz) and Süddeutsche Kinematographen GmbH, Munich (with an apartment owned by Betty Tietz), as well as the Berlin properties at Markgrafenstraße 28, Kaiserallee 184/185 (private villa Betty Tietz) and Hohenzollerndamm 100/101 (private villa Elise and Hugo Zwillingenberg) in Berlin (§ 10/11).
- Betty Tietz was to receive four houses in Berlin (Graudenzer Str. 14 and 15, Gubener Str. 60 and 61) from Deutsche Boden AG and two houses in Karlsruhe (Herrenstraße 11 and 13) from Badische Grundwert AG, Georg and Martin Tietz were to acquire the properties at Kaiserdamm 77–79 and Brettschneiderstraße 17/18 from Grundwert AG Kaiserdamm offered for sale in Berlin-Charlottenburg (§ 4). Hertie undertook to pay the “purchase price portions to be paid in cash” in this deal, a procedure that presumably had tax implications.
- The family and the purchasing companies it founded after leaving were to continue their membership in the group’s purchasing group for a period of five years, up to September 1, 1938 at the latest, with so-called affiliation agreements. Hertie also agreed to provide the family with office space for the business of such affiliated companies (§ 14).
- In Section 6, a special regulation for the group company “Mefa” Bleicherei, Färberei und Apparatur Textilhandels AG in Berlin-Adlershof AG (formerly Mechanische Feinweberei Adlershof) was agreed upon and which will be discussed in more detail elsewhere.²⁰¹ Hertie assured that this company would keep its land, buildings, factory facilities and warehouse, including its claims from deliveries of goods, which would be transferred to Georg and Martin Tietz. In return, the brothers had to take over the goods debts. For these arrangements, Hertie provided the family with an amount of 1.5 million RM.

Finally, Hertie committed to removing the name “Hermann Tietz” or “Tietz” from the name of the OHG after a period of six months (§ 16). The contract was only to come into force after the approvals required for implementation had been granted by the State Tax Office, the Reich Finance Ministry and the Reich Office for Foreign Exchange Management (Reichsstelle für Devisenbewirtschaftung). What was particularly important for the family was that they were exempt from capital flight tax and were approved for the transfer of foreign currency through additional export transactions (§ 19). The contract not only entailed negotiations

Tab. 6: Group companies surrendered from the Tietz/Zwillenberg family to Hertie.²⁰²

Badische Grundwert AG
Bekleidungs-Handels AG
Brandenburgische Grundwert AG
Deutsche Boden AG
Handelsstätte Gera AG
Magdeburgische Grundwert AG
Sächsische Grundwert AG
Grundwert AG Kaiserdamm
Aktiengesellschaft für rituellen Bedarf i. L.
Centrum Berlinische Bodenbesitz GmbH
Grundbesitz GmbH
Handels- und Grundbesitz GmbH
Lebensmittel-Import GmbH
Immobilien-Verkehrs GmbH
Sächsische Teil GmbH
Textil-Fabrikation GmbH
Conrad Steinecke GmbH
Paschke & Ornstein GmbH
Siegfried Cohn*
Raphael Wittkowski*
Hermann Mühlberg*
A. Jandorf i. L.*

*special regulation for individual shares.

with the financial authorities, but also with the Swiss Bank Association, which objected to the agreements regarding the family's securities in the bank's depots. The property settlement was not fully completed until December 1934.²⁰³

The partition agreement came into force on December 31st. The family officially parted from the company that day and Hertie became the sole owner of Hermann Tietz & Co.²⁰⁴ In the press rather brief articles appeared on the "change of ownership at Hermann Tietz."²⁰⁵ Large advertisements such as those in July 1933 announcing a "predominantly Aryan influence" were eschewed by the company. It was not necessary, because now no one could doubt that the Hermann Tietz Group had become a "German business."

