

From Challenger to Joint Industry Leader, 1890-1939

A History of Royal Dutch Shell, volume 1



Joost Jonker & Jan Luiten van Zanden



Volume 1 covers the history of Royal Dutch Shell from the foundation of the two parent companies in the 1890s until the outbreak of the Second World War. In particular after the amalgamation of the business interests of Royal Dutch and Shell Transport in 1907, Royal Dutch Shell developed into an industry leader, with a strong presence in all main markets and production areas. The company's phenomenal expansion was masterminded by Henri Deterding, arguably one of the world's most successful businessmen of his generation. During the 1920s Royal Dutch Shell transformed itself into a mature corporation, developing innovative marketing and branding methods and branching out into petrochemicals. However, its management structure trailed the company's evolution because Deterding resisted any changes that threatened his position. When he retired in 1936, discredited through his association with Hitler's Germany, Royal Dutch Shell faced the challenge of how to rebuild its top management structure while threatened by the impending war.

Joost Jonker specializes in financial and business history, ranging from the 16th century until the present. His publications include a history of Dutch international trading houses and an analysis of the emergence of securities trading at the Amsterdam exchange.

Jan Luiten van Zanden is Professor of Economic History at Utrecht University, and Senior Researcher at the International Institute of Social History in Amsterdam. He has published widely on the economic history of Western Europe and Indonesia, in particular on long-term economic growth and development.

OXFORD  
UNIVERSITY PRESS  
[www.oup.com](http://www.oup.com)



**From Challenger to Joint Industry Leader, 1890-1939**  
**A History of Royal Dutch Shell**

Joost Jonker & Jan Luiten van Zanden

Published under licence from Boom Publishers, Amsterdam, initiating publishers and publishers of the Dutch edition.

**OXFORD**  
UNIVERSITY PRESS

2007

*From Challenger to Joint Industry Leader, 1890-1939* is one of four volumes of the work entitled *A History of Royal Dutch Shell*, written by a team of four authors associated with Utrecht University, Jan Luiten van Zanden, Stephen Howarth, Joost Jonker and Keetie Sluyterman. It is the result of a research project which was supervised by the Research Institute for History and Culture and coordinated by Joost Dankers.

**The other volumes are:**

Stephen Howarth and Joost Jonker

*Powering the Hydrocarbon Revolution, 1939-1973*

Keetie Sluyterman

*Keeping Competitive in Turbulent Markets, 1973-2007*

Jan Luiten van Zanden

*Appendices, Figures and Explanations, Collective Bibliography, and Index*, including three DVDs

**OXFORD**  
UNIVERSITY PRESS

Great Clarendon Street, Oxford OX2 6DP

Oxford University Press is a department of the University of Oxford.  
It furthers the University's objective of excellence in research, scholarship,  
and education by publishing worldwide in

Oxford New York

Auckland Cape Town Dar es Salaam Hong Kong Karachi  
Kuala Lumpur Madrid Melbourne Mexico City Nairobi  
New Delhi Shanghai Taipei Toronto

With offices in

Argentina Austria Brazil Chile Czech Republic France Greece  
Guatemala Hungary Italy Japan Poland Portugal Singapore  
South Korea Switzerland Thailand Turkey Ukraine Vietnam

Oxford is a registered trade mark of Oxford University Press  
in the UK and in certain other countries

© by Royal Dutch Shell plc, 2007

All rights reserved. No part of this publication may be reproduced,  
stored in a retrieval system, or transmitted, in any form or by any means,  
without the prior permission in writing of Oxford University Press,  
or as expressly permitted by law, or under terms agreed with the appropriate  
reprographics rights organization. Enquiries concerning reproduction  
outside the scope of the above should be sent to the Rights Department,  
Oxford University Press, at the address above. You must not circulate this  
book in any other binding or cover and you must impose the same condition  
on any acquirer.

British Library Cataloguing in Publication Data  
Data available

ISBN: 978-0-19-929878-5



[47]

This was the exact proposition which Asiatic had denied to Colijn at Bataafsche in August 1914 (see Chapter 3), but the delicious irony would have been lost on London managers. Though at first inclined to keep the informal embargo in place, the Group relented after talks with Jersey officials and the two companies agreed to joint sales, pooled in proportion to their respective positions on the Spanish market before the monopoly.<sup>123</sup> If the companies had hoped that this would facilitate their re-entry into the market, they were mistaken. By 1940, Group sales to Spain and Spanish Morocco were still negligible at a total of nearly 3,000 tons.<sup>124</sup> Nor did the memo alter the Group's position on supplying belligerents. When Japan started a full-scale war with China in 1938, Jersey and the Group adhered again to the policy of continuing supplies at peacetime level to Japan.<sup>125</sup>

In Germany the collaboration between the three principal As-Is partners appears to have been a little closer than in the other countries discussed here.<sup>126</sup> Again, these companies dominated the local market, in 1937 selling 55 per cent of the gasoline, 72 per cent of the diesel fuel, 76 per cent of the asphalt, and around 50 per cent of the lube oil. For the Group, these figures were respectively 22 per cent, 23 per cent, 39 per cent, and 25 per cent.<sup>127</sup> Two of the four main products, gasoline and asphalt, were tied up in tight cartels, the asphalt cartel being chaired by Rhenania-Ossag's general manager Dr. W. Kruspig. Germany was the Group's second



[48]

biggest market in Europe and the fourth biggest overall, but it was still a comparatively underdeveloped market because of the low degree of motorization. During the early 1930s, the UK and France each consumed three times as much gasoline per head of population as Germany.<sup>128</sup> Rhenania-Ossag's manufacturing operations concentrated on the processing of imported intermediates, to produce gasoline, diesel fuel, lube oils, and asphalt. Imports from Rotterdam served the north and west of the country, while Romania supplied the southern part. As we have seen in Chapter 6, lube oils had become a speciality following the acquisition of the Hamburg Stern-Sonneberg works in 1925, and a considerable part of Rhenania-Ossag's production was exported to other countries, including the UK. Business boomed during the second half of the 1920s. Profits rose from RM 190,000 in 1926 to 2.4 million in 1929, and to accommodate the expansion the Group increased the company's capital from RM 40 million to 83.6 million. In 1930 Rhenania-Ossag moved its head office from Dusseldorf to Hamburg, into a splendid, modern building, just when the Depression had caused it to plunge back into losses.<sup>129</sup> The Group also had a small E&P operation in Germany, the Gewerkschaft Brigitta, a 50-50 joint venture with Jersey Standard acquired in 1931. After years of fruitless drilling the company was almost wound up when it finally struck oil in 1936.<sup>130</sup>

The Axis takes shape: In 1938 Japan's war against China is a year old (left and far left), and on 10 May Hitler and Mussolini drive joyfully through Florence (right).



[49]

The German foreign payments moratorium imposed in 1931 created the first of the difficulties which were to dominate the 1930s. Suddenly Rhenania-Ossag could no longer obtain pounds sterling to pay Asiatic for its supplies. As an interim solution Asiatic increased its credit to Rhenania to RM 18.1 million, the equivalent of 10.7 million guilders or almost £ 900,000.<sup>131</sup> Though a major nuisance, the freezing of all foreign exchange transactions did not materially affect the German operations in the long run, largely because the Group's global scope offered sufficient opportunities to offset the consequences. The bilateral clearing arrangements which Germany concluded with its main trading partners provided one way to obtain payment. Under this system the revenues from the trade between two countries were pooled in the exporting country for matching and clearing with the revenues from trade going in the opposite direction and pooled in the other country. Exporters received payments in their own currency from the respective pools, subject to the vicissitudes of international trade balances and any quotas imposed on particular categories of payments or goods for reasons of trade policy or equity. To minimize the dependency on individual clearing arrangements, the Group spread its exports to Germany over as many countries as possible. An attempt to use the dual nationality for obtaining a 60:40 split of this trade over the Dutch and British clearing systems appears to have failed, but the draw on the Netherlands was subsequently

lowered by 'exporting to Germany via every available sidedoor and backdoor', as De Kok put it, i.e. by directing the trade via operating companies of different nationalities. The Group's belief in the need for flexible supplies paid dividend here. If necessary, supplies to Germany could be spread over at least eight different countries: the Netherlands, the UK, the US, Romania, Venezuela, Mexico, Palestine, and Iraq. Drawing gasoline supplies from Romania rather than, say, Rotterdam was one way of doing this.<sup>132</sup>

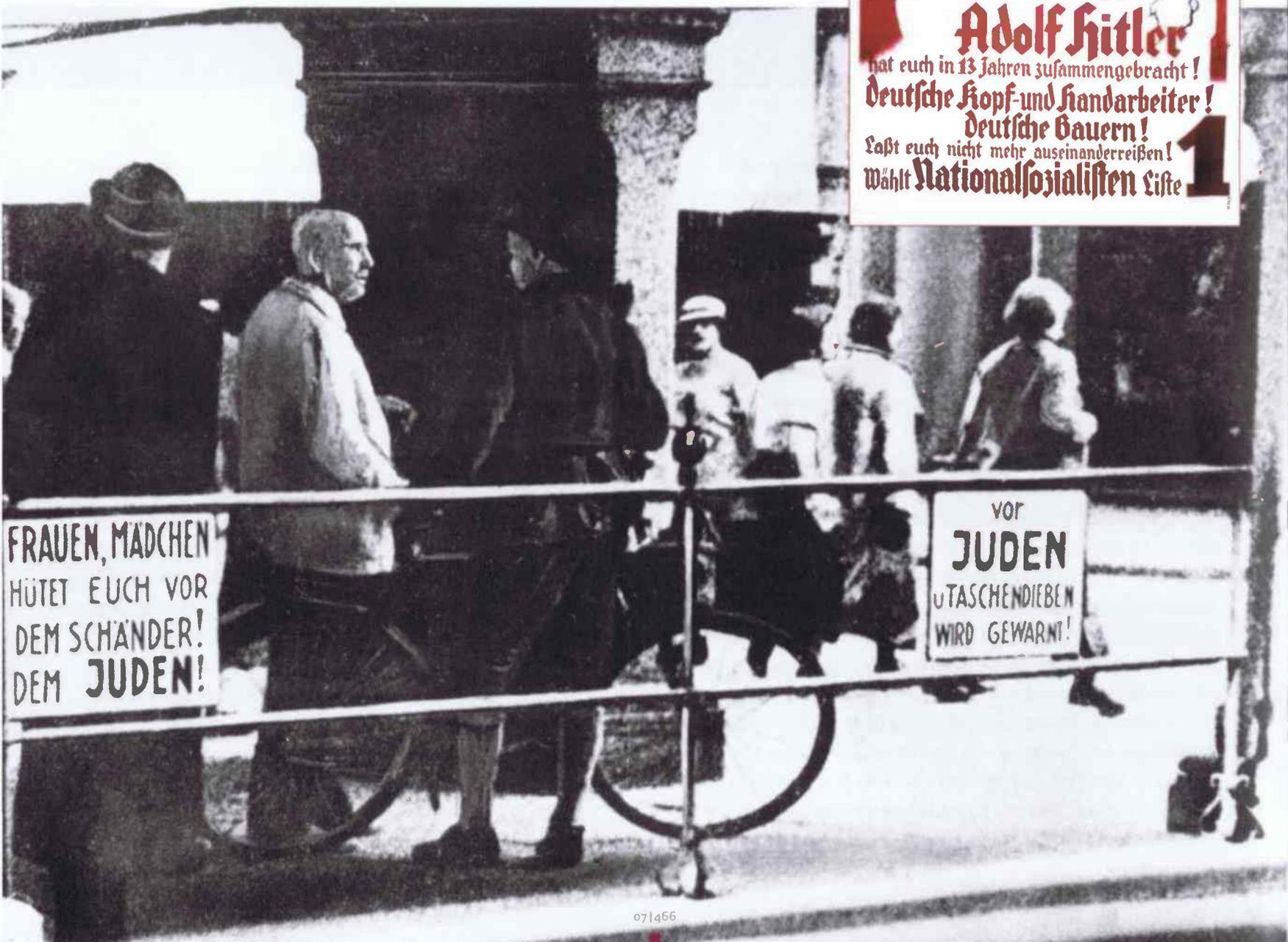
The Nazi regime which came to power in January 1933 progressively tightened foreign exchange regulations, but as late as 1937 Rhenania-Ossag experienced little difficulty in finding sufficient currency to pay for its imports.<sup>133</sup> The Group achieved this on the one hand by enabling Rhenania-Ossag to earn foreign currency through exports, putting the lube oil specialization to good use. By the mid-1930s Rhenania-Ossag produced 250,000 tons of lube oil a year, about 60 per cent of the German total. Around 30 per cent of this output went abroad, of which 50,000 tons went to the UK. The raising of import tariffs on lube oil in 1935 gave a further stimulus to production in Germany.<sup>134</sup> During 1937 and 1938 Rhenania-Ossag's lube oil production was further expanded and modernized. Since profits could not be sent out of the country, the company had enough cash for substantial investments over and above the ample depreciations exercised for the same reason.<sup>135</sup> On the other hand, the Group could create foreign currency credits

