

Germany's Al Capone

An Inside View of the Nazi Extortion System

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WARSAW, POLAND.

Whenever I quote anyone I always like to give the name and address of the person talking, whether he be the highest official or the poorest laborer; but in some of these articles about Nazi Germany I cannot give the name or the address or even the city where the conversations took place. I think the reader will understand why when he has finished this article.—J. L. S.

I CALLED upon the American representative of an American business in a large city of Germany. Previously, I had called upon Englishmen, Frenchmen, Austrians and Czechs and there was, in the main, scarcely any difference in what those who talked said. I choose the American because what he said is fairly representative of what the others said and because of what I myself saw in his office.

I had come with an excellent introduction and he seemed glad to see me as he ushered me into his private office.

"I want to get a foreign businessman's point of view of conditions in Germany today," I told him when we were seated.

"I don't know what I can tell you," he smiled genially. "Of course there are difficulties in Germany but from all I can see the National Socialists are doing everything possible for the people and are really trying to help maintain the world peace."

He rose from the chair in which he had settled himself comfortably before I had told him what I wanted and said, "Naturally I am most familiar with my own business and before you can understand the situation it would help considerably if you looked over our offices where we have some products that show the really high achievements of German skill—"

He bowed me out of his office, closed the door and smiled wryly.

"I'm sorry," he said. "I really shouldn't talk with you at all, but I'm so sick of these Nazis that I've about got to the stage where I don't care whether I stay on here or not! Since you are not permanently stationed in Germany as a correspondent, you can tell what is going on and I'd just as soon tell you what I know. But I cannot jeopardize the German branch of the business by talking too openly."

He had walked me to a small, rather cozy reception room and closed the door.

"I think we can talk here," he said.

"Smatter?" I laughed. "Dictaphone in your office?"

"And a beauty! Stick around for a while and you won't find it a laughing matter. You're not familiar with the last two years or you would not ask. Haven't any of your journalistic colleagues told you?"

"I talked with many people and heard many things," I said evasively.

He laughed heartily. "Good!" he exclaimed. "I think it's all right to talk with you. You have already learned not to say with whom you talked!"

"Tell me about the dictaphone," I said. "Why don't you cut the wires?"

"It's not as simple as that. The ordinary dictaphone as we know it in America is a crude affair. These Germans are quite competent persons, you know, and the installation of ordinary dictaphones is a crude job and easily detected if you look for them. You know, of course, that the Nazis have a tremendous spy system, beautifully organized—"

Much as he obviously disliked the Nazis and the conditions under which he worked, he could not help but voice his admiration for a thorough and competent job even though he hated it. Beautifully organized: the dream of the American business man!

"Shortly after the Nazis took power," he began, offering me a cigar and lighting one himself, "they installed in the offices and residences of diplomatic representatives of foreign powers, foreign journalists and the more important ones of their own as well as in important business houses and banks, two types of telephones. In one, the moment you took off the receiver a light flashed in the offices of the secret police. There, someone plugged in and took down the conversation. The other, which came a trifle later, presumably because it took such an army of people to listen in, simply started a machine, the moment you took the receiver off the hook and recorded every word on a platter—like a victrola disk.

"People soon got wise to it and simply avoided talking over the phone. Even if they didn't say anything, there was a record of whom they called. However, science and business came to their rescue when people stopped talking over the phone. Now the Nazis have a dictaphone built into the telephone apparatus so that you cannot see it. It is actually part of the real telephone apparatus, so that if you located the dictaphone and tried to get rid of it you would simply ruin the phone. This new type of dictaphone is connected directly with the secret police. It is not necessary for a

person talking to take the receiver off the hook. It works whether you telephone or not. Even the slightest whisper in the room is recorded and the record magnified at the Gestapo headquarters."

I listened in amazement to his calm recital. I had heard of many things in Nazi Germany, but I had not heard of this dictaphone-telephone and I found it hard to believe at first.

"These new dictaphone-telephones," he smiled at the look on my face, "are now being manufactured in vast numbers by the Lorenz Co., part of the International Tel. and Tel. Thus we have a picture of an American concern manufacturing dictaphones to be used in spying upon the businesses of Americans in Germany as well, I have no doubt, upon the American diplomatic representatives! The German plant of the I.T.&T. was taken over by the Nazis when they got into power and Col. Sosthenes Behn, owner of the German plant, is not even allowed into his own factory or offices because the Nazis are busy turning out these telephone-dictaphones as well as working on a secret trench-telephone system for the next war."