The "Aryanization" of the Hermann Tietz Group can only be approximately captured in terms of assets, since there was no purchase price, but claims were evaluated. The usual procedure for a contract for division between shareholders was also omitted: a balance sheet signed by both parties was used as a basis. In Section 1 of the contract, it was agreed:

The oHG will not prepare a balance sheet of partition due to the departure of the Tietz family from the oHG. The balance sheet as of January 31, 1934 will not be drawn up until it is certain whether this contract will come into force. The parties agree that the provisions of this partition settlement should not be based on numerical values of the status of the oHG and its group. With the services and considerations agreed upon in this contract, all claims of the Tietz family on the one hand and of Hertie and the oHG on the other hand should be equably resolved.²⁰⁶

However, when assessing the claims, one could not do without a basis for calculation, and so Hertie’s negotiators relied on the aforementioned balance sheet of Hermann Tietz OHG as of January 31, 1934, which was only published by Hartung a week after the signing of the agreement. The partition agreement was sent to the other members of the advisory board (hereafter: the partition balance sheet). In the motivation report of October 30, 1934, which has already been mentioned several times, the management explained the calculations made on the basis of this balance sheet. The balance sheet was attached to the motivation report as Appendix I, as well as comments on the balance sheet as Appendix IV.²⁰⁷ Since the statements in the motivation report were written from a retrospective view to justify and secure the management, it is a problematic source. However, in conjunction with the appendices, they provide an insight into the assessments underlying the partition agreement like no other surviving document.

The balance sheet presented as of January 31, 1934 was obviously created with the division in mind. It showed a capital deficit of around 28.9 million RM – an item that did not appear in the trust company’s balance sheet drawn up on July 15, 1933 and signed by the Tietz family. A comparison between these balance sheets shows significant differences. For example, the goodwill shown in the previous balance sheet at around five million RM was missing from the partition balance sheet, although this was legally required in a partition balance sheet. The group’s investments were valued at around 6.5 million RM lower, the bank debts were reported at around eleven million higher, due to loans received from the Akzeptbank and the banking consortium at the end of July 1933. In addition, provisions amounting to 14.5 million RM were included in the balance sheet of January 31, 1934 for debts of the subsidiaries.²⁰⁸ As can be seen from an appendix to the motivation report, this asset loss of the corporate companies resulted from claims of the OHG and from “special depreciation” on real estate owned by real estate companies, for which the Tietz family now also had to pay.²⁰⁹ Although the valuation of the real estate companies was based on the standard values determined in 1931, the depreciation resulted in a sum that was below the already quite low operating values that the trust companies had calculated in the previous year.²¹⁰

How far such write-offs could reach can be seen from a statement written by Karg after the war, most likely for the restitution negotiations:

That is why in the negotiations that took place on the Hertie side, things were viewed in such a way that on the one hand they were prepared to grant the Tietz family property valued as high as could be justified to the creditors, and that, on the other hand, one did not consider a valuation to be acceptable that was below what would have been expected in the case of compulsory realization, i.e. in bankruptcy or in a compulsory auction. In practice, this was 7/10ths of the standard value, which at least in the generally applicable legal provisions for compulsory auctions had to be credited to the debtor.²¹¹

Since Georg and Martin Tietz were personally liable partners and Hugo Zwillenberg was jointly liable for the debts that had accumulated up until his departure, the capital shortfall of 29 million RM calculated in this way was deducted from the family's recorded assets in the partition balance sheet. According to the distribution plan laid down in the partnership agreement of July 1933, Hertie would have had to cover 60 percent of the losses at Hermann Tietz & Co., but of course they were not prepared to do that. Karg refused to participate on the grounds that the debts arose before Hertie entered into the partnership agreement and that the partition balance applied to Hermann Tietz OHG, not to Hermann Tietz & Co.²¹²

According to the motivation report, Hertie was initially unsure whether the family would be able to cover the capital shortfall. But the family actually wanted this result in order to be released from liability. Betty Tietz, the wealthiest member of the family, agreed – probably through her representative Zwillenberg – to hand over all of her private shares to Hertie. The widow was a silent partner and was not liable for the company's debts with her private assets. Although she had already pledged a large part of the private assets in May 1933 to prevent the company from collapsing, she had made this commitment to the banks, not to Hertie. The fact that she now brought shares with a total value of around 40 RM million into the settlement accounts, commanded respect from the banks, especially since these included considerable holdings that were not pledged, such as those shares in the Grundgenossenschaft GmbH, Munich, valued at 1.5 million RM, and the shares in the company Immobilien-Verkehrs GmbH, Stuttgart, valued at 1.5 million RM.²¹³ Betty Tietz could have sold these shares, unlike those that were pledged, to an investor at a higher price. However, she must have been more interested in getting her sons and son-in-law released from liability than in the securities, and that this release would be secured by including her privately held shares in the balance sheet of the asset division. She herself received no benefits from the promises made to the family in the settlement agreement.