A Nazi election poster from 1932 (right) heralds Hitler's rise to power the following year, and warning posters (below) show anti-Semitism taking root in Germany: 'Ladies, girls – beware of the rapist! The Jew!' 'Watch out for Jews and pickpockets!'



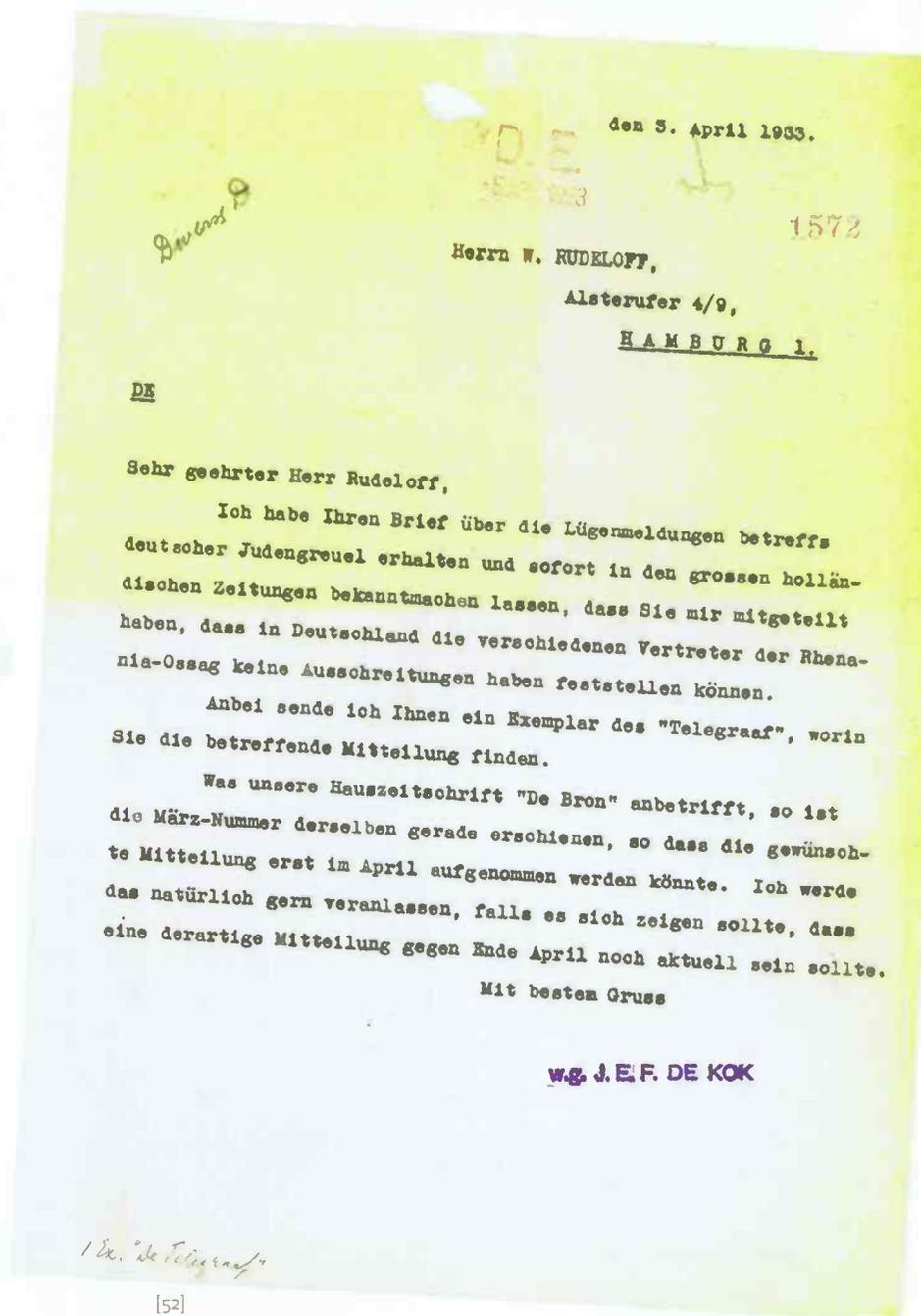
[50]

[51]



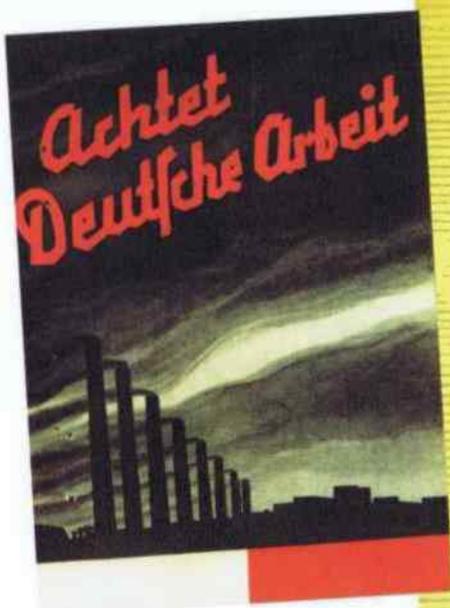
for Rhenania-Ossag by having the company place orders for capital goods destined for use by other operating companies. During 1935–1939, Anglo-Saxon had a total of seven large tankers built at German shipyards, the largest number ordered outside the UK and the Netherlands during those years. At least three of those tankers were built as straight compensation for oil imported by Rhenania-Ossag.<sup>136</sup> By 1937 the Group ran a surplus on this type of internal clearing. Supplies to Germany amounted to £ 3.8 million pounds sterling or 34.4 million guilders, but the orders placed there during the year came to RM 52 million, the equivalent of £ 4.2 million or nearly 38 million guilders. Asiatic's credit to Rhenania-Ossag had fallen back to normal proportions and it had a regular and sufficient supply of foreign currency.<sup>137</sup>

The Nazi regime also confronted the Group with demands and restrictions of an entirely different kind. The first months of the Hitler government were characterized by great social turmoil. Brownshirt bands acting as auxiliary police roamed the streets, terrorizing their political opponents. The Reichstag fire in February 1933 was blamed on arson by Communists and taken as an opportunity to ban the Communist party and arrest its members and sympathisers. Outbreaks of violence against Jews and Jewish businesses also became widespread, culminating in an organized, national boycott of Jewish businesses on 1 April 1933. A week later the German government enacted a law barring Jews from holding civil service and university appointments, which was followed by similar regulations concerning the professions.<sup>138</sup> Rhenania-Ossag was also confronted with scattered actions. In February, a bomb was thrown at a service station in Königsberg (now Kaliningrad), but it failed to explode. On 31 March, Nazi mobs besieged three



Early in April 1933, less than a week after Hitler ordered a boycott of Jewish shops, De Kok wrote to Rudeloff (above), saying that he had passed Rudeloff's comments about 'false reports of German atrocities against Jews' on to the main Dutch

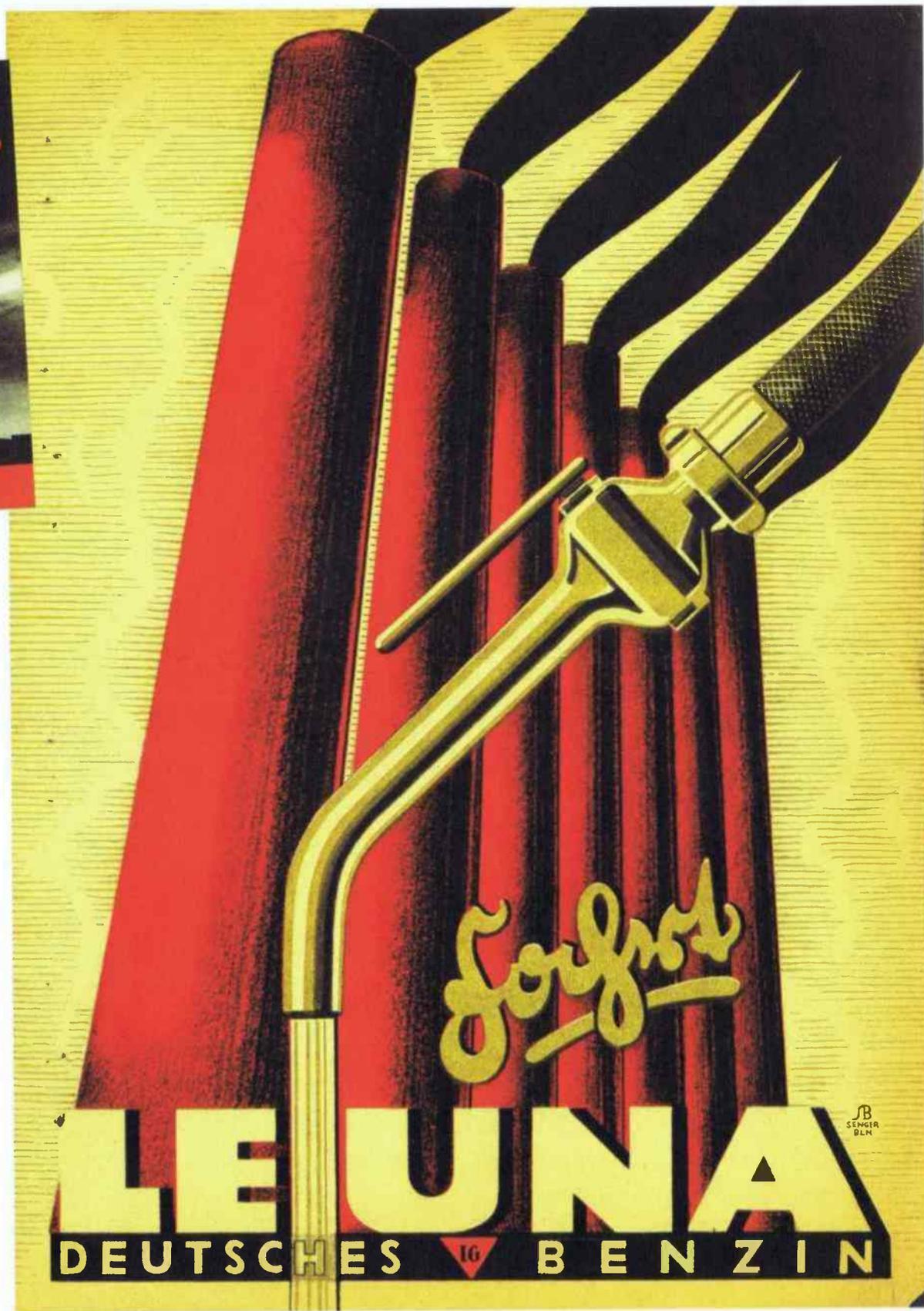
newspapers. At first the letter seems alarmingly naive, but it was extremely carefully worded and was more probably written in a mood of self-protection – Deterding was still in charge.