He puffed at his cigar and waved a hand encouragingly.

"Just stick around. You'll learn a lot about the Nazi secret police before you leave Germany, I have no doubt," he smiled cheerfully. "I'm telling you all this in explanation of my rude rushing you out of the office when I heard what you wanted. Frankly, I'm not sure whether the phone I now have is one of the new dictaphone one but after you've lived with the Nazis for a couple of years you simply take no chances; and I'm particularly careful because the phone in my office was installed two months ago under peculiar circumstances. The old phone seemed to have been all right and then it suddenly began to grow weak and buzz until it was impossible to hear any thing—even the sort of conversations which are carried on nowadays. Finally I had to complain, so they took the old one out and installed this one, which works swell—maybe just a little too swell!"

"I have a phone just like it in my room at the hotel," I volunteered, trying to thi if I ever talked to myself.

"Oh, all the big hotels where foreign stay—Berlin, Hamburg, Munich, Dresden in everyone of the big cities there are new phones. You don't think that Nazis would overlook giving nice i

phones to the hotels where journalists, diplomats, business men and a host of other persons in whose activities they are interested in, stay?"

I could not help but recollect what had happened when I had talked with resident correspondents of four different countries and when I had called upon the diplomatic representatives of half-a-dozen nations in different cities.

"Don't telephone for an appointment," I had been warned. "Just drop in to see whomever you want to see. If they are busy, simply try again. They all understand."

THE fear that hangs like a pall over the country is simply incredible to those outside of Germany, a fear that is not confined only to Germans. In embassies, legations, consulates—territories of sovereign states flying the flag of their own country, there was that same apprehension, the same fear of being spied upon.

"Under no circumstances can you quote me or even say what country I'm from," everyone of them had insisted. Some had refused to talk at all, assuring me suavely that for obvious diplomatic reasons they could not discuss German conditions, either economic or political, with me. Others, however, talked.

"But," I would ask incredulously, "how would the Nazis dare to tap the telephone of a diplomatic representative of a foreign power? If that were traced and you protested, the scandal would startle the world. They could not afford such a risk."

"Who says they wouldn't dare?" the diplomats would smile wryly. "We examine our walls and wires—every inch of the embassy and legations and consulates are gone over periodically. Sometimes we trace a wire and cut them. But in a little while there are new wires. We do not dare to talk even in our own offices or homes."

"But this is incredible!"

"Yes. It is incredible. But there it is."

"Why do you not protest?"

"They will deny it and it will create a very unpleasant situation. So we just suffer along."

"What sort of a government is this?" I finally exclaimed once when a diplomat had told me details of spying, telephone tapping, bribing, following persons who called to learn their identities and a host of other ills.

"It is not a government," the diplomat explained gently. "In your country you have gangsters like Al Capone, yes? He has control of Chicago—"

"Just Cicero—a little suburb of Chicago," said.

"It does not matter. He got control of an area. Here gangsters have got control of a great country and have become a world power to be reckoned with."

From what I have seen and heard of the Nazis, I don't especially like them," I

protested, "but I have never heard them called gangsters. The term implies people who live by extortion, blackmail, thievery—sucking the lifeblood of legitimate business under threats of force—"

"Precisely. The Nazi regime is what you call in your country a 'racket.' Do not take my word for it. Talk to some of your own countrymen who are doing business in Germany. Maybe they will talk to you; then, perhaps you will understand what I mean when I say it is a gang of gangsters that the world recognizes as the government of Germany."

"If they are gangsters, as you say, then why does your country deal with them? You do not deal with the criminal element in your own country? Why do you deal with a criminal element in control of a foreign country?"

"Because the criminal element is the foreign power," he smiled. "They have secured control of a great and powerful nation and are now feverishly arming themselves until they will be a tremendous armed force—gangsters with weapons the equal of any world power. As for dealing with them—we deal with them on the theory that it is not our business what sort of government a foreign people wants."

"But the people apparently do not want it."