The trust companies assessed the assets transferred to Hertie from the family at 47 million RM, with by far the largest part undoubtedly being shares in the real estate companies.²¹⁴ The balance sheet no longer showed a capital deficit of around 29 million RM, but a surplus of 18 million RM. Even if one took into account that the company's assets were reduced by around 2.5 million as a result of the promises to the family contained in the partition agreement, there was still an impressive surplus. In order to settle claims amounting to 15.5 million RM, Hertie would have had to leave the family a correspondingly larger portion of its liable assets. But they were not ready to make that decision. Advised by their lawyers and the trust companies, those responsible decided on a different solution: the amount of 15.5 million RM to which the family was entitled was taken without any equivalent and was to be considered "Aryanization profits". The motivation report shows that Hertie had doubts about the permissibility of this approach:

So, if you talk about the valuation of the trust companies for the items in question, investments, etc., one must come to the conclusion that the family has not only covered the capital shortfall, but has also done something that is practically uncountable and the further discussion will first have to deal with whether the acceptance of such a performance towards the family can be justified. In our opinion, this is the case because the possibilities for utilization of the items in question are limited and therefore the family had to expect their use value to be significantly lower than their intrinsic value.²¹⁵

If the calculation of the capital shortfall did not correspond to commercial principles in some respects, this assessment crossed the line into unjust enrichment. As a result of the global economic crisis, the market prices for real estate had fallen since the last determination of the standard values at the beginning of 1931. In the next evaluation, carried out in 1935, the total for the Hertie department store properties was around 28 percent below the values for 1931.²¹⁶ It should also be taken into account that department store properties burdened with high real estate charges and mortgages could only be sold at discounts, but the properties given by Betty Tietz to Hertie also included commercial and residential buildings in prime locations. Deutsche Boden AG, which was almost 100 percent owned by the widow, sold ten commercial and residential buildings in the "Kurfürstendamm-Block" to Victoria Insurance (Victoria Versicherung) for 8.4 million RM just two months after the partition agreement, a price that was more than 70 percent higher than the standard value in 1935.²¹⁷ Karg later claimed he could no longer remember the way he handled the surplus of 15.5 million RM as described in the motivation report. In a statement written in March 1946, he took the position that in the contract for division Hertie "only received what was necessary to cover the liabilities he had taken over, so that there was no gain in the partition."²¹⁸

In the overall balance, when the Tietz/Zwillenberg family was forced out of the company, they lost on paper a group asset whose valuations at the time fluctuated between approximately 150 and 170 million RM. Most of this was lost due to the group's high debt, which was around 130 million RM in mid-1933. The liable members of the family had to pay for these debts, which was not arbitrarily decreed but resulted from the rules of a general partnership. However, this also meant that the family was burdened with the company's debts, which had arisen as a result of the department store crisis brought about by the National Socialists. Further asset losses estimated at 15 to 20 million RM resulted from the described "Aryanization gain" in the settlement balance sheet.²¹⁹ The provisions of the settlement agreement, known as "severance pay," which were helpful for the Tietz/Zwillenberg family, were valued by Hertie at around 2.5 million RM.²²⁰ Of course, promises, which were not reflected in the balance sheet, were more important for the family: the release from liability and the exemption from the Reich flight tax.

The balance sheet presented by the chairman of the Hertie advisory board at the meeting on August 28, 1935 was structured differently. Accordingly, the transfer of business shares from the Tietz family resulted in an increase in assets of 24.4 RM million, and after offsetting the loss assumed and the accompanying provisions, a book profit of around 6.4 RM million resulted, an outcome that could still be described as "quite favorable for the Hertie Group in terms of balance sheets."²²¹ The basis for the valuation of this balance sheet cannot be deduced, unlike the partition criteria explained in the motivation report. There were also voices that viewed the outcome of the partition agreement as a success for the Tietz/Zwillenberg family. Even a private banker with Jewish origins like Ernst Spiegelberg (M. M. Warburg & Co.) was of the opinion that the family had "done well" because they would be released from liability, had freed up properties and securities worth four million RM, and would be exempt from the Reich flight tax if they emigrated.²²² To the outside world, these regulations of the partition agreement must have seemed advantageous, since they were not common during the "Aryanization" process. Anyone who knew the underlying balance sheet, however, knew the price the family had paid for these promises. A note in the files of advisory board member Hans Paschke (Deutsche Bank) states: "In our opinion, the outcome appears appropriate." The promises to the family, which, according to this source, led to a reduction in the group's assets by around 3.3 RM million, would have to be accounted for in the overall result:

On the other hand, the Tietz family has completely waived their right to make any claims to what remained after the partition agreement: group assets worth between 15 and 20 million. Furthermore, it should be pointed out in particular that, from a legal point of

view, Ms. Betty Tietz is giving away assets of approximately 40 million to the general partnership, namely corporate effects that belong to her personally, without receiving any significant consideration.²²³

Georg Karg: Profiteer with Ambitions

When Georg Karg became managing director of Hertie in July 1933, he was considered a talented buyer who had had a flourishing career at A. Jandorf & Co. and had been promoted to chief buyer for textiles with the rank of authorized representative at Hermann Tietz. Nothing more could be found out about him. The most famous of his quotes – “I wasn’t born in a department store, but I lived in one the rest of the time” – probably has a kernel of truth. Outside the world of department stores, Karg is reported to have only been active on his approximately 50-hectare country estate in Briest in West Havelland, which he had acquired in 1926. He was only interested in politics when it affected his business; he never joined a party and after 1933 he only belonged to the German Labor Front (Deutsche Arbeitsfront) and the Reichsjägerbund [Imperial Hunters Association].²²⁴

The seventh of ten children of a small cloth manufacturer, Karg was born on August 2, 1888 in Friedeberg in the Neumark, in the easternmost corner of what was then the province of Brandenburg, which, oddly enough, was not far from Birnbaum, the homeland of the Tietz family, and considered to be the “cradle of department stores.”²²⁵ Since his father was a manufacturer for a long time and then had to close his business and switch to the textile trade, it can be assumed that Karg grew up in well-off, but not wealthy circumstances. After graduating from secondary school, at the age of 15 he began an apprenticeship at the F. R. Knothe department store in nearby Meseritz. The principal recognized the young man’s commercial talent, supported him and hired him after his apprenticeship. At the age of 20, Karg moved with an inheritance from his deceased employer to Berlin to try his luck in the department store metropolis. There he started as a salesman in a Jandorf Group department store and within a year rose to the prestigious position of buyer. In 1914, at the age of 25, he advanced to become manager of the Wilmersdorfer Straße department store in Charlottenburg, which Jandorf had taken over from the Graff & Heyn company at the time – a sensational career move that Karg owed not only to his skills, but also to the support of the company boss, with whose family he remained friendly.²²⁶ His biographer Eglau does not mention where Karg experienced the First World War. Private events suggest that as department store director he was exempt from military service. Karg married Käthe Schröder in 1915, a year later the couple had

their first child, a daughter Brigitte, followed in 1921 by their son Hans Georg. The family's life was secure, and Karg was probably able to count on his chances of being accepted as a partner in A. Jandorf & Co. when Adolf Jandorf agreed overnight in November 1926 to sell his company to the Hermann Tietz owners.

Karg's skills were also soon recognized and appreciated at the Tietz company. As the only manager from the acquired Jandorf department stores, he was promoted to general authorized representative in 1929 and was seamlessly integrated into the top management of the group. If Karg had been an anti-Semite, he would not have been so close to the Jandorf family, and at the Hermann Tietz company, the owners would hardly have accepted him into the inner circle of management, since not only their family, but also all the other authorized representatives were of Jewish origin. Only his age and the number of years he had been in business made the "newcomer" Karg very clearly different from the other authorized representatives who were among Tietz's veterans. David Löwenberger had worked in the company since 1892, Adolf Adler since 1902, Nathan Müller since 1905, and Michaelis Birnbaum was probably also one of the company's long-time employees who was close to the Tietz family.²²⁷

The fact that in 1933 he was chosen by the banks for the position of managing director, Karg, in retrospect, attributed it to his non-Jewish origins:

"I was far and away the only one who was safe from attacks based on racial motives."²²⁸ In fact, for this reason, none of the other authorized representatives would have been considered, and this position could not be filled with a manager from outside, because at least one of the Hertie managing directors had to be familiar with the Hermann Tietz Group. However, in his already mentioned statement from 1947, von der Tann stated that before his nomination as representative of the creditor banks by the Dresdner Bank Supervisory Board chairman Andreae in February 1933, he had met with Karg for a meeting in the rooms of the Mendelssohn & Co. bank.²²⁹ It is unlikely that the personnel for the planned intervention by the banks at the Hermann Tietz company was selected at this point, according to the National Socialist racial ideology, especially since Andreae was closely linked to Jewish members of the economic elite, was later himself stigmatized as "Half-Jew" and that the meetings of these bankers were at the time taking place at Mendelssohn & Co., a bank that belonged to a prominent Jewish family. Seen in this light, there is more evidence to suggest that Karg was chosen because, as by far the youngest manager in the Hermann Tietz Group, he appeared to be the most suitable person to implement the desired restructuring.

Karg was not the driving force behind the ouster of the Tietz family and the "Aryanization" of their company. This role was later attributed to him on various occasions, which overestimates his influence at the time.²³⁰ In 1933 he was not an influential networker, but chief buyer for fabrics, linen and haberdashery, no

less, but also no more. In this position he could speculate on a rise to the top of the company, but he lacked the prerequisites for taking over a large, heavily indebted department store group. Karg could not think of this until he was able to get the banks involved a few years later. In 1933 he was not appropriately positioned in the firm. He was only appointed managing director of Hertie because there was a need for a man with his expertise. The offer undoubtedly came in handy for Karg; he must have recognized the opportunities that it opened up for him and he knew how to take advantage of them, but the banks were in charge, in close coordination with the Reich Ministry of Economic Affairs.

After Karg also took on the managing directorship of Hermann Tietz OHG through the “Gleichschaltung” agreement of July 29, 1933, he became the dominant figure in the firm’s management. He soon overshadowed his colleague von der Tann, who as a lawyer with a banking career in the retail business was completely inexperienced in department store management; Karg also used the new appointments that occurred as a result of “Aryanization” to build up his own power base within the company. He adopted the system developed by Oscar Tietz of assembling a staff of confidants in the company management such as Helmut Friedel and Wilhelm Hermsdorff, who were also employed as shareholders, board members and managing directors in several group companies, which secured them considerable additional income.

In the spring of 1933, Karg began to acquire department stores as personal property, in addition to his work at the Hermann Tietz company. Hertie’s administrative advisory board repeatedly attempted to obtain an overview of the managing director’s activities.²³¹ Apparently this effort was not successful, as no such overview can be found in the files. The always well-informed Berlin management of M. M. Warburg & Co. assumed in June 1935 that Karg owned three of his own department stores.²³² This corresponds to the results of the research behind the following statements, although no definitive findings can be claimed. All three privately held department stores were sold to Karg by Jewish owners. Two of these “Aryanizations” were so-called affiliated companies that had long been associated with the Hermann Tietz Group as members of the purchasing group. When the owners felt forced to sell, they probably contacted the group administration in search of a buyer; they would have been interested in keeping the department stores in question in the purchasing group and not handing it over to a competitor. As the non-Jewish head of central textile purchasing, Karg could have intervened in the purchase, because a “Jewish” department store group was not considered as a buyer.

One of the companies Karg took into personal ownership was the Mendel department store in the East Prussian town of Ortelsburg. The fact that the owner Samuel Mendel had affiliated his business to the Hermann Tietz Group before



Fig. 17: Georg Karg (left) with unknown person, 1938.

1933 can be seen from a surviving report from the city administration. Mendel had repeated conflicts with the Tietz Group because Tietz supplied him with neon signs and advertising flags in Berlin format, which were criticized as defacing the streetscape in this remote corner of Masuria.²³³ Although Mendel lived in Berlin, he was severely disadvantaged because of the environment in Ortelsburg which suffered under National Socialist terror. The NSDAP achieved a 76.9 percent share of the vote in this district in the Reichstag elections in July 1932. In the spring of 1933 Mendel gave up, and emigrated to Palestine with his wife. The price which Karg paid him for his business is unknown; the only evidence of the sale is that the Mendel department store continued to operate as the Karg department store starting in May 1933.²³⁴

