



## Nazi Counterfeiters

This is just what the Nazis had in mind on the eve of World War II. Called Operation Bernhard, the production of counterfeit money was the work of expert printers and engravers rounded up by SS units and supervised by an SS officer named Bernhard Krueger. Krueger's counterfeiters produced some of the finest forgeries ever. Luckily for the British, the anticipated outcome never came to fruition, and Britain was spared potential economic ruin. In an ironic twist, the Allies too considered launching a similar plan against the Nazis, but both American and English authorities ultimately decided against their own counterfeit program.



Until recently, little has been written about the fantastic Nazi plan. Lawrence Malkin's meticulously researched *Krueger's Men* is perhaps the best work on the subject. Malkin interviewed surviving counterfeiters and poured over numerous secret documents in his effort to provide a clear picture of the events surrounding Operation Bernhard. In the end he lays out a story of intrigue that illustrates the clear difference between a totalitarian government led by a tight group of insiders, and the democratic Allied governments that favored vigorous debate before moving forward with war plans.

### Operation Bernhard

The story starts on September 18, 1939, when Nazi espionage agents and high-ranking officials hatched a plan to destabilize the British economy by air-dropping forged Bank of England notes. Originally launched as Operation Andreas, the plan was fully supported by the Nazi hierarchy. According to Malkin, there was little debate among the Nazis present regarding the plan. Only Walther Funk, a German financial journalist, raised any objections. But Josef Goebbels, perhaps sensing the fragility of the German economy, secretly feared that implementing such a plan might open up the Nazis to a similar approach from the other side.

It was not until 1941 that the first batch of counterfeit notes passed a test comparing them to real British bank notes. Many of the technical problems had been solved but much work remained, and so the Nazis shifted the operation to the concentration camp at Sachsenhausen. Nazi authorities tapped



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SS Major Bernhard Krueger, a former textile engineer, with overseeing a production line at the Sachsenhausen camp located near Berlin. There he supervised a team of 142 counterfeiters drawn largely from Sachsenhausen but also drafted from the infamous Auschwitz camp, and later from Mauthausen and other camps. Krueger's forgers were some of the best engravers and printers in Europe, but the Nazis were looking for perfection, and progress was slow initially. By 1942, Krueger's forgers had begun the painstaking task of engraving the plates. Krueger's knowledge of textile engineering helped speed the development of the proper rag-based paper, and before long they had mastered the proper watermark. It was very difficult work, but the prisoner counterfeiters knew that their lives depended upon achieving some progress.

On the other hand, death-camp detainees worked with the knowledge that the SS intended to kill them when they were done with the job. Faced with a Hobson's choice, many probably slowed production in order to prolong their lives. Secrecy was paramount, and the counterfeiters were sequestered from the general population. One counterfeiter, Sali Smolianoff, described his arrival at the camp in 1944 to the Allies after the war:

There were two barracks which had the numbers "18" and "19" covered with barbed wire, and it was absolutely forbidden to get in contact with the other prisoners being in the same camp. The "special command" was [a] compound with 140 Jewish prisoners gathered from all different camps in Germany, all technical specialists, as printers, designer, painters, photographers, etchers, jewelers, bankers and businessmen. All were Jewish or half Jewish people and all were sentenced to death because they knew about this counterfeiting camp, and therefore after having done the work, they were to be killed.

Smolianoff was assigned as a "retoucher" and was recruited specifically to help the Nazis shift their efforts to producing U.S. \$50 and \$100 bills.

For Adolf Burger, working for the Nazis saved him from the horrific conditions that plagued the average concentration-camp detainee. A book printer from Bratislava, Burger had managed to escape the Nazi roundup of Jews primarily because of a shortage of skilled printers. But his luck ran out on August 11, 1942, when Gestapo agents arrested Burger and his wife. They were both sent to Auschwitz — he to a work detail, his wife to the gas chamber. At Auschwitz, he suffered beatings, medical testing, and starvation rations. By 1943, his weight had dropped to 80 pounds. While among the weak and dying, Burger was approached by an SS officer searching for prisoners with printing skills. "He looked at me and said, 'Are you Mr. Burger?'" Adolf recalled. It was unheard of for an SS officer or guard to refer to a prisoner by name rather than number. A stunned Burger listened as the officer said, "Mr. Burger, we need people like you. You will work like a free man again." Recently, Burger told correspondents from Britain's *Sunday Mirror* that working in what he called the Devil's Workshop spared his life and afforded him a measure of comfort while around him fellow Jews were being slaughtered. Although Burger and his fellow counterfeiters were in no sense truly free, they wore white lab coats, slept on clean sheets, played ping-pong, and were permitted to grow their hair. "We worked slowly because we knew that as long as the job went on we wouldn't be killed."

With the Sword of Damocles dangling above them, the counterfeiters, led by Salomon "Solly" Sorowitsch, produced some of the finest forgeries ever. By 1945, the Nazis had successfully forged 132 million British pounds, or nearly 9 million bank notes. According to Malkin this amount was equal to roughly 15 percent of all the real notes in British circulation at the time.



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The Nazi espionage authorities had originally intended for the notes to be dropped by air over Britain. The intent, of course, was to sow doubt in the minds of the British population, knowing that some individuals would opt to pass forged notes instead of turning them in. But already by 1943, the Luftwaffe was nearly finished, its effectiveness reduced significantly from the early war years by constant pressure on three fronts. Though the battle for air supremacy was not yet over, the chance of a large-scale airdrop over England by Luftwaffe forces was nil. Instead, the SS used the forged notes to finance its own operations, and officials were not above skimming off the top to enrich their personal coffers.