"When a government is in power other countries assume that the people want it," he laughed. "The group in control may maintain itself by force and terror, but that does not matter."

"But I still don't understand. Surely you have reported to your foreign office that this is not a government as we consider governments; that it is a regime run by gangsters for their own benefit, that they are rushing headlong into preparations which threaten the peace of the world—"

He waved a delicate hand and shook his head as if in pity at such innocence.

"It is precisely because of that, that we cannot do anything. If we try to choke their arming now, we would start a war and no country wants to start a war now. A war would be disastrous for the world."

"But when the gangsters, as you yourselves call them, have built a powerful army you will be able to do still less. What will happen then?"

"A war," he said quietly. "Our intelligence services, military and commercial attaches expect that when the Nazis reach a pre-World War strength a war will be inevitable. Hitler wants Austria as well as the glory of wrecking the Soviet Union. Those are some of the factors and the driving power; behind the moral aims is Germany's need for expansion. She is cramped and must have more territory. Western Europe is already crowded with people, so she will have to move East. Poland has more people than she can take care of, so Germany has no future there. The only

other place in Europe where there is plenty of land is Russia."

"Maybe I'm a little stupid," I said puzzled, "but you expect a horrible war. Other diplomats with whom I talked expect a horrible war. You know Germany is preparing for it. Then, for heaven's sake, what are you and the rest of the diplomats doing about it? Why do you sit around just watching the gangsters grow stronger and stronger?"

He shrugged his shoulders. "I don't know," he said frankly.

"I CAN'T understand this world politics," I said almost to myself. "Here is your country and other countries watching a lot of gangsters arm themselves and all you do is sit around and wait for them to start the holocaust without anyone doing a thing about it!"

"Oh, yes, we are watching them very carefully to see when they will start," he said cynically. "We can tell by the amount of raw materials piling up, the number of men trained, the number in the army, the reserves, etc. We meet with other countries' experts and compare notes as to when the explosion will start. The estimates vary from the latter part of 1937 to the spring of 1938, but not later than 1939 under any circumstances."

"And your country which will be involved, simply lets its representatives sit around waiting for the war to start!"

"Sounds insane, doesn't it?" he smiled. "But perhaps you have some suggestions? Suppose we try to choke the Nazis at the source by refusing to deal with them? Instantly the businessmen of my country will cause so much difficulty that my government may fall. Businessmen want business. Stopping all business with the Nazis means upsetting the already upset situation in the world. It means throwing many people out of work who manage to have jobs now. Business wouldn't want it so we are dealing with the gangsters and supplying them with the means to fight us!"

"But that is insanity!"

"Of course it is," he agreed cynically. "And it is also diplomacy."

So the diplomatic representatives of foreign powers sit around twiddling their thumbs, weighing, measuring, calculating the raw materials the Nazis are storing up, the munitions being turned out, the army being developed, the planes she is building. Three diplomats told me that the wide roads now being built all over Germany, spacious roads leading to all borders, are not required for the country's automobile traffic even if it quadrupled. The roads, they agreed, are being built for a secret "land battleship" which Germany has and which requires such roads. The diplomats know this. They know that the Nazis have vast numbers of planes, that the Nazis have this and that—and knowing all this and infinitely more



AN OLD NAZI CUSTOM

Russell T. Limbach

they sit around waiting for the war to start that will make the last holocaust look like child's play in comparison.

Everyone in Germany expects a war—from the diplomats to the German people, a war in which the gangsters will try to muscle in on other territory; and here I was talking to a reputable, hard-headed businessman who, without any quibbles called the people who were making these preparations for the next world war, a gang of blackmailers and racketeers.

"I know your name, Mr. Spivak," he said, "and I have read things that you have written. I was quite impressed with your recent book on America and your desire to be fair and accurate, so I'll tell you how they run the racket so you will understand what I mean when I say they are racketeers."

He looked at his watch. "It is now two-forty. If you will stay here until four o'clock, I will show you something that will be of more importance than anything I say, though I will explain the racket in the meantime. It just happens that I have an appointment at four o'clock."

I readily agreed to stay until then and he began:

"The essence of this so-called government is no different from the operations of any gangster mob. Mobs are run for the benefit of the mobsters and no one else, the heads taking the biggest cuts, minor officials smaller ones and so on down the line. Whatever those not in the mob get is given

as a form of hush money, as gangsters back home pass out hush money to keep certain elements quiet.