[53]

[54]

Together with Jersey Standard, Shell, distributed the synthetic gas oil produced by IG Farben and was a partner in the extension of the project. The town of Leuna in eastern Germany was the hub of I. G. Farbenindustrie and gave its name to the company's synthetic petrol.



service stations in the Westphalia region, claimed the keys with the intention of closing them as belonging to a Jewish company. And on 3 April the Nazi representatives of Rhenania-Ossag's works council presented the management with demands for the immediate dismissal of all Jewish directors. Two Jewish directors of the Colas asphalt works near Dresden had already resigned after similar pressure there, and the Jewish lube oil sales manager in Berlin had taken immediate leave, shocked by what was happening.<sup>139</sup>

The events convinced the Rhenania-Ossag managers that the company needed to be aligned with the New Order in Germany, and quickly. Though they had earlier attempted to downplay the seriousness of the violence against Jews, asking Group directors to have denials placed in English and Dutch newspapers, such actions had clearly unsettled them, as evident from the relief with which chairman Rudeloff greeted the well-organized boycott as a sign that the government could control the Nazi mob's violent anti-Semitism.<sup>140</sup> In his view, the banning of Jews from the civil service and the professions would surely be followed by similar regulations for private business; the government had already barred Jews from membership of the semi-public branch organizations representing business interests at government level.<sup>141</sup> Accordingly, Rudeloff proposed to transfer a number of Jewish employees to other Group companies since he expected that this legislation would seriously limit their ability to work in the business.<sup>142</sup> During May and June, Rhenania-Ossag's *Aufsichtsrat* (board of directors) was thoroughly overhauled as well. The Jewish members resigned, among them the Stern-Sonneborn founders Jacques Sonneborn and Leo Stern. In at least one case, the resignation does not appear to have happened voluntarily. The appointments to replace them included a member of the Nazi party NSDAP, the second one on the board because Kruspig was

already a member. Rudeloff postponed the appointment of a third because he wanted to wait and see how the situation would develop. Rhenania-Ossag also put pressure on two Dutch members to make way for Germans, but this did not happen until 1935.<sup>143</sup> In retrospect the remodelling of the senior management to suit the New Order would appear to have happened with undue haste, long before the introduction of formal legislation, but Rhenania-Ossag did no more than follow the trend in German business. At about the same time, companies as diverse as Deutsche Bank and Unilever took identical action.<sup>144</sup>

The far-reaching changes to the Rhenania-Ossag board could not have taken place without the full consent of Central Offices. The record is incomplete and we have found no documents from which the attitude taken by London and The Hague might be construed.<sup>145</sup> Nor have we found any indications that Rhenania-Ossag took them under the influence of fanatical Nazis.<sup>146</sup> Moving managers and employees to other jobs was probably seen as a cosmetic exercise of the kind occasionally required to placate particular regimes, and no more. No questions of principle or moral judgements about the Hitler regime appear to have arisen and it bears pointing out that, whereas correspondence shows Group managers quick to identify and condemn Bolshevism, they appear not to have had the same sensitivity to Fascism or Nazism. This blind spot, quite a common affliction in the 1930s, may have impaired their vision when it came to perceiving the intentions of the unfolding Third Reich and the horrendous threat hanging over the Jewish employees in the Group's care. We do not know the Group's treatment of the staff members concerned, nor their fates.

The economic programme of the Hitler government had three priorities: reducing unemployment, achieving economic self-sufficiency, and rearmament. Though a serious drain on Germany's fragile finances, these policies boosted the economy and notably the automotive industries, because road building and stimulating car ownership and use were a key plank in the unemployment relief programme.<sup>147</sup> Rhenania-Ossag turnover shot up from RM

Late in 1933 Rhenania set up an information office for motorists and launched a large series of motorists' touring maps, emphasizing – despite some political doubts from The Hague – the importance of Shell as a contributor to the German economy.

180 million in 1932 to more than RM 500 million in 1938, the number of employees rising in tandem from almost 6,000 to 10,000.<sup>148</sup> During 1933 alone, asphalt sales increased by more than 35 per cent.<sup>149</sup> As for achieving self-sufficiency, Germany was almost entirely dependent on imported oil and had only a small primary processing capacity, because the fiscal regime favoured importing intermediates. Since indigenous production could never become sufficient to cover normal demand, let alone the requirements of rearmament, the German government launched a com-



Mit der Herausgabe unserer SHELL-Tourenprospekte, die sich bewußt von dem auf kartographischem Gebiet Üblichen unterscheiden, wollen wir uns in den Dienst des Motortourismus stellen, indem wir mit diesen Karten Anregungen zu Wochenendfahrten geben. Die SHELL-Tourenkarten machen neben der jeweiligen Tourroute durch Wort und Bild auf die Schönheiten der Landschaft und die Sehenswürdigkeiten, die an der Straße liegen, aufmerksam. Diese kleinen Führer sollen die oft gehörte Frage „Wohin wollen wir fahren?“ beantworten und dem Lenker des Fahrzeuges selbst lebendige Wegweiser sein.

So, wie diese Karten Führer sein sollen, ist unser SHELL-Dienst überall Helfer unterwegs, dort steht man mit Rat und Tat dem Kraftfahrer zur Seite und hält die immer gleichbleibenden, hochwertigen SHELL-Produkte in verplombten, vorbildlichen Apparaten und Emballagen präpariert zur Verfügung.

**Frohe Fahrt mit**  
**SHELL**  
 BENZIN • AUTOÖLE  
**DYNAMIN**  
 das SHELL-Spezialgemisch für hochkomprimierende Motoren.  
 Erhältlich an allen SHELL-Pumpen mit blauem Band.

RHENANIA-OSSAG MINERALÖLWERKE AKTIENGESELLSCHAFT

## SHELL und DEUTSCHLAND

Soweit die deutsche Inlandsproduktion für eine wirtschaftliche Deckung des deutschen Bedarfs nicht ausreicht, versorgen wir Deutschland durch Einfuhr mit den für seine Wirtschaft und seinen Verkehr unentbehrlichen Erdölprodukten. Indem wir Deutschland mit der über die ganze Welt verteilten SHELL-Produktion der uns angeschlossenen Gesellschaften unmittelbar in Verbindung bringen, sichern wir Deutschland die wirtschaftlich günstigsten Belieferungsmöglichkeiten aus der Welt-Erdölherzeugung. Die SHELL-Organisation in Deutschland stellt sich gleichzeitig in den Dienst richtig verstandener Nationalwirtschaft. Sie bemüht sich um weitere Erschließung deutscher Erzeugnisse unter Ausnutzung der in weltumfassender Tätigkeit gesammelten Erfahrungen. Insbesondere haben wir die Verarbeitung in großem Umfange nach Deutschland verlegt. 6 Werke, darunter die größten und bedeutendsten ihrer Art in Deutschland, mit einer Verarbeitungsmöglichkeit von mehr als 600000 t jährlich, deren Erzeugnisse auch zu einem erheblichen Teil zur Wiederausfuhr gelangen, haben wir in technischer Vollkommenheit geschaffen. **Wir sind auf unserem Gebiet der größte Arbeitgeber Deutschlands.**

Durch unsere umfassende Organisation von großen und kleinen Verteilungslägern und Tausenden von SHELL-Tankstellen sorgen wir für wirtschaftlichste und bequemste Befriedigung des Bedarfs. Durch die Ausgestaltung unserer Organisation führten wir der deutschen Wirtschaft seit 1924 Aufträge von mehr als 170 Millionen Reichsmark zu.

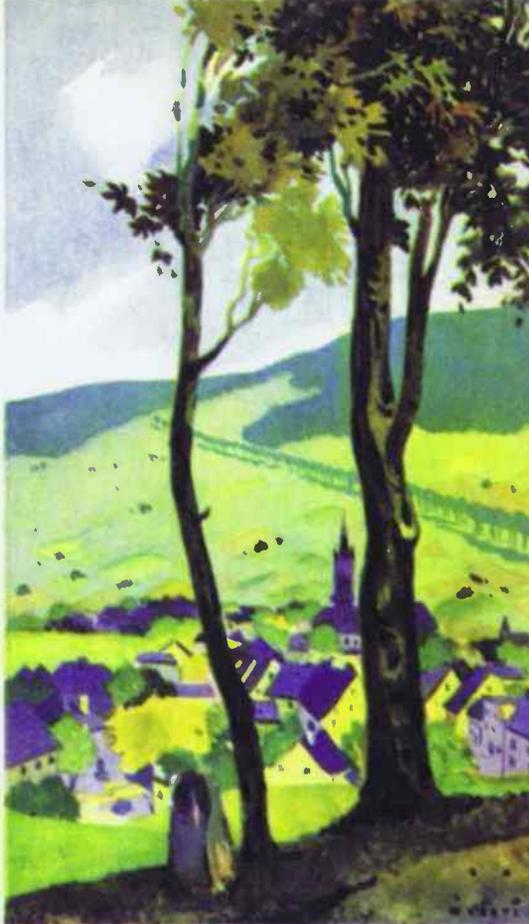
Die Ausfuhr von Erzeugnissen aus unseren deutschen Werken erbrachte seit 1924 einen Devisenerlös zugunsten der deutschen Zahlungsbilanz von 127 Millionen Reichsmark. Die Verknüpfung mit der weltwirtschaftlichen Betätigung der SHELL-Gruppe sicherte Deutschland Lieferungen eines erheblichen Teiles des von der Gruppe in allen Erdteilen benötigten Materials — seit 1924 in einem Werte von über 144 Millionen Reichsmark.

Gegenüber diesen insgesamt 441 Millionen Reichsmark gab Deutschland seit 1924 durch uns für die Einfuhr von unentbehrlichen Erdölrohstoffen, Halb- und Fertigfabrikaten einen Betrag von 570 Millionen Reichsmark aus. Durch diese Verknüpfung und Wechselwirkung wirtschaftlicher Interessen sind demnach fast drei Viertel eines Betrages, der auf jeden Fall für den Import unentbehrlicher, lebenswichtiger Grundstoffe von Deutschland hätte aufgewandt werden müssen, dem Lande wieder zugeflossen.