Merano, Italy, served as the headquarters for the laundering operation. Headed by German businessman Friedrich Schwend, who reported directly to Himmler, the operation laundered much of the money through a phony firm called "Saxonia" in Trieste. It was there that Schwend's group laundered the money by purchasing valuables including gems, weapons, and real estate — almost anything of value. Most of it was resold for hard currency at a hefty profit. Britain, for its part, placed a blockade on pounds coming into the country, but it was not immune from damage.

In February 1945, advancing Soviet forces began to threaten production. Fearing discovery, the Nazis moved the facilities to Redl-Zipf an auxiliary unit of the infamous Mauthausen camp. There, they housed the plates and equipment in an underground gallery. Shortly thereafter, the Nazis once again transferred the team, this time to Ebensee, another Mauthausen sub-camp, with the intention of killing the counterfeiters. With the end in sight, Nazi officials destroyed much of the equipment and evidence with explosives, with the remainder being dumped in nearby Lake Toplitz. A number of counterfeit notes were later recovered. On May 4-5, 1945, American forces of the 80th Infantry Division liberated Ebensee along with the counterfeiters who had escaped execution by simply melting into the general population of the camp.

### **Collaboration With the Nazis**

Ironically, some of the best money launderers were free Jews. During the war, Jaac Van Harten and others like him were recruited by the Nazis specifically because of their business talents, and because their Jewish backgrounds would make them much less likely to be suspected of collaborating with Nazis. Working under forged Red Cross identification documents, Van Harten and his colleagues received 25 percent of the net income and whatever they could work from their own black-market transactions.

By April 1945, German forces were capitulating in northern Italy, and Van Harten began to sense that it was time to switch sides. He used his ill-gotten wealth to influence a number of Jewish Underground figures. They in turn were looking for help in advancing the illegal emigration of Jews to Palestine, and Van Harten had the money they so desperately needed to aid their cause. At an initial meeting with leading figures of the Jewish post-war settlement movement in Israel, Van Harten produced 50,000 new British pounds. His newly acquired friends were aware of his collaboration with the Nazis, but they overlooked his past transgressions in favor of advancing their cause.

The Americans, on the other hand, were not as inclined to look the other way. On May 1, 1945, Van Harten was arrested on suspicion of collaborating with the Nazis and was subsequently interned in Terni with a host of other collaborators and their Nazi overlords. But his Jewish allies were determined to acquire his release and were successful in doing so a year later. After his release, Van Harten escaped another conviction at the hands of the Italians and eventually emigrated to Palestine where he lived comfortably until his death in 1974.



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## Counterfeiting Schemes

While the Nazis were busily producing British notes by the thousands, Allied leaders debated the merits of developing their own counterfeit program. Almost from the beginning, British authorities were aware of the German plot. The Bank of England was aware of the scheme as early as 1939, and a February 29, 1940 U.S. Foreign Service memorandum reveals that both British and U.S. authorities were aware of the plot:

According to a report in the possession of the authorities here (London) it was decided at a conference of financial experts held at the German Ministry of Finance on September 18 last to launch a well prepared campaign against the pound and for the destruction of the monetary position of the world in the countries of the Near East, North Africa, the British Colonies and South America by printing in the presses of the Reichsbank 30 milliards of forged £1 notes and 20 milliards of forged notes of other denominations.

British authorities seriously considered dumping counterfeit notes into Germany by airdrop. From Churchill all the way down to individual pilots, the debate raged as to whether it was wise to emulate the Nazis. One pilot, writing to a Member of Parliament, advocated dumping “spurious German currency” from Royal Air Force bombers. He wrote, “The chief value of this scheme is that it cannot be used against us, and as a means of attack it would be most potent, as German finance has quite fictitious foundation.” In the end, however, British authorities considered the plan unworthy of pursuing.

America too had its proponents of economic warfare via counterfeit currency distribution. Noted American author John Steinbeck was one of a number of individuals who advanced the fantastic idea of dumping counterfeit German currency in the Third Reich homeland as early as 1940. But Secretary of the Treasury Henry Morgenthau, Jr. hated the idea. America was not yet at war with Germany, and Morgenthau felt that the Treasury had no business printing counterfeit notes. Despite Steinbeck’s support, the plan went nowhere in 1940. The idea was resurrected in 1943 where it met the same fate.

American and British authorities operating under free governments were somewhat disdainful of such schemes. Neither the British nor Americans had much stomach for breaking the law even though they were engaged in a world war in which ethical and legal lines were being broken every day by both sides. In any case neither government felt sure of success. The Nazis with centralized state power operated in an echo chamber in which actual debates over policies and strategies were rare, and the natural inclination to engage in unlawful and unethical behavior ultimately fostered the counterfeit program.

But though the United States, like Britain, rejected targeting the German economy with counterfeit money, it does have a “counterfeit” scheme of sorts for our own economy. Today, the Federal Reserve System, while not engaging in

*illegal*

counterfeiting, is in a sense pumping out counterfeit money because the money is fiat — unbacked by gold, silver, or any other commodity. In fact, the scale of the Fed’s money creation is such that it appears to be on the road to accomplishing what the Nazis failed to do. Increasing our money supply by simply creating more of it weakens the dollar, drives up prices, and casts doubt upon its worth in much the same way that the presence of large numbers of illegal counterfeit bills might. The inflation of our currency continues at an inexorable pace, without the help of a hostile foreign regime. Much like the



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“fictitious foundation” of Germany’s wartime economy, our increasingly inflated currency can only lead to a loss of confidence and economic ruin



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