"The charming thing about these Nazis is that they are quite impartial as to whom they bleed. They draw no distinction between employer and employees. They get their cut wherever they can and from whom-ever they can. Every one, big and little, pays tribute to this army of parasites who are now functioning as the government of a great country."

He spoke without any rancor in his voice, in a matter-of-fact tone as though he were just simply quoting statistics on his firm's output.

"There is an army of petty officials in office now who, before Hitler got into power, were not competent enough even to get a job or hold it if they got one. Today they are buying villas and expensive automobiles and their salaries are wholly insufficient for such purchases. They get 'smeared' as it is called here. They are members of a very genteel profession which has sprung up since the Nazis got into power. They are walking delegates who collect the graft, extortion money, blackmail or whatever you choose to call it. The only difference between them and the gangsters like Capone and his mob is that the Nazis do not threaten to put a pineapple under the doors of the business man who will not shell out. They do not have to resort to such crude measures. Their scheme is much more efficient. Let me illustrate:

"You are running a business, such as it is nowadays, or a store. It does not matter whether you are a native German or an American, Englishman, Frenchman—a pure Aryan or a Jew. One day a Nazi official drops in on you. He tells you very frankly that he wants a small percentage of your business in return for which you will be given protection. When you assure him that you think the German police quite capable of protecting you against burglars, thieves or any other menace, he waves the objection aside. You need protection, he assures you, not against thieves and burglars, but against Nazis and their sympathizers, forming the idea that you are not a good house to do business with. He tells you that there are new laws and regulations constantly being promulgated by the regime; these seriously hamper the flow of business as we are accustomed to it like the problem of firing someone you do not need or being compelled to hire people whom you do not want. It is difficult for firms in Germany, native or foreign, to fire help once they have been hired or to resist the constant appeals of the government to put more people to work. That is one of their methods of reducing the unemployed lists.

"For a stated sum, he assures you, you get protection against being compelled to conform to those laws and regulations as well as the Nazis and their sympathizers, forming the idea that your house is not a good place to do business."

USED and I asked the inevitable question: "What if you refuse to pay this graft?"

"The walking delegate tells you frankly that if you do not come across, your place of business will be denounced at their Nazi meetings as being unfriendly to the Nazis, that as a result you will be boycotted. As a businessman you know what that threat means. Even if the people knew you are being blackmailed, they will not dare to patronize you lest they incur the anger of the Nazis. It means eventual bankruptcy and you know it."

"When you still protest, he offers inducements. In return for paying the regular monthly graft—a reasonable one, I might add, for they do not want to kill the goose

with the golden egg—he offers to have your firm or store mentioned favorably at their meetings and to urge Party members and their families and friends to patronize you.

"This is the state of affairs all over the country. This is the racket being worked everywhere whether in large cities or in small agricultural areas, by an army of chislers who do nothing all day but make the rounds and collections. Many of them devote their full time to it, collecting for the higher officials, and as in the States, the graft is split in many ways. The country is divided into regular districts and there is no muscling in because the Party leaders are in on it."

"You mean that Hitler, Goebbels, Goering, Streicher and others as big get rake-offs on this extortion?"

"I doubt if they get rake-offs on this sort of dough. They don't need it and they are willing to permit the blackmail among the smaller leaders as a means of keeping their support. It's a racket and the mobsters must be kept content with their share. I don't suppose the biggest of them take a split, though, I wouldn't put anything beyond them. The big leaders have their own rackets."

I raised my eyebrows questioningly.

"You think the biggest of them are really fighting for a principle—Aryanism and all that? Well, maybe so, but they are not letting the principles interfere with the graft. Let us take Hitler, the biggest of them all. He was a poor man before he came into power. Recently he gave a villa as a present to the chief of the General Staff of the army, whose favor he is currying. The villa cost the trifling sum of 1,300,000 marks, or over half-a-million dollars; and that's a lot of money in any language! And this is not the only present Hitler gave. The newspapers published all this. Now when a man starts giving away presents worth half-a-million dollars to just one man besides passing out other valuable things, you naturally ask yourself where he gets the money. The answer is his newspaper, his book, *Mein Kampf*, and his interests in the publishing house of Franz

Eher of Munich. This last is a marvellous little graft. These are the ones I know about. What others he's got his fingers in, I don't know."