**RHENANIA-OSSAG**  
 Mineralölwerke Aktiengesellschaft



ZRK 4140



**SHELL-TOURENKARTE 20**  
 LEIPZIG • OBERWIESENTHAL • LEIPZIG

prehensive programme to expand the production of synthetic gasoline by giving price guarantees to producers. In September 1933, representatives from the Group, Jersey Standard and APOC met in The Hague to discuss the threat of the new economic policies in Germany and once again agreed on the need to act in common. They would not expand their refining capacity and in August 1934 the companies also rejected a government proposal to build extensive new bulk installations and to maintain increased stocks of oil products there in return for an undertaking to limit the

production of synthetic gasoline.<sup>150</sup> As so often, the German government could easily find alternative solutions. An American company, Crusader Petroleum Industries, built a new refinery near Hamburg and a government agency erected the bulk installations.<sup>151</sup>

With their refusal to fall in with the government's demands, the oil companies lost what little hold they had on developments. By September 1935, Kessler worried about Rhenania-Ossag losing its position on the German gasoline market. As things stood the

## SHELL-TOURENKARTE NR. 20

Leipzig – Oberwiesenthal – Leipzig



Schneeberg im Erzgeb.



Oberwiesenthal  
Panorama



Annaberg mit Pöhlberg  
(Teilansicht)



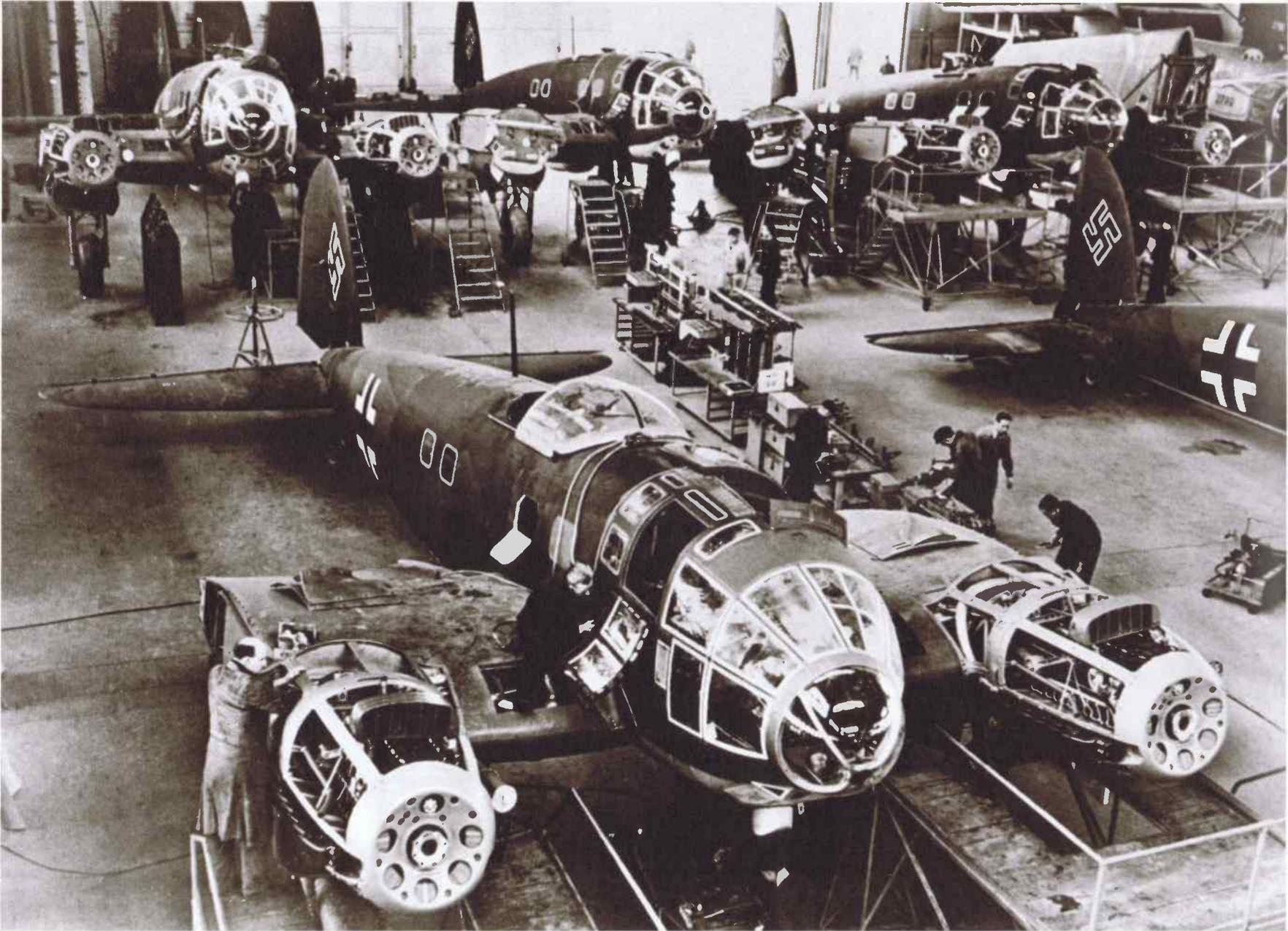
Ausfahrt über die Reitzenhainer Straße durch den Vorort Probstheida bis zur Straßengabelung am Straßenbahndepot, dann rechts ab auf ebener Straße nach **Borna** (11), einem Industriestädtchen, das durch seinen Plano- und Orgelbau besonders bekannt geworden ist. Weiter auf schöner Straße, von allen Bäumen umrahmt, nach **Altenburg** (43), dem reizend gelegenen ehemaligen Residenzstädtchen des Herzogs von Sachsen-Altenburg. Das Schloß überragt, auf hohen Felsen gelegen, malerisch die Stadt. Die Durchfahrt ist gut markiert, und wir sind auf glatter, ebener Straße eine halbe Stunde später in der Industriestadt **Zwickau** (87), einer schönen, alten Stadt, Sitz vieler bedeutender Industrien, Ausgangspunkt für lohnende Ausflüge ins Erzgebirge. Sehenswert sind das Rathaus aus dem Jahre 1581, spätgotisches Gewandhaus (1524), spätgotische Marienkirche (1453–1536), Stadtbibliothek, Museum. Auf kurvenreicher Straße geht es jetzt weiter über das Städtchen **Schneeberg** (9,2), immer bergauf, bergab, schließlich hinter Aue durch schönen Wald nach **Oberwiesenthal** (2,4), in dem wir den Fichtelberg (1204 m hoch) nördlich, östlich und südlich umfrenen haben. Oberwiesenthal mit seinen gepflegten Hotels und seinem prachtvollen Rundblick über die Hochebene ladet uns zur Rast. In unmittelbarer Nähe des Kurortes die tschechoslowakische Grenze.

Die Rückfahrt nehmen wir auf allmählich fallender Straße über das hübsche Städtchen **Annaberg** (19), dem Mittelpunkt der sächsischen Spitzenklöppelei, durch Barbara Ullmann 1561 eingeführt (Denkmal auf dem Markte). Von 1515 bis 1559 wirkte hier der Altrechenmeister Adam Riese (Adam-Riese-Haus). Auf dem Friedhof steht eine mächtige, im Jahre 520 gepflanzte Linde, Auferstehungslinde genannt. (Abstecher nach Kurhaus Wiesenbad 4 km, Thermalbäder.) Weiter über Ehrenfriedersdorf, einem Städtchen mit starker Heimindustrie (Ausflug zum Greifenstein, Naturtheater), auf fortwährend fallender Straße nach **Chemnitz**, Sachsens drittgrößter Stadt (359), am Nordrande des Erzgebirges gelegen. Industriestadt ersten Ranges, besonders Metall- und Textilindustrie. Sehenswert: das neue Rathaus (Gemälde von Klinger), das Städtische Museum, Jakobi- und Schloßkirche. Die Durchfahrt durch Chemnitz ist gut markiert, und nach 75 km langer Fahrt erreichen wir die Stadtgrenze von Leipzig.

|                                 |        |
|---------------------------------|--------|
| Leipzig – Zwickau .....         | 87 km  |
| Zwickau – Oberwiesenthal .....  | 64 km  |
| Oberwiesenthal – Chemnitz ..... | 58 km  |
| Chemnitz – Leipzig .....        | 78 km  |
| Gesamt .....                    | 287 km |

Die in Klammern hinter den Städtenamen angeführten Zahlen geben die Einwohnerzahl in Tausenden an.

**SHELL-Tourenkarten für viele deutsche Landesteile erhalten Sie kostenlos an allen SHELL-Tankstellen.**



[56]

The shape of war to come: Germany's rearmament began in secret in 1934, and on 11 March 1935 Hermann Goering announced the creation of the Luftwaffe. Above, Heinkel HE-111 twin-

engined bombers are seen in mass production in 1940, and above right, a disciplined formation of Junkers JU-87D Stuka dive-bombers fills the sky in 1943.



Group and Jersey Standard distributed IG Farben's output, but this was unlikely to be the case for the synthetic gasoline from other producers.<sup>152</sup> In August 1936 the Nazi government announced a Four-Year Plan to make the country entirely independent of foreign gasoline imports, putting Hermann Goering in overall charge. This direct threat forced the Group to rethink its strategy. In October, Kruspig had started negotiations with representatives of IG Farben and Jersey Standard about a joint synthetic gasoline plant to be built at Pölitz (now Police in north-western Poland, near Szczecin). The plant would produce 430,000 tons of gasoline from hydrogenated residue and later coal as well.<sup>153</sup> Kruspig warned that there was no way back. Given the aims of the Four-Year Plan, Rhenania-Ossag faced a loss of market share and trade in branded products. The company's public standing would suffer serious damage if it did not participate, for as a German business it had to support projects of such national importance.<sup>154</sup>

At first Group managers refused to let Rhenania-Ossag participate in the project, not wanting to let local considerations

outweigh global policy considerations.<sup>155</sup> Governments around the world wanted to get hydrogenation plants, considering them to be the key for gaining independence from imported oil. Projects were under consideration in France, Italy, Japan, and the Netherlands, but the oil companies did not want to build hydrogenation plants because synthetic gasoline remained totally uncompetitive with the normal product (see Chapter 6). For that reason the Group had just declined to participate in building a hydrogenation plant in the UK.<sup>156</sup> By February 1937, however, the Group had reversed its decision, but we do not know what made managers change their minds: Rhenania-Ossag's market position, pressure from the German government, or the need to keep up with its hydrogenation patent partners IG Farben and Jersey Standard.<sup>157</sup> With Goering bragging about eliminating gasoline imports within eighteen months, the threat to gasoline sales was certainly taken seriously. The Group already handled a considerable volume of synthetic gasoline, 193,000 tons in 1938 against 551,000 of normal gasoline, or a quarter of the total.<sup>158</sup> The Pölitz project now rapidly acquired a definite shape. The plant would be built in two stages at a total cost of RM 150 million, the equivalent of 12.3 million sterling or 109.5 million guilders. The first stage cost RM 80 million, to be funded by the joint shareholders in the company, Hydrierwerke Pölitz AG, Jersey Standard and the Group supplying RM 27.5 million of capital each, IG Farben 20 million and the joint marketing company Deutsche Gasolin 5 million. This stage would come on stream in 1938. The second stage, scheduled for 1939-41, was to be funded with public bond issues. Because the Group wanted at all costs to avoid its commitment to a synthetic gasoline plant becoming public knowledge, two banks fronted as shareholders in Hydrierwerke Pölitz.<sup>159</sup>