Against a similar background, in May 1933 Karg acquired the Wolff Krimmer Nachf. department store in Guben in Lower Lusatia, which specialized in women's clothing and, known as the "Anschlusshaus," had long been part of the Hermann Tietz Group's purchasing group.²³⁵ The managing owner Julius Cohn (also Chon) was affected by the attacks on "Jewish" department stores, which were also

more violent here than in Berlin. The Wolff Krimmer Nachf. department store, a family business that had been well established in Guben for decades, was occupied by SA and SS troops in March 1933.²³⁶ Julius Cohn was forced to emigrate and sold to Karg for an unknown price. The *Gubener Zeitung* reported on this on May 26, 1933:

The owners of the company Wolff Krimmer Nachf. have sold their business, which has been run by the family for 49 years, to Mr. G. Karg, Berlin, who will run the company under the name Kaufhaus Karg. The takeover took place on June 1, 1933. This means that the largest textile specialist store, known far beyond the borders of our city, has been transferred to Christian ownership. The positions of senior employees will also be "gleichgeschaltet."²³⁷

So, after the takeover, Karg fired the Jewish employees and Jews were banned from shopping in the "Modehaus Georg Karg," as the department store at Gubener Herrenstraße 1 was now called. For Karg, this investment, like the one in Ortelsburg, had no particular significance. After a few years he sold the department store in Guben to the businessman Richard Ladeburg; in the city's residents' register from 1939 it is recorded as "Modehaus Richard Ladeburg".²³⁸

The "Aryanization" of the Berlin department store company Paul Held Nachf. GmbH, on the other hand, gave Karg a company that became very important to him and to which he held on to permanently. In 1934, the Jewish businessman Hugo Aufrichtig, who had decided to emigrate, offered him his 51 percent stake in this company and Karg took it. According to his own statements, he acquired the shares privately because Aufrichtig was not prepared to sell to a corporation.²³⁹ The Paul Held textile department store at Invalidenstraße 162–164 was an interesting property for Karg because it was in the immediate vicinity of the Hermann Tietz and Hertie department stores located at Brunnenstraße 19–20, separated from it by only one street intersection. The two department stores had been stalking each other for a long time and engaged in fierce price competition. Karg would have found out directly that Aufrichtig was looking for a buyer. Aufrichtig's shares in Paul Held Nachf. GmbH were transferred to Karg on August 1, 1934 for around 355,000 RM.²⁴⁰

Karg knew that he could get into trouble at Hertie because of the takeover of a privately owned competitor. Especially if it became known that he had financed almost half of the purchase, with an amount of 175,000 RM, from the company's treasury.²⁴¹ He therefore put forward his older brother Walter Karg, who acted as a partner. In a partnership agreement signed on July 27, 1934, a new company was set up, the name of which was identical to that of the previous one. The object of the new "Kaufhaus Paul Held Nachf. Gesellschaft mit beschränkter Haftung" was entered in the contract as "the takeover and continued operation of the retail business previously operated under the company Kaufhaus Paul Held

Nachf. Gesellschaft mit beschränkter Haftung” – a peculiarity, albeit a permissible one, that made it possible to disguise the purchase in the commercial register.²⁴² The shareholders of the new company were Walter Karg with a 51 percent share, Rosa Joel, the widow of the former co-owner Max Joel, with her previous share of 37 percent and the long-time authorized representative Richard Ladeburg with his previous share of twelve percent. The share capital was unchanged at 500,000 RM.²⁴³ Georg Karg did not appear in the partnership agreement, however, in an additional agreement concluded on the same day, he was granted the right to make decisions that actually required a three-quarters majority with a majority of only 51 percent. At the same time, the contractual partners, which now also included Georg Karg, established a mutual right of first refusal.²⁴⁴

Karg had informed only the chairman of Hertie’s Advisory Board about the purchase and the confidential modalities, but Hartung spilled the matter after a few weeks in a meeting that was also attended by representatives of Deutsche Bank. Now Karg was facing some trouble. Deutsche Bank demanded an explanation from him, and the advisory board asked him to account for the details of the deal.²⁴⁵ Karg complied with this request in a two-page note in which he disclosed the financing and took credit for now placing the competition at the corner of Brunnenstraße and Invalidenstraße under his control.²⁴⁶ The reactions of the advisory board members show how much Karg had now become indispensable for Hertie. Wintermantel and Paschke (both Deutsche Bank) suggested making the 175,000 RM that Karg had “borrowed” from Hertie to buy the 51 percent stake in the Paul Held company available to him in exchange for pledging these shares.²⁴⁷ Dresel (Mendelssohn & Co.) noted that it was “undoubtedly a very unusual phenomenon that a leader of the Tietz Group is competing with his own company,” but suggested they find an arrangement within the framework of an “overall understanding” with Karg and also agreeing with him on a longer commitment to the group. The advisory board’s hopes for an upswing of the group now rested on the managing director. Dresel wrote, “I believe that everyone involved agrees that his work is of considerable importance for the company’s prosperity.”²⁴⁸ In December 1934, the advisory board finally agreed to contractually oblige Karg to separate his own interests as an entrepreneur from those as Hertie’s managing director.²⁴⁹