"When Hitler came to power his newspaper increased its advertising fifteen times—I mean fifteen times, not fifteen percent! Circulation did not jump that much, but the advertising rates sure did. If you will examine the ads in his paper you will find that most of them are for products that would not normally be advertised. Many are complimentary ads. Everybody knows that when a firm's ad appears in *The Beobachter* they will be viewed with friendly eyes, so everybody rushes to advertise in the Fuehrer's organ as a sort of peace offering."

"For those who don't, the advertising managers send their solicitors. They walk in pretty arrogantly—I know because I've seen them—and tell the prospective advertiser that the rates have jumped again and they can let him have, as a personal favor, so many inches at the new and higher price. It's what the Capone gang used to do in Chicago when they walked in on a speakeasy and announced that the owner would take so many barrels of beer—or else. Only here it's advertising."

"I won't go into the racket around the sale of *Mein Kampf*, but I will go into the Franz Eher publishing house in Munich. Just how much Hitler, Goering, Goebbels and the others have in it, I don't know. I have heard that Hitler has fifty-one percent; but that may be a little exaggerated. It doesn't matter. The important thing is that the leaders own this firm and it is impossible to publish a textbook for the schools—and you know how much money there is in school textbooks—without the Eher outfit bringing it out. They control the book-publishing business in Germany and when you consider the millions of books sought by the state for the schools, libraries, etc., there is a young fortune in this racket."

"In the various public projects like buildings, streets, roads, etc., there is either a direct interest in the ownership of the firm doing the work or the contractor pays plenty. I know that, too, because I have talked with men who have paid. And there is no way for anyone to expose this because the papers are Nazi controlled."

"It does begin to look like a swell racket," I commented.

"When you get among the smaller fry the blackmail is so rotten that it turns even a healthy stomach like mine. A person who is not connected with the Nazi Party or who does not pay tribute to some Nazi leader simply cannot get a job. I myself had a young Nazi, only twenty-four years old who used to work for me. I fired him for incompetence over three years ago. For a long time he was unable to get a job. Finally he became a pimp, living off the women in the street like their national hero,

Horst Wessel. When the Nazis got into power this youngster with barely enough education to read and write became a leading official in one of the education departments of the government at a salary of 900 marks a month—the equivalent to the salaries of nine average workmen in Germany, workmen with families to support. He lived high, spending most of his income; yet, after two years in office he bought himself a villa and a car for 27,000 marks, or around \$12,000. Obviously he did not earn it. It happens that I know the firms from which he collects extortion. He has seventeen on his own list, most of them foreign firms."

"How about the rural district? There aren't enough stores there to make it worth their while. Do they collect from the farmers?"

"No. In the country the racket is worked differently. Apparently the big boys have passed word down to lay off the farmers; they are needed to produce foodstuffs and the young and healthy farm boys are needed for the army and it would not do to irritate the farming element. But so far as small-town storekeepers and the big landowners are concerned, they simply have to chip in a lump sum and buy a present for the local Nazi leader. Just pick up the provincial papers. They are always filled with villas presented to the local leaders, villas, automobiles and other expensive presents. The value of the present depends upon the size of the town or village. The underlings of the leaders go around and suggest that everybody chip in—and everybody knows enough to do it. If they don't their store becomes an unfriendly place and is boycotted."

"But the most sickening thing of this whole nasty business is the women who have to work. They cannot get jobs unless they are okayed by the Nazis or those close to the leaders. I know a German schoolteacher, quite competent, who was unable to get any kind of work—teaching or otherwise—until she was almost frantic. She faced actual hunger. It was then that a Nazi who had been trying to make her told her plainly that if she would become his mistress he would get her a job."

"It's a funny thing what desperation and the fear of hunger will do to even the nicest people. Moralities are forgotten when hunger stares you in the face. The girl became his mistress and two days later she had a job teaching."

He became so angry telling this story that he bit off the end of his cigar and spat it out with a growl of disgust.