During the summer of 1938, the Pölitz contract turned out to be a devil's pact. Costs soared, construction schedules proved too optimistic, and the projected bond issues now looked unlikely to find a market. On top of that the German government considerably raised the targets of synthetic gasoline production under the Karinhall Plan and now demanded additional installations for making aircraft gasoline which doubled the original cost estimates for the plant. The partners had to supply additional funding, but the Group flatly refused to contribute, arguing that it had agreed to take only the equity stake of RM 27.5 million and that Rhenania-Ossag could not afford more. A detailed memorandum was drafted to underline the company's precarious overall position, but managers privately admitted that an inspection of the accounts by an independent auditor would easily prove the opposite and thus had to be avoided.<sup>160</sup> With the shadows of war in Europe drawing closer, the Group wanted to reduce its financial and other commit-

ments in Germany. Rhenania-Ossag's credit with Asiatic was already being liquidated, reducing the scope for oil imports.<sup>161</sup>

By now it was too late, however. From 1938 the German government took progressive control of the oil industry, laying down product specifications, restricting the use of certain products for private consumption, and introducing processing targets for oil companies. When Rhenania-Ossag's imports dropped following the curtailment of its credit with Asiatic, the government forced the company to process Mexican oil from the Group's newly nationalized wells, acquired under a barter scheme concluded between the two countries.<sup>162</sup> Officials at the *Reichswirtschaftsamt* recognized that the Group could justifiably claim not to have any further obligations to Hydrierwerke Pölitz but, with synthetic gasoline a top priority in the preparations for war, they were in no mood to let legal niceties obstruct their policy. In February 1939, the Group received an ultimatum: if Rhenania-Ossag would not take its full share in the costs, the government would interpret this as an infringement of the company's duty under law to act in the interests of the German people and the German State, and put it into administration.<sup>163</sup> This made Group managers capitulate and give Rhenania-Ossag permission to raise its financial commitment to Pölitz.<sup>164</sup> The plant finally came on stream in 1940 at a total cost of RM 270 million, the equivalent of roughly £ 28 million or 200 million guilders. Production peaked in 1943 with nearly 580,000 tons of gasoline, 80 per cent of which was aircraft fuel. During the war, Pölitz came to rely on large numbers of forced labourers housed in nine camps, which included a separate barracks from the Stutthof concentration camp. Thirteen thousand prisoners are said to have died there.<sup>165</sup> However, by that time the Group had lost all control over Rhenania-Ossag and the Pölitz works, as we shall see in Volume 2, Chapter 1.

[58]

## Die Gerüchte um Henry Deterding

(Telephonat unseres Wirtschaftskorrespondenten.)

Auf die gestern besonders in Amsterdam, Paris und London kursierenden Gerüchte, dass Sir Henry Deterding von seinem führenden Posten bei der Royal Dutch und Shell Transport zurückgetreten sei, wird von der Gruppe offiziell erklärt, dass Sir Henry nicht zurückgetreten ist. Ueber seine Zukunftspläne besagt das Communiqué nichts. Von autoritativer Seite wird in dessen versichert, dass die Gerüchte wieder von der alten Seite in der üblichen gehässigen Form mit Absicht verbreitet worden seien und dass Sir Henry Deterding auch nicht zurückzutreten beabsichtige. Sachlich lässt sich zu den Gerüchten sagen, dass schon seit einiger Zeit Vermutungen über eine Verjüngung der Verwaltung in der Royal Dutch-Shell-Gruppe aufgetaucht sind. In diesem Zusammenhang ist auch wiederholt die Person des Direktors Kessler in den Vordergrund geschoben worden, dem man als einem der jüngeren Verwaltungsmitglieder der Gruppe eine führende Rolle in der Zukunft zuschreibt, zumal da er auch eine bemerkenswerter Initiative durch seine Regulierungspläne für die Welt-Petroleumindustrie hervorgetreten ist. Man sagt verschiedentlich, dass eine gewisse Umstellung in der Verwaltung durchaus auch von der eigenen Initiative Sir Henry Deterding ausgehen könnte, der heute selbst im 67. Lebensjahr steht. Ganz abgesehen von den sicherlich sehr persönlich und unnötig aggressiv gefärbten Gerüchten um den gegenwärtigen Führer der Shell-Gruppe mag es also begreiflich sein, dass derartige Gerüchte, wie sie heute aufgetreten sind, überhaupt in Umlauf gesetzt werden können. Ausserdem hat auch der Abschluss der Shell-Union Oil Corp. den heutigen Gerüchten einen gewissen Untergrund verliehen.

Newspaper about a possible stepping down by Deterding.

From distinction to disgrace Deterding reacted to the German events in a heavily compromising way. During the early 1930s his position as Group chief executive was still very secure, if anything strengthened by his gifts for financial manipulations and the kind of arbitrage needed to counter currency fluctuations.<sup>166</sup> His attendance at board meetings was regular and little different from that of other directors, even if his absences stemmed more from prolonged holidays than from business travel. Deterding's fellow directors also indulged his penchant for seeking their reassurance and testing their loyalty by announcements of retirement, documented for 1930, 1933, and 1935 but perhaps uttered more frequently than that.<sup>167</sup> It would seem, however, that he gradually lost touch with the Group's general direction. He was not involved with major new issues such as hydrogenation, chemicals, or iso-octane, rarely took part in As-Is discussions and, after one intemperate outburst over Mexico, remained on the sidelines in the development of the Group's attitude towards nationalist policies.<sup>168</sup>

Moreover, Deterding's opinions had started sliding from the off-beat to the downright cranky. His 1920s diatribes against taxation in the Dutch East Indies and the iniquities of Bolshevism had raised eyebrows; in the 1930s his views on the Depression and notably on currency policy invited scathing comments. His view that underconsumption kept down oil prices stood out from the general consensus which blamed overproduction. The debate on the merits or otherwise of the gold standard presented Deterding with a new hobby horse, mounted at every available opportunity. He ranted against what he termed the tyranny of gold, pleaded for

Newspaper reports (left and right) fuelled Deterding's anger over 'the silver question' in the middle 1930s. At the same time, frequent rumours that he was about to retire (far left) had to be officially denied.

## U.S. Hits Britain In Silver Action

Purchase Suspension Is  
Seen As Demonstration  
Against Sterling

Continuing on the action of the

## RATES OF EXCHANGE

[59] SHANGHAI, Saturday 13th October, 1934

PARITY

BAR SILVER Spot..... 24 $\frac{7}{8}$  Import 1/8 $\frac{5}{94}$   
DO Forward . 24 $\frac{1}{8}$  Export 1/7 $\frac{2}{54}$

H. & S. B. C. Opening quotations 9.30 a.m.

### Bank's Selling Rates

LONDON.....T/T..... 1/6  
NEW YORK T/T..... 37  
LYONS.....T/T..... 556  
JAPAN.....T/T..... 128  
STRAITS.....T/T..... 63 $\frac{7}{8}$   
BATAVIA.....T/T..... 53 $\frac{1}{2}$   
MANILA.....T/T..... 73 $\frac{1}{2}$   
INDIA.....T/T..... 99 $\frac{1}{2}$   
HAMBURG...T/T..... 90 $\frac{1}{2}$

*The disparity has a strong influence*  
*206*  
*1.34*  
*Practical = 6%*  
*Export*

★ THE NORTH-CHINA DAILY NEWS, SATURDAY, DECEMBER

## MR. MORGENTHAU'S DISCLOSURE

America Buying Silver Every Day: Mexico's Total Output Last Year Taken Over

Washington, Dec. 19. Mr. Henry Morgenthau, Secretary of Treasury, reiterated to-day that the United States Treasury was still buying silver, but he refused to say from where. He said he had bought silver every day this week. "There are many places—you would be surprised."

Mr. Morgenthau declined to say whether the purchases were from private individuals or governments.

He also saw no particular significance in New York's fixing a price in the absence of a London bid and declared that there was nothing else for New York to do, inasmuch as there

Treasury, urging that "every possible assistance be given, and all power and resources be pledged, to carry out the programme."

If foreign and domestic opposition to the silver-purchase policy is successful in defeating the programme, the Senator declared, the Treasury stands to lose vast sums on the metal already acquired.

"The Administration's silver policy," declared the Senator, "is being attacked by foreign and domestic reactionary influences through a concentrated drive to force down the price of silver, with the intent to discredit and terminate the programme."

## China Ships Big Silver Cargo To American Banks

Something Over \$10,000,000 Goes by Pres. Lincoln

EXPERIMENTAL CARGO MOVED SECRETLY

One of the biggest shipments of silver ever to be made out of Shanghai left last night. Late in the evening, shortly before the ss. President Lincoln was to sail, six trucks drove to the Customs jetty, laden with silver bars. To convey the shipment down the river required two lighters.

Total amount of the silver loaded is estimated at between

Silver Shipments Explained

Shanghai, Dec. 20. In reply to inquiries concerning silver shipments now going forward, a spokesman of the Central Bank of China informed the Kuo Min News Agency that this silver had been sold by the Government Banks to the Chase Bank and the National City Bank of New York, in order to provide additional reserves for exchange stabilization.—Kuo Min.

\$10,000,000 and \$16,000,000. It is understood that it comes from the

THE SHANGHAI TIMES, THURSDAY, JUNE 6, 1935

Important Statement On Silver Is Rumoured In New York As Imminent Designed To Ease Effect

Congressional Senator Thomas said that, having needed such propaganda in the past, the United States had witnessed not only a decline in the world price of

071475

bimetallism and a restoration of the silver price as a way out of the Depression, and advocated an early devaluation of the Dutch guilder. Though essentially right in blaming the gold standard for prolonging the Depression, Deterding, in this case as in others, isolated himself from potential supporters by defending his views with arguments as emotionally charged as they were economically nonsensical. He conducted a huge correspondence on the subject to newspaper editors, politicians, and business leaders all over the Western world, offering opinions and circulating articles by himself and others supporting his views.<sup>169</sup> In 1933 a letter expounding his views embarrassed the board of the Nederlandsche Maatschappij voor Nijverheid en Handel, an economic think tank. One of its members, the banker and expert on international monetary affairs J. W. Beyen, publicly berated Deterding for his ignorance of currency questions. Editorial commentaries in leading Dutch newspapers agreed with Beyen.<sup>170</sup>

Now in his late sixties, Deterding became increasingly resentful and suspicious of the outside world. For all his wealth and achievements, his ambitions remained unfulfilled and surfaced more and more in tirades against what he considered the lack of public recognition of the Group's great benefits to mankind and of his own merits in building it. His mind, always quick to reduce baffling complexities to a few basic truths, narrowed, reducing the world's colours, contrasts, and contradictions to a simple dichotomy of black and white, good and bad, us and them. In a typical transposition, he liked to portray the Group as enlightened, magnanimous, altruistic even, and any chance opponents as sinister money grabbers, part of a conspiracy to defraud honest business and to overturn the forces of order, progress, and prosperity. Deterding felt surrounded by enemies and he characteristically interpreted the social isolation caused by his temperament as a part of wider hostilities. A consummate schemer himself, he needed little

[60]



During a quiet moment at the World Economic Conference held in London in the summer of 1933, Deterding's critic Beyen (far left), director of the Rotterdamsche Bank, took the opportunity of a private conversation with Colijn and Trip, director of the Nederlandsche Bank.