After Karg received the consent of the Hertie Advisory Board he also officially appeared as the majority shareholder of Paul Held Nachf. GmbH; the business was run by Walter Karg and Richard Ladeburg.²⁵⁰ The Karg brothers did not try to force Joel out of the company. They probably calculated that the Jewish widow would emigrate in the not too distant future. In the spring of 1937, Mrs. Joel decided to emigrate and sold her 37 percent stake in Paul Held Nachf. GmbH and two properties to Georg Karg for 330,000 RM.²⁵¹ Karg paid a higher price per share than three years earlier for the shares of Aufrichtig, but the price also in-

cluded Joel's share in the properties at Brunnenstraße 178 and 179, which Aufrichtig and Max Joel had once acquired together. Aufrichtig's interest in these properties only passed to Karg a year later.²⁵² Karg was now interested in obtaining full control of Paul Held Nachf. GmbH. In order to retain the minority stake of the third shareholder, the managing director Ladeburg, he agreed on an exchange of assets with him. In a contract dated May 14, 1937, Ladeburg transferred his shares to Karg and received in return the department store in Guben, which had been "Aryanized" by Karg.²⁵³

In 1939/40, Karg made some efforts to gain access to "Aryanized" department stores in the de facto annexed areas of Czechoslovakia ("Reich Protectorate of Bohemia and Moravia"). The Bohemian Escompte Bank, which had been taken over by Dresdner Bank, tried to make available for him the ARA and Jopa department stores in Prague and the Textilia and Rix department stores in Moravian Ostrava. In all cases, Karg came away empty-handed because others had offered better connections.²⁵⁴ In the occupied Netherlands, thanks to the support of Dresdner Bank, Karg initially had a good chance of being awarded the takeover contract for the "Aryanization" of the leading department store group De Bijenkorf. Here, too, he was ultimately passed over because the Reich Economics Ministry preferred the Köster Group, which was favored by the Commerzbank.²⁵⁵

After the war, Karg had to answer the question on a form from the Hamburger denazification commissioner: "Have you or an immediate relative ever acquired property that was confiscated from other people for political, racial or religious reasons or that was confiscated in the course of the occupation of other countries?" He entered on this form: "not applicable."²⁵⁶ That was not wrong, because he had not been successful in the annexed territories and occupied countries and Mendel, Cohn and Joel had sold their company property to him in private law contracts and had not relinquished it through officially ordered "asset confiscation." But it wasn't the whole truth either.

Later, when Karg became the "department store king" of the West German economic miracle, there was no shortage of admirers of his abilities, even if he kept a lower profile in public than any other company boss of the time. Looking back, Adolf Jandorf's son Harry, who had once completed an apprenticeship with Karg in the Wilmersdorfer Straße department store, called him "a business genius."²⁵⁷ For the business journalist Hans Otto Eglau, who gave Karg his first interview in 1970 at the age of 82, he was a "skilled tactician" and a "commanding leader."²⁵⁸ At the time in question, the image of him in the industry was not so brilliant. When Karg was in the process of taking over Hertie Waren- und Kaufhaus GmbH from the banks in 1937, the Dresdner Bank received a report about Karg from a "special researcher" in its credit agencies that was close to a warning:

K. is said to be a clever, cunning man, but one who does not have the character qualities required for a position like the one he currently holds and will hold in the future. What he has too much of in the way of farmer's cleverness, he supposedly lacks in character and sagacity, i.e. agreements with him are difficult to make and it is very difficult for him to keep his word. In industry circles, the danger that one day his temperament could lead to unpleasant situations is not at all ruled out.²⁵⁹

This did not stop Dresdner Bank from putting one of Germany's largest department store groups into the hands of Karg. His undeniable professional expertise outweighed any possible doubts.