"I don't suppose anyone will ever know how rotten they can be," he growled. "And there is nothing, it seems, that anyone can do about it. Why, I know heads of businesses, foreigners, who have not been approached by these Nazi walking delegates and who have incurred the displeasure of the Nazis, actually go to their commercial at-

taches to ask that they arrange with the leaders to take graft so that they can stay in business!"

"But it is incredible to believe that attaches of great powers will descend to anything like that," I said.

"It is the function of representatives here of a foreign country to aid their business men and when a business man pleads to be allowed to pay graft, what can the attache do—especially when he knows that it's part of the national racket? I know several who went to the English and French commercial attaches and had them arrange contacts with the Nazi leaders for that purpose. This has happened to my knowledge. It has probably happened with the American attache, too, but if so he is simply too close-mouthed to say anything about it. But other officials, representatives of great powers, talk about it and they are simply sick of the whole thing. If you think I am exaggerating, ask them!"

"I already have. Some refused to talk. Others admitted that they act as contacts between Nazi leaders and their countrymen doing business in Germany."

"There you are," he laughed. "Then you see I am not exaggerating; and while you're on these racketeering activities of the people who are known as the German government, why not look into the smuggling of marks for which the Nazi courts are sending Catholic priests and nuns to prison?"

"I've already looked into that, too," I smiled.

I REMEMBERED the conversations I had had with officials of several great world powers. They had talked—with rueful smiles. Normally, I gather, they would have kicked out of their offices anyone who came to them with such suggestions but the people who came were very high Nazi officials, men who held high posts in the government. These high Nazi officials, the foreign diplomats told me frankly, had come to them offering a high rate of exchange if the diplomats would smuggle out marks in diplomatic pouches.

"Schacht," they explained to the diplomats, "will not give us money for propaganda abroad and we must have it. We will pay three, three and a half times the regular rate of exchange for foreign money."

"We are not at all sure that they wanted this money for propaganda," the diplomats told me, "though that was not the question. Personally, we think that these high Nazis, expecting inflation within a year or so, want to get their extortion money out of the country where it is banked as dollars, pounds, francs, shillings, zlotys—any foreign money which is stable. Banks in many countries on the continent, especially Switzerland, have rented out plenty of safe-deposit boxes."

"The financial stability of the mark has been seriously shaken several times when large blocks of marks—brand new money straight from the treasury printing office, it seems—appeared in Switzerland, France,

Austria. Blocks of half a million, two million marks at a clip. You know that when that much illegal money appears the money market suffers a serious blow. It is much as though counterfeiters making perfect money suddenly flooded a country with it."

"Isn't the appearance of such large blocks of marks in foreign countries evidence that some diplomatic pouches are being used?"

"Maybe. There are countries that would just as soon see the mark stagger; and it is also possible that they have their own way of getting money out."

"The most amazing part of what you tell me," I said, "is not that they are smuggling out marks but that they have the gall to come to foreign representatives for connivance. Why didn't you kick them out?"

"Because we are diplomats," they smiled. "We feel like it but we just can't. They really do not realize our reaction to their offers. They think everybody is like themselves."

I told the American business man of these conversations and he merely nodded.

"Sure," he said, "just stick around and you'll see and hear more."

A girl secretary appeared and looked significantly at him.

"You have an appointment," she reminded him.

He looked at his wrist watch and rose.

"Well," he laughed, stretching himself. "I've told you a lot of stories. Now come with me into my office and you'll see something. I shall introduce you as an official of my concern over here for a short business trip. All you do is sit quiet and listen."

We walked back into his office. I took a comfortable chair and chewed at a fat cigar that he gave me.

THE door opened and a Nazi, not more than twenty-eight or thirty, walked in, clicked his heels, smiled and advanced, extending his hand. The American business man took it and introduced me.

"I asked to see you," said the Nazi, "because I understand that you have been having a little difficulty with our new laws. *Ach!* So many laws," he said, shaking his head dolefully. "I thought maybe I could be of some assistance."

He paused and looked questioningly at him.

"I know all about it," my host said carelessly. "I don't think we need go into that. I know all the sales points; I've talked to many of my colleagues. What I want to know is how much?"