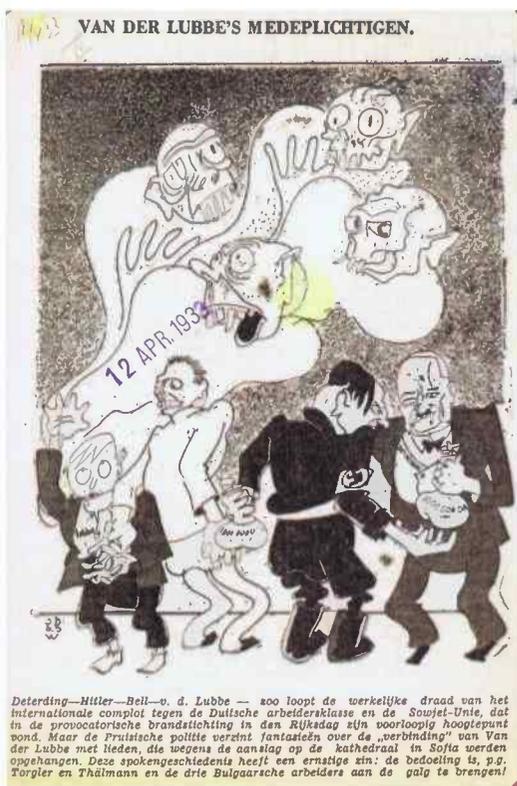
persuasion to accept conspiracy theories which more sceptical minds might have found wanting. He typically saw the negative comments in the Dutch press about his currency opinions as a campaign against him.<sup>171</sup>

These attitudes were already noticeable during the 1920s, but from the early 1930s they began to dominate Deterding's outlook. At the same time he acquired a keen interest in Germany. Since under the *Stillhalte* he could not repatriate the returns on his private investments, he used the frozen Reichsmarks to buy a hunting estate in rural Mecklenburg, probably in 1931.<sup>172</sup> With the rise of Hitler, Deterding's feelings for Germany intensified. He does not appear to have had any great interest in Nazism per se. Deterding held few political convictions; indeed, he appears to have been totally unprincipled politically. His voluminous correspondence teems with extreme right wing opinions, but he rarely mentioned the words Fascism or Nazism in his letters. It was more

a matter of personality. Nazism and the New Order in Germany were congenial to Deterding's authoritarian being and his fervent anti-communism; he does not appear to have understood its political or indeed social ramifications.<sup>173</sup>

Deterding now began to take a greater interest in the Group's German affairs, normally Kessler's remit. This brought him into contact with the new regime's leaders. He cautiously welcomed Hitler's appointment as Chancellor in January 1933, but two months later he sought an audience with Hitler, presumably to present a proposal for sponsoring a series of radio lectures on the evils of communism, to celebrate the coming to power of such a vociferous anti-communist. He was rebuffed, but in November Deterding claimed to have met Hitler the other day.<sup>174</sup> In May 1933 he discussed synthetic gasoline and monetary policy with Reichsbank President Hjalmar Schacht.<sup>175</sup> In April 1934, during the negotiations with the German government about increasing oil

[61]



[62]



Marinus van der Lubbe, a simple-minded young Dutch vagrant, was found guilty of starting the Reichstag fire on 27 February 1933 and was executed, but the blaze was widely seen as a conspiracy of right-wing agents provocateurs. Deterding, Hitler, and Johannes Bell, one of the German signatories to the Treaty of Versailles, were depicted as 'Van der Lubbe's accessories' (far left), while Deterding was rumoured to be Hitler's paymaster against Communism (left).

product stocks mentioned above, he met Alfred Rosenberg, the chief Nazi ideologue and leader of the party department for foreign affairs. After the meeting Deterding wrote to Rosenberg offering his credentials as an anti-communist.<sup>176</sup> From September 1935, the German Foreign Office seconded one of its staff to Deterding as a personal assistant for political matters.<sup>177</sup> Deterding also met Goering, whose Karinhall estate was not far from his own, and went shooting with him. To facilitate proper entertaining, he exchanged his retreat for another and much grander one, obtaining tax advantages by threatening the authorities with the withdrawal of capital.<sup>178</sup>

Deterding clearly liked the New Order represented by the Nazis. He considered the notorious Night of the Long Knives in June 1934, when Hitler had a large number of his suspected party opponents brutally murdered, as a necessary step, confessing that it had increased his respect and veneration for the Nazi leader, if such were possible.<sup>179</sup> Nazi officials appear to have looked down on him with some disdain, disparaging his narrow interest in money making and his close association with Jews.<sup>180</sup> Since Deterding could still prove useful, the regime played up to him. Newspapers gave his economic views wide and favourable coverage, the *Reichskanzlei* sent him a signed photograph of Hitler.<sup>181</sup> Even before Hitler's appointment as Chancellor, Deterding's fervent anti-communism and opinions about general economic policy had received favourable treatment in the *Völkischer Beobachter*, the Nazi newspaper which also sported conspicuous advertising for Shell products. However, other producers of mass consumer goods did not discriminate in their advertising policy either. Indeed, the Shell ads even incited criticism from party stalwarts, prodding the paper's publisher to reply angrily that 'We accept Shell ads because not even we National Socialists can drive with water.'<sup>182</sup>

The propaganda to which he was exposed now began to exercise a subtle influence on Deterding's behaviour, inspiring actions which turned him into a managerial liability. A new row with the Paris Rothschilds, echoing the failed attempt to enlist their support over the Dutch East Indies export tax, provides a good example of his ill-considered moves and garbled motives. During the early 1930s France had sought a rapprochement with the Soviet Union, resulting in the signing of a non-aggression treaty in 1932. The following year rumours circulated that this was to be followed by a French loan secured on Caucasian oilfields and arranged by a group associated with Gulbenkian. In September De Kok, clearly acting on Deterding's instructions, wrote to the Rothschilds asking them to use their influence with the French government to abort the loan. The bank replied that it knew nothing about it, voicing surprise at Royal Dutch wanting them to intervene in a delicate political matter. De Kok responded with a tirade drafted by Deterding. As sellers of Russian properties to the Group, he argued, the Rothschilds owed it a moral duty of support in pursuing its rights. And the French state had also profited from that transaction so the Group could rightfully expect some loyalty there, too, so he reiterated his request for an intervention.<sup>183</sup>

PARIS, LE 19 Septembre 1933

[63]

DE ROTHSCHILD FRÈRES

R.C. SEINE 96.549

CHÈQUES POSTAUX 440.28

13/9-33

N.V. KONIN  
TOT EXPLOITATI

Care

Messieurs,

Nous avons bien  
remerciés d'attirer notre  
attention sur le sujet de divers  
propos venus au sujet de divers  
Gouvernement français et

Vous paraissez  
car nous ne sommes aucune  
question quelque indicati

En ce qui concerne  
l'opportunité d'une intervention de  
français, nous ne vous cachons

En effet, nous ne voyons pas  
comment nous pourrions aborder notre  
Gouvernement pour l'entretenir d'un aussi délicat problème de haute  
politique générale, qui n'est assurément pas de notre ressort, et  
dans l'examen duquel nous n'avons nullement le désir de nous immiscer.

Veillez agréer, Messieurs, nos salutations les plus  
distinguées.

Cher Monsieur Deterding,

Nous regrettons d'avoir à vous importuner pour un incident  
un peu désagréable qui vient de surgir entre nous et la Royal Dutch,  
et dont la lecture de la correspondance que nous avons échangée avec  
votre Siège Social vous mettra au courant, car nous sommes convaincus  
qu'en l'occurrence vous n'avez pas été consulté.

Nous tenons, aujourd'hui, à vous parler avec une entière  
franchise, ainsi que nous l'avons toujours fait. Nous n'hésitons  
donc pas à vous dire que la forme et le fond des lettres qui nous  
ont été adressées nous ont profondément choqués, et que tout parti-  
culièrement le ton et la teneur de la lettre du 14 courant sont aussi  
déplacés qu'inconvenants.

Vous partagerez, sans aucun doute, notre manière de voir à  
ce sujet et croyez bien que nous sommes persuadés que cette regret-  
table initiative n'émane pas de vous, cher Monsieur Deterding, avec  
qui nous avons toujours entretenu les relations non seulement les  
meilleures mais encore les plus cordiales.

Veillez agréer, je vous prie, l'expression de nos très  
sincères sentiments.

## PERS-INFORMATIEN

JOHs. VAN HAARLEM Gzn., Directeur

Kantoor :

Spoorbaanstraat 8, bij de Grensstr. en Weesperzijde  
AMSTERDAM-Oost

Opgericht 1 April 1895.

Opgericht 1 April 1895

Agentschappen: Parijs, Londen, Milaan, Brussel,  
Lissabon, Weltevreden [Ned.-Indië]

Limburger Koerier (Maastricht)

29 DEC. 1932

### SIR HENRI DETERDING

#### Geldschietter van de Duitsche Nationaal-Socialisten ?

Toen een paar weken geleden de heer Gregor Strasser, de voornaamste medewerker van den heer Adolf Hitler, zich uit de partij der nationaal-socialisten terugtrok, publiceerde dr. Otto Strasser, broeder van eerstgenoemde, in zijn blad „Die Schwarze Front” allerlei bijzonderheden nopens Hitler's legioenen, die voor den grooten leider nu niet juist vliend konden worden genoemd; en hij deelde tevens mede, dat 'smans partij een schuld heeft van ongeveer 12 millioen mark.

Dit gaf velen aanleiding tot het opnieuw stellen van de vraag: wie verschafft den Nazi's toch de zeer aanzienlijke bedragen, die hunne organisatie noodig heeft?

Hitler houdt er een particulier leger op na. Het bestaat uit tienduizenden mannen, die allen uniform dragen en semi-militair uitgerust zijn. Vele duizendtallen worden gekazerneerd, gevoed en van soldij voorzien. De honderdtallen leiders van allerlei aard rijden en rossen in kostbare automobielen door het land en talrijk zijn de reizen per vliegtuig, die de heeren maken. In letterlijk alle steden ziet men de „bruine huizen”, alsmede allerlei kleine en groot tuighuizen. Hitler en zijn staf logeeren te Berlijn en elders in de duurste hotels.

Wie betalen dit alles toch?

Dhr. H. Polak deelt in het (soc. dem.) „Volksblad” het volgende mede:

„Enige weken geleden was ik in Deutschland en stelde toen allerlei menschen deze vraag. Men antwoordde, dat het ongetwijfeld de groote industrieelen en landjonkers zijn. Maar, zoo zeide men algemeen, ook buitenlanders, d.i. niet-Duitschers, dragen bij tot de instandhouding van Hitler's politieke en militaire org. ...  
de mij verschillende namen v  
deze namen hoorde ik telke  
belang inboezemde: Sir Hen  
vaststellen, dat in Duitsche

[64]

This extract from the *Limburger Koerier* of 29 December 1932 was only one of many articles in the national and international press speculating about who might be funding the Nazi party, which was deeply in debt. Deterding's name came up more than once.

Did De Kok ever pause to consider the enormity of this letter? At that very moment Royal Dutch and Bataafsche were fighting tooth and nail against Dutch investors demanding that they honour the gold clause on their 1929 bonds issued in New York. With the gold standard suspended in the US, directors no longer considered the companies obliged to pay interest on the basis of the dollar's gold parity.<sup>184</sup> Would the boards have recognized moral obligations issuing from a transaction more than twenty years ago? Anyway the Rothschilds tactfully avoided a response in kind by writing directly to Deterding in London, professing their profound shock at the rudeness of recent letters received from Royal Dutch. In reply, Deterding went over the top. He listed the range of benefits which the Group had showered on France: the supplies during the war and after, the gold loan of 300 million francs, the access to Romania and to Iraq. Both the press and the government appeared to have forgotten them, he charged. The Group was surely warranted to protest against the unheard of loan to Russia, and was right to expect sympathy and support from the Rothschilds, and not complaints. Sending a copy of the letter to De Kok, Deterding vented yet another grievance, the fact that the Rothschilds had earned an average return of 50 per cent on their share in Asiatic. If such profiteers failed to cooperate, one ought not be afraid to confront them and, if necessary, sever relations.<sup>185</sup> Meanwhile Kessler had become involved as well. He discussed the matter with Baron Edmond and Baron Robert twice before suggesting to Deterding that it was better to drop the issue since they were unlikely to write something which he would find satisfactory. Deterding agreed, adding that it was better 'not to correspond with people whose only moral consists in money'.<sup>186</sup>

Deterding's handling of this sorry affair demonstrates just how much he could be buffeted by the emotions listed above,

but in addition it betrayed a surprisingly deep rancour against the Rothschilds. It was as if, exposed to the rising barrage of anti-Semitic propaganda in Germany, he suddenly felt embarrassed, realizing how much of his achievements had depended on the support of this famous firm, and wanted to show strength. Deterding was not a patent anti-Semite; oblique phrases in letters from the mid-1920s criticizing Philips and Waley Cohen are as rare in his correspondence as they are cryptic.<sup>187</sup> His anti-Semitism was not of the racial type, seeking to discriminate against Jews on the basis of spurious shared ethnic characteristics. It was rather an extension of his anti-communism and rooted in his conviction that Jews were instrumental in building world communism. This counterfeit penny appears to have dropped in the spring of 1933, ostensibly as a result of hearing a radio lecture on the subject.<sup>188</sup> The particularity of his anti-Semitism explains why Deterding could remain on friendly personal terms with Jews in his acquaintance, including various Group directors, while venting strongly anti-Semitic remarks in his correspondence, and presumably also in conversation.<sup>189</sup> However, given his burgeoning sympathy for the New Order in Germany and his efforts to make himself agreeable to key party figures, he now had good reason for seeking to dissociate himself from the Paris bank. The refusal to grant him an audience with Hitler in March 1933 was motivated by two reasons for keeping him firmly at arm's length: his overriding interest in money and the fact that his business associates were almost exclusively Jews.<sup>190</sup>

It is more difficult to understand why De Kok and Kessler acted as they did. Neither shared Deterding's dubious political sympathies or sentiments. Perhaps De Kok simply misjudged the matter, ordering Deterding's letters to be typed out and sent as a matter of administrative routine.<sup>191</sup> Kessler probably knew little

about the affair on his first meeting with the Rothschilds, since he went to see them when passing through Paris on other business. After that first meeting he requested copies of the preceding correspondence. Whatever the case, the fact that both went along with the affair highlighted the dangers of the managerial trade-off mentioned above, in which directors obtained their freedom of action by indulging Deterding's whims.

A similar mix of motives appears to have fed Deterding's growing resentment against NHM, the Royal Dutch house bank. He considered the bank in thrall to Fritz Mannheimer, a German Jewish banker who, as senior partner in the Amsterdam branch of the Berlin bank of Mendelssohn & Co., was a pivotal figure in the Dutch financial market and a close associate of NHM. Deterding felt betrayed by Mannheimer, whom he accused of taking part in a bear raid on Royal Dutch shares in 1932 and of devious manipulations to force Royal Dutch to pay coupons from the New York bond loan at the full gold exchange rate.<sup>192</sup> Unable to get at Mannheimer directly, he went for his supposed accomplice, NHM, moving heaven and earth to have Royal Dutch transfer its business to Hope & Co., an old Amsterdam firm with more standing than clout.<sup>193</sup> Typically, the Royal Dutch board minutes do not reveal anything of what must have been heated debates, spiced by the fact that the former president of NHM, Van Aalst, and the senior partner of Hope & Co., Luden, were both directors. Deterding's arguments failed to convince the board; Royal Dutch stayed put with NHM.<sup>194</sup>

Whilst the rows with the Paris Rothschilds and with NHM were played out behind closed doors, a great deal of public speculation went on about Deterding giving loans or donations, for amounts ranging from four million guilders to a fantastical £ 55 million, to the Nazi movement. In return, he was rumoured to have

A black and white photograph of a large, crowded market hall. The hall has a high, vaulted wooden ceiling with a series of skylights. The floor is filled with people, mostly men wearing caps and coats, engaged in various activities. A large banner is suspended from the ceiling in the center of the hall. The banner contains text in Dutch, written in a bold, sans-serif font. Below the main text, there is a smaller line of text in a cursive script. The overall atmosphere is busy and historical.

**ALS DUITSCHLAND ONZE EIERN NIET  
KOOPT, KUNNEN WIJ GEEN DUITSCHE  
PRODUCTEN BLIJVEN KOOPEN!**

*De gezamenlijke Landbouw organisaties*

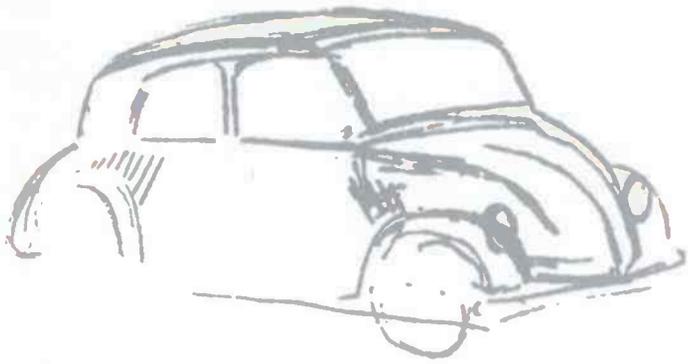


'Since Germany will not buy our eggs,  
we cannot buy German products!'

obtained promises of special advantages for the Group or even an oil monopoly under a Nazi regime. Such rumours circulated as early as 1931. They regularly resurface even today, but remain unsubstantiated.<sup>195</sup> The supposed quid pro quo does not appear a very plausible one. The Group's position in Germany, as one of two leading participants in officially sanctioned cartels, did not need support from any regime. Moreover, managers considered a monopoly there an impossibility since the government could never afford the sums needed for buying out existing businesses. Nor would the Group have wanted to spend large amounts on obtaining it, if only because it would have run counter to the close relationship with Jersey Standard.<sup>196</sup> It is, in fact, highly unlikely that either Deterding or the Group, used to getting very tangible returns for their money, would have spent substantial sums on promises. Official policy rejected political donations and Deterding also professed to be against them.<sup>197</sup> Press support was seen as another matter. From 1937 Deterding, now influenced by a personal secretary with outspoken Fascist sympathies, helped to finance the paper of a Fascist splinter group in the Netherlands, just as the Group sponsored a Russian anti-Soviet press service in London.<sup>198</sup> Finally, if Deterding or the Group indeed supported the Nazis during their wilderness years with any substantial sums, then one would have expected the *Reichskanzlei* to have acknowledged the fact in the minute considering whether or not to grant him an audience with Hitler in March 1933.<sup>199</sup> However, the document mentions nothing of the kind; Deterding was turned down without further ado.

The grand gesture Deterding made after his retirement illustrates how he liked to use his money. In December 1936 he donated, with much fanfare, 10 million guilders from his personal fortune to set up a fund for buying up surplus foodstuffs in the Netherlands and selling them in Germany, purportedly to ease the plight of Dutch farmers and German consumers, equally hit by the trade barriers and exchange restrictions between the two countries. The proceeds of this deal would be donated to the Nazi charity *Winterhilfswerk*. This was really an ingenious scheme to avoid taxes and currency complications in transferring part of his capital to

[66]



Sketched by Hitler in 1932 at a restaurant in Munich (left), a 'car for the people' – a Volkswagen – was a concept he valued highly. Admiring a model of the proposed vehicle (below), he was amused when Ferdinand Porsche pointed out that 'the engine was in the boot'.

[67]



Germany.<sup>200</sup> Deterding's financial support for the Nazis appears to have begun during his retirement in Mecklenburg, where he developed close ties with the local party organization and contributed to its charities. For all their praise of Deterding as a friend of the true Germany, none of the obituaries in the Nazi press mentions contributions other than those in his dotage, so the rumours about prior support were probably no more than that.<sup>201</sup>

However, as we have seen above the Group continued to do business with Germany, drawing lube oil supplies, ordering tankers, expanding the Rhenania-Ossag installations, and participating in the Pölitz works. Deterding presumably helped to arrange these transactions, though Kessler and Van Eck appear to have been primarily responsible for these matters. Both were fairly straight commercial transactions, given the currency situation and the threat to gasoline imports. In addition, Deterding is said to have promised Hitler a loan of RM 30–40 million to the *Volkswagenwerke* in January 1936, but this is a canard based on a wrong interpretation of the Goebbels diaries.<sup>202</sup>

Whatever the case, Deterding's actions in Germany created increasing friction with his fellow directors. He was ebullient about the country's future and about the Group's performance there, whereas his colleagues considered the likelihood of having to withdraw if the situation did not improve soon.<sup>203</sup> Moreover, Deterding was widely reported as making rash promises to German officials.

In June 1934, during the negotiations between the oil companies and the government over bulk installations, the British Ambassador to Germany, Sir Eric Phipps, heard information that Deterding had promised Hitler to have the Group supply one year's worth of products on credit to Germany should its economic situation become desperate. Foreign Office experts doubted the veracity of the report given the huge sum involved, estimated at four to £ 5 million.<sup>204</sup> The story also reached French and Romanian diplomats.<sup>205</sup> No records corroborating Sir Eric's information have been found in the company archives. However, Rosenberg noted in his diary that he had made a deal with Deterding in May 1934 that the Group would stock one million tons of oil products in underground tank farms built by the Group, only to see the transaction founder on red tape in German departments.<sup>206</sup>

The story remains puzzling indeed. During 1932–34, Group supplies to Rhenania averaged 650,000 tons, worth about £ 2.2 million.<sup>207</sup> Would managers, or Deterding for that matter, really have considered maintaining such a large stock on credit to a creditor which, under the *Stillhalte*, had effectively suspended payments? As things stood, Rhenania operated under a credit limit of £ 600,000, though this limit may have been set after the summer of 1934.<sup>208</sup> When later that summer the German government approached the oil companies with proposals to raise stocks, Deterding was reported to be firmly against them.<sup>209</sup> He may thus have made a rash offer, only to have had to retract it after protests from his colleagues against such a transaction; or he may have done no more than, in his usual way, dazzle his German counterparts with figures that showed Group credit would be cheaper than building the installations required, and then the officials had used the story to downplay Germany's very real currency difficulties. They may also have quoted it against other Group managers as a solid promise extracted from Deterding.

Whether true or not, the story reached Deterding's board colleagues, feeding a nagging suspicion about the soundness of his judgement. The passion glowing in his correspondence on the involvement of Jews in world communism, and on the virtues of Hitler in combating the same, would suggest that he must have



Deterding with his third wife, the German-born Charlotte Knaack, whose admiration for the Nazis coincided with and probably strengthened his own views.