The Nazi smiled and nodded. "Good. Then we can talk business, *nicht?* Americans always like to talk business!" He laughed as though the phrase "talk business" was very funny. "I thought that my services would be worth 1,000 marks a month—"

"Nothing doing," said my host. "That's a lot of money. Do you think"—he turned to me—"that we can afford to pay that much for the services he can give?"

"Can he give it?" I asked.

"*Ja, ja,*" the Nazi smiled assuringly at me. "I have all the connections. It is official. Anything that troubles you will be straightened out immediately. You will have no difficulty. Of that I can assure you. Naturally, they will have to be satisfactory or you will stop paying me!"

"Looks like he sells a convincing bill of goods," I laughed. "But I think he wants too much."

"One thousand marks is not much for a business like this." The Nazi was now trying to sell me, apparently under the impression that I had the final say. "You could easily lose twice that amount or much more without my services," he added significantly.

"Two hundred marks," said my host. "That's over \$40 a week in American money and that's a lot of money in this country."

"Two hundred marks!" exclaimed the Nazi. "It is not worth troubling about."

"Terrible to have troubled you," said my host.

"I'll tell you," said the Nazi, "business is not so good as it was, I know. I will talk with my superior and try to convince him that he should take seven hundred and fifty. That is the best I can do"

"Since you're so generous, I'll equal it," said the American. "Three hundred and fifty and that's top."

"Six hundred," said the Nazi. "It is easily worth six hundred. You will get more than six hundred marks worth of advertising from us."

"Three-fifty."

"Five hundred."

"Why don't you make it four and settle the argument," I interrupted laughing.

The Nazi delegate sighed and looked helplessly at me. "He is worse than a Jew," he commented.

"All right. Four hundred. And I want to see some favorable mention all around."

"Oh, that you will. And," he added in a businesslike fashion, "if the first payment—"

"Yes. I know."

He rang for his secretary and instructed her to get 400 marks and put it in an envelope."

"I will have to have a receipt," he said. "I must put it down on my expenses."

"No receipt," said the Nazi. "You will have to figure out a way of recording it."

"Okay," said my host.

The Nazi rose, put the money in his inside coat pocket, clicked his heels and bowed.

"I am sure you will find my services satisfactory," he said.

My host escorted him to the door, motioning with his head for me to accompany him. We watched the departing figure saunter out of the building.

"There," said my host, "goes the government of Germany."

John L. Spivak's story in next week's issue, also from Germany, is called "Here Is Your Jew!"

Dark Days in Sunnyside

JOHN STUART

SUNNYSIDE is less than a half-hour subway ride from Times Square, New York. From the East River tunnel the train rushes on to the elevated structure and into Long Island City. Below are the vast equipment yards of the Pennsylvania Railroad and as you look back you see the Manhattan skyline dimmed by the blue haze of late afternoon. You wonder if a photographer has ever taken a shot of the Empire State building from the first train platform. It's painfully cold out and you also wonder if the Sunnyside homeowners are picketing the local office of the City Housing Corporation. Because it is the C.H.C. and its foreclosure whip that is bringing you out to this Manhattan suburb.

The Sunnyside houses were built by the C.H.C. in the four years between 1924 and 1928. There are 563 of them, laid out on what was formerly about fifty-two acres of raw land. When the architects designed the homes and the grounds, they must have had an English village in mind. But the immediate impression, as you walk through the Sunnyside streets, is that these houses are shaped so much like gabled egg-boxes. Only the colorfully shingled roofs seem able to relieve the monotony of red-brick houses standing in rows. For a minute you think that these homes are just fancy improvements over the company-town layouts that you have seen in Pennsylvania mining districts. But it is really not that bad. And then you ask yourself how these homeowners have been fooled into believing that Sunnyside would be a sort of New York housing paradise.

But it isn't hard to understand how hundreds of families were kidded into buying these homes. City Housing Corporation told them that Mrs. Franklin Delano Roosevelt, Felix Adler, Arthur Lehman, Richard T. Ely, Morris Ernst and a dozen other influential, reputable people were members of the board of directors. And if these people had given their endorsement to the project it was certain that buyers couldn't go wrong. The project itself was the outgrowth of general sentiment that the ordinary forms of realty speculation could not solve the housing-shortage problem. City Housing was therefore founded as a limited-dividend corporation. A halo of philanthropy was constructed around the development. And Alexander M. Bing, the company's president, availed himself of all publicity channels to drive home the message of low-cost homes for the masses. Lewis Mumford in *The Nation*, Bruce Bliven in *The New Republic*, *The New York Times* and numerous other publications sang effective

praises about Sunnyside. School teachers, writers, firemen, salesmen, taxicab owners, professional people, owners of small businesses and skilled workers eagerly flocked to buy.

THE limited-dividend corporation for home construction was a new idea in the United States in 1924. It had been put into practice in England and on the continent as a form of public-utility enterprise for financing homes. Alexander M. Bing had studied these corporations in England and returned with the idea of building garden cities. Dividends on stock investments in the corporation were to be limited to six percent and the remaining profits reinvested in the improvement of Sunnyside grounds and property. Prospective home-buyers were made to understand that this limited-dividend corporation was genuine and that here at last was an opportunity to buy homes at low cost without the "gyp" features of other commercial-housing companies. The buyers didn't ask questions. It seemed foolish to question so eminent a board of directors as that administering the City Housing Corporation.

The first hitch in the dealings of the public-spirited C.H.C. came late in 1924. The home-buyers were told that homes were being sold to them at the actual cost of construction and the price of the lot, plus a six-percent return on both these costs. It later turned out that the houses were not sold at cost, but for amounts in excess of the cost and in excess of the six-percent return agreed upon. The homeowners also paid the same proportionate rate for their land as was charged the purchasers of commercial sites. Inasmuch as a commercial site is of greater business value, the buyers of these sites pay considerably more for grounds, while a private buyer pays less. Thousands were made in profits by the C.H.C.—profits, it is charged, which were not exactly accounted for—from the higher prices paid by the homeowners. The C.H.C. also constructed a sewer for an apartment house it was contemplating building. The sewer was of little or no use to the small home-owners, yet they were burdened with the charges for its construction.

In 1930, the City Housing Corporation sold land to Phipps Houses, Inc., of which Alexander M. Bing was an interested officer, for \$350,000. In addition to the sale price, the C.H.C. was also paid \$50,000 by the Phipps company for the privilege of using Sunnyside's private park. This sum was to be expended for the benefit of Sunnyside homeowners. The C.H.C. appropriated the

\$50,000 for its own use and entered it on its books as money invested by the Title Guarantee and Trust Co. in the stock of City Housing. The entry was false. The homeowners were induced to accept C.H.C.'s common stock with a face value of \$50,000. At the time the stock was delivered the C.H.C. did not reveal that it was insolvent and that the stock was therefore worthless.

The C.H.C. also paid exorbitant building fees to T. C. Desmond & Co., the building contractors. This company was owned and controlled by Thomas C. Desmond, who was one of the three original founders of City Housing and later became one of its directors. The building contract was on a "cost plus" basis. The C.H.C. agreed to pay the builders six percent above costs up to a certain amount; after the amount had been reached the builders agreed to have the percentages graded down to five, four and three. The cost of the houses was increased by ordering workmen to take it easy and stretch out the work and thereby increase the percentage that the T. C. Desmond & Co. would receive.

THE members of two- and three-family homes were also told by the C.H.C. that the rent from the apartments would for the most part cover the carrying charges of the houses. The rental value of these houses was, however, depressed by the absence of dining alcoves, the small size of the rooms and the poor fixtures. In addition the C.H.C. violated its agreement with the homeowners to hold areas solely for homeowner purposes. Instead, the C.H.C. permitted the erection of apartment houses with larger rooms and superior equipment, thereby creating competition between the rentable apartments of the home-owners and those of the apartment houses.

The construction of the Sunnyside homes was faulty. During a storm water seeped through the walls, damaging the interior of the houses. Windows leaked, roofs were not insulated, making the top floors unbearably hot in the summer and cold in winter; plumbing materials were far below standard and the heating apparatus which the contractors installed in the buildings was of obsolete design.

These are but a few of the charges the Sunnyside home-owners bring against the City Housing Corporation. (On the telephone, I asked Mr. Bing to discuss these charges. He said that there was absolutely nothing whatsoever in them and that the homeowners made them in bad faith—whatever that may mean. He furthermore said that *THE NEW MASSES* was a "one-sided