[68]

harangued Group directors with his opinions on these subjects in the same way as he did with his currency convictions.<sup>210</sup> Now his infatuation with Nazi Germany made it appear that he was going native there. When in September 1935 Agnew again heard of Deterding promising Group supplies to Hitler, he asked the British government's Petroleum Department to have the Foreign Office establish whether it was true, so he could take appropriate action.<sup>211</sup> Deterding's temper helped to further undermine boardroom trust. A few months previously, in April, he had created a terrific row when he felt that the decision to order three steamers for Anglo-Saxon from German yards had not been carried through with sufficient speed and diligence.<sup>212</sup> Exactly a year later Deterding blew his top again, now over an administrative matter, the volume of correspondence between London and Rhenania-Ossag, though there may have been a prior board confrontation over the continuous rumours about his various promises to German officials.<sup>213</sup> These conflicts brought to an end Deterding's career as Group CEO. By June 1936 he had effectively retired and gone to live in Germany.<sup>214</sup>

Did he choose to go, or did the other directors force him? There is no evidence either way, but it was probably a bit of both.<sup>215</sup> Giving up was not Deterding's style and, despite his de facto retirement, he continued to meddle in Group affairs throughout the summer. On the other hand, he had recently fallen in love with a young German woman, Charlotte Knaack, whom he wished to marry after divorcing his wife, life-changing events which may well have induced him to step down. Moreover, given his record of announced retirements, Group directors will have had little difficulty in persuading him that it would now indeed be wise to do so. There were grand festivities planned for July to mark his seventieth birthday and his fortieth year in the service of Royal Dutch, so he would have a final, festive scene before bowing out. Deterding attended board meetings of Shell Transport and Anglo-Saxon for the last time in May, but it was only in September that chairman Loudon informed the Royal Dutch board of Deterding's wish to relinquish his position as from 31 December.

**Forging a new team** The news came as a surprise even for well-informed insiders such as Sandkuyl, the general manager in Batavia, otherwise kept abreast of developments by a frequent personal correspondence with his predecessor Oppenheim, now in The Hague as Bataafsche company secretary.<sup>216</sup> To the wider world, the appointment of De Kok as Royal Dutch Director General was something of a surprise as well. Kessler appeared the obvious candidate, having a more comprehensive grasp of the business than De Kok and a greater standing in the international oil business. Moreover, following Deterding's loyalty test in 1931, the Royal Dutch *commissarissen* made a clumsy attempt to prepare for his resignation from which Kessler emerged as the clear successor.<sup>217</sup> It must have been a huge disappointment to Kessler to see his life's ambition thwarted with fulfilment so near. Did Deterding perhaps play a final trick on him, out of spite against the shadow of his father? This cannot be ruled out, but the correspondence between them suggests a degree of confidentiality which renders this unlikely.<sup>218</sup> In the absence of firm documentation, we can only surmise that De Kok's appointment was a compromise solution to a formidable problem.

Formally the Group had never had a CEO, much less a procedure for succession. Under Deterding the Director-General of Royal Dutch, the Group's majority shareholder, had also chaired board meetings of the main operating companies. This situation could not now be prolonged without the risk of offending the British directors, some of whom must have felt that, after thirty years of Dutch rule and with so much of the business run from London, it was time for one of them to take the reins there. This made considerable sense. After Deterding's resignation, Agnew was the senior managing director and his wide experience made him well qualified for the job; in Deterding's absence, he usually chaired meetings. Since Erb's retirement in 1930, four managing directors had resided in London against only one in The Hague. On the other hand, having an Englishman as informal Group chief executive or indeed as Royal Dutch Director General was at that time, and for decades to come, out of the question. It would have caused a public outrage in the Netherlands, but it was also unthinkable.

The internationalization of staff had largely bypassed Royal Dutch and Bataafsche. There were many Dutchmen at all levels in London and precious few Englishmen in The Hague. Only the Amsterdam laboratory had a contingent of foreign experts, mostly Germans and Swiss.<sup>219</sup> Both Shell Transport and Anglo-Saxon had Dutch directors; Bataafsche had English directors, but the executives were all Dutch, and since Lane's death in 1926 no foreigners had been appointed to the Royal Dutch board. The new general manager simply had to be a Dutchman and the Royal Dutch board may also have wanted to have him in The Hague, so as to reassert its formal power within the Group.

Choosing a successor to Deterding therefore required some judicious manoeuvring. The initial moves dated back to his 1931 resignation announcement, though the details remain unclear.<sup>220</sup> For all his qualifications, Kessler was junior to Agnew in London. Appointing him risked upsetting the British directors, while transferring him to The Hague and sending De Kok to London meant sacrificing a well-established position there. This may have been the reason why the Royal Dutch board chose De Kok, letting the London chairmanship fall to Agnew. It was a compromise designed to keep the two parts together, at the cost of continuing the split between them. Clearly thirty years of close collaboration had failed to bridge the differences between The Hague and London sufficiently for mutual respect to become trust when power came into play. In a further step taken to appease the London directors, Godber succeeded Deterding as chairman of Shell Union. When in December 1937 Agnew resigned as managing director of Anglo-Saxon, Godber became the senior English member of the management team. George Legh-Jones filled the vacancy at Anglo-Saxon and also took a seat on the Bataafsche board; as managing director of Shell Transport and director of Anglo-Saxon and Bataafsche, Agnew remained a powerful figure, however.

In October 1936 the rift between the Group's constituent parts was further accentuated by the procedure followed for two further appointments to strengthen the Dutch element in the managerial group. J. M. de Booy was promoted from Royal Dutch company secretary to managing director of Royal Dutch and





scheduled for board approval on 5 January. Deterding, stung into action by Mannheimer's involvement with the loan, immediately drafted an ingenious counterproposal and succeeded in convincing the Bataafsche board to postpone a decision on the transaction to the February meeting. This created great consternation on the Amsterdam stock exchange for, assuming that the board would nod the deal through, the syndicate had put the market on alert for a Bataafsche loan to be issued on the afternoon of the fifth. De Kok chose to ignore Deterding's obstruction and a week later the loan was successfully floated. On 4 February, Deterding died in St Moritz (Switzerland), knowing that he finally had lost his

power over the business. The Bataafsche board meeting was cancelled so directors could attend the funeral on his Mecklenburg estate. This occasion was stage-managed as a dreadful Nazi show with swastika banners, wreaths from Hitler and Göring, tributes to the great friend of Germany, and Hitler salutes over the grave.<sup>226</sup>

Deterding's reputation has never recovered. If it seems unfair that Deterding's posthumous reputation remains deeply stained by this event outside his control, he must still bear the blame for keeping the evil company which organized it for him. In his Mecklenburg retirement he appears to have edged ever closer to Nazism, perhaps as a consequence of his wife's political leanings,

[70]





[71]

Dem Herrn Schriftführer des  
 Aufsichtsrates der Kaiserliche Pfl. Anstalt

Lassen Sie mich Ihnen meinen warmen  
 Dank aussprechen u. dem Aufsichtsrat  
 für die bewusste Anteilnahme  
 um meinen lieben Mann u. meinen  
 guten Vater, u. um Ihren großen  
 Führer der Royal Dutch/Shell-Gruppe,  
 Sir Henri Deterding.

In tiefer Trauer  
 Charlotte Deterding

[73]

Deterding's funeral was taken over by the Nazis, whether the mourners approved or not. In the cortège (left), his favourite horse followed the coffin; the burial (top left and right) was marked by Nazi salutes and Hitler's personal wreath; and Deterding's widow wrote a letter of thanks (centre) to the BPM.



[72]

perhaps because of the Dutch Fascist private secretary whom he subsequently took on.<sup>227</sup> He entertained local party bosses and wrote articles for regional newspapers to support German rearmament.<sup>228</sup> Because of this close association with Nazism, the memory of Deterding became an embarrassment to the Group after the war and the many bronze busts, painted portraits and other images were removed from boardrooms and office entrance halls.<sup>229</sup> It would be wrong, however, to let the errors of his last years overshadow his earlier achievements. Deterding definitely belongs to the top echelon of international business leaders of the twentieth century, the master builder of a great corporation which, but for his uniquely long tenure at the top, might well have foundered on the strains of keeping the constituent parts together. He fully deserves to be remembered, for his gifts as much as for the character flaws which, in a terrifying balance, serve as a reminder that extraordinary qualities may come at the price of appalling failings.<sup>230</sup>



**Conclusion** The 1930s were years of extremes for the Group, of exciting new ventures and disastrous economic circumstances, great opportunities in products like iso-octane contrasting with mounting difficulties in countries with nationalist economic policies, the building of new installations and enlarged Central Offices overshadowed by the closing down of plants and devastating redundancies, the emergence of a tentative team of Group managing directors cast against the dismal aberrations of Deterding's last years. During these years, the Group showed both its strength, as a resilient and dynamic organization fully capable of dealing with formidable challenges, and its weakness, a brittle and inefficient top management structure. The inept handling of Deterding's succession showed that, almost thirty years after the merger, chauvinism was alive and well within the parent companies. The transformation which, during the interwar years, shaped the assembly of operating companies into a modern corporation with a single and strong brand, integrated policies for all functions, and a distinct corporate culture failed to reach the top. As a consequence, the Group somewhat resembled the heraldic eagle, a powerful body crowned by two heads looking in opposite directions, eminently practical for maximizing opportunities arising from the dual nationality, but a handicap for other purposes such as flying, or creating efficient management structures for that matter. One wonders what would have happened had Deterding persisted with his resignation in 1919-20, or had he retired following the bad riding accident which he suffered in 1923.

The Group undoubtedly owed part of its quick recovery to the As-Is collaboration, which in major markets acted as a brake on the steep price falls which the global glut created. As-Is was not effective everywhere nor to the same degree, however. It tended to work best in countries where the Group, Jersey Standard, and Anglo-Iranian dominated the market, but the common front was easily broken up by competitors offering to supply or to build the installations required. The companies could delay the construction of refineries or hydrogenation plants, but they could not prevent it. In the talks over As-Is issues, the Group tended to put principles above price and price above volume, though in practice managers were not above some pragmatic dealing, for instance in trying to obtain favours from the Mexican government while ostensibly maintaining a common policy with the other oil companies. The principled attitude resulted in a laudable restraint over supplies to Italy and Japan when those countries engaged in what were considered at the time to be aggressive wars, but it was not necessarily better than the more pragmatic approach favoured by Jersey Standard in meeting the challenges posed by the Depression and totalitarian dictatorships. Nor did the Group's principles, so evident in the cases of communism or state monopolies, enable managers to perceive the diabolical nature of the Nazi regime. In line with the general development of German business, Rhenania-Ossag quickly adapted to the New Order and grew luxuriantly until it was too late for a fundamental stand. When push came to shove, general considerations such as market position, coupled with a technocratic conception of the business as providing fungible services to governments, clearly won the day.

# **REICH OIL MONOPOLY SOUGHT BY DETERDING**

## ***Hitler's Terms for Control of Distribution Unsatisfactory to Royal Dutch and Shell.***

Wireless to THE NEW YORK TIMES.

LONDON, Oct. 25.—It is reported confidentially from Berlin that the object of Sir Henry Deterding's recent visit to Chancellor Hitler at Berchtesgaden, where he stayed for four days, was to discuss the conditions for granting a monopoly to the Royal Dutch and Shell Companies of petrol distribution in Germany for a long period of years. Chancellor Hitler's terms were unsatisfactory and the negotiations have broken down temporarily.

Three conditions advanced by the Germans were:

First—The companies were to supply oil on credit for the first year.

Second—The companies were to build a network of distributing stations along strategic motor roads, these buildings to be protected against air attacks.

Third—The companies were to invest their money, frozen in Germany, locally.

**The New York Times**

Published: October 26, 1934

Copyright © The New York Times