

# ALLEN DULLES: THE POSTWAR YEARS



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[Allen Dulles](#)'s activities between the final days of World War II in 1945 and when he became director of the CIA in 1951 were shrouded in obscurity at the time. The full story has emerged only in bits and pieces and is still murky enough to give rise to unfounded speculations and conspiracy theories. The general picture, however, seems fairly clear.

Like many Americans, Dulles was aware that the United States would be coming out of the war as a global power and could not slide back into isolationism as it had after World War I. As a Wall Street lawyer, however, he dreamed not of peace and freedom but of a world dominated by American financial and business interests. He was implacably opposed to the Soviet Union and saw the restoration of German economic power as an essential bulwark against communism. He was also fully prepared to work with ex-Nazis, particularly when they were men of his own social class.

Questions remain as to whether Dulles's actions during and after the war reached the level of actual treason and to what extent he may have engaged in a cover-up on behalf of himself and his associates. However, it appears undeniable that for such men class loyalties came before national interests -- and that their priorities exerted a powerful distorting influence over US foreign policy.

## Operation Sunrise

During World War II, Dulles joined the [Office of Strategic Services](#) and became head of its crucial Bern, Switzerland station. Switzerland was one of the few neutral nations in Europe and was notorious for being a hotbed of intrigue.

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and was notorious for being a holder of intrigue.

In March 1945, when Russian forces were already advancing on Berlin, Dulles became involved in [Operation Sunrise](#), a secretive attempt to do an end run around both Hitler and the Russians by negotiating a separate surrender of German forces in northern Italy. Dulles's partner in these negotiations was SS General [Karl Wolff](#), a former banker and owner of a public relations firm who had joined the Nazi Party in 1931 and become chief of staff to Heinrich Himmler. Wolff had been sent to Italy in 1943 and had become military governor of northern Italy after the collapse of Mussolini's regime.

A few days after his initial talks with Dulles, Wolff held additional meetings with American general [Lyman Lemnitzer](#) and British general Terence Airey, who had entered Switzerland [disguised](#) as Irish businessmen. The Soviet Union was informed of these negotiations by US Ambassador [Averell Harriman](#) but was excluded from participating. Their well-founded objections to what they saw as an American and British attempt to reach a separate peace caused the negotiations to collapse. This incident fueled Russian distrust of the West and may have helped precipitate the Cold War.

When Wolff was taken into custody by the British after the war and charged with war crimes, Dulles [intervened](#) repeatedly on his behalf and Lemnitzer also provided an affidavit in support. Wolff's own statements suggested that he had received promises of protection from both men. He ultimately received a lenient sentence that was further reduced to time served, and he was released in 1949.

Wolff returned to public relations work but was indicted again by German authorities in 1962, not long after Dulles had been forced to resign as head of the CIA. He was convicted in 1964, but General Lemnitzer, who was then Supreme Allied Commander of NATO in Europe, continued to press for clemency. Wolff was released from prison in 1971 on grounds of poor health.

## The Bank of International Settlements

Towards the end of World War II, Treasury Secretary Henry Morgenthau and Assistant Secretary Harry Dexter White promoted a plan that called for the partial deindustrialization

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of Germany and the breakup of its industrial cartels and banking system. This plan was endorsed by Roosevelt and Churchill in 1943 and was still official US policy in May 1945, when President Harry Truman directed US occupation forces to "take no steps looking toward the economic rehabilitation of Germany."

Morgenthau and White also supported the dissolution of the Bank of International Settlements in Basel, Switzerland, which had a history of close ties to the Nazis and was alleged to have handled looted Nazi gold during the war. A resolution to that effect was approved at the Bretton Woods conference in July 1944 but was never enforced. As [described](#) by Wikipedia:

... the Norwegian delegation put forth evidence that the BIS was guilty of war crimes and put forth a motion to dissolve the bank; the Americans, specifically President Franklin Delano Roosevelt and Henry Morgenthau, supported this motion. This resulted in a fight between, on one side, several European nations, the American and the Norwegian delegation, led by Henry Morgenthau and Harry Dexter White; and on the other side, the British delegation, headed by John Maynard Keynes and [Chase Bank](#) representative [Dean Acheson](#), who tried to veto the dissolution of the bank. ...

This dissolution, which was originally proposed by Norway and supported by other European delegates, as well as the United States and Morgenthau and Harry Dexter White, was never accomplished. In July 1944, [Dean Acheson](#) interrupted Keynes in a meeting, fearing that the BIS would be dissolved by President Franklin Delano Roosevelt. Keynes went to Henry Morgenthau to prevent or postpone the dissolution of the BIS, but the next day the dissolution of the BIS was approved. The British delegation did not give up, however, and the dissolution of the bank was still not accomplished when Roosevelt died. In April 1945, the new president Harry S. Truman and the British suspended the dissolution and the decision to liquidate the BIS was officially reversed in 1948.

Both the abandonment of plans to deindustrialize Germany and the willingness to let BIS off the hook were justified at the time by the onset of the Cold War. However, researcher Peter Dale Scott [suggests](#) that there were also "deeper aspects" surrounding these

events and points to the influence of Allen Dulles, who was deeply committed to both German reindustrialization and the retention of the prewar banking system in which BIS played a central role.

According to Scott, Dulles was motivated in part by a desire to overturn New Deal restrictions on banking. He was also a personal friend of Thomas McKittrick, a fellow Wall Street lawyer and OSS agent who had been the wartime president of BIS. In addition to dealing with the Nazis during the war, McKittrick had continued to protect German industrialists as the war ended, promising them that he would "preserve the industrial substance of the Reich."

McKittrick suffered no ill effects from his divided loyalties but returned home after the war to a position at Chase Manhattan Bank, followed by an administrative role with the Marshall Plan, which was set up in 1948 to oversee the reconstruction of Europe.

Scott quotes from James Calvin Baker, who notes that McKittrick's actions were successfully concealed for the next fifty years:

And for nearly 50 years, the operations involving the the BIS and Swiss banks and looted assets by the Nazis were hidden in classified documents.... The U.S. Treasury Department [under White] tracked Nazi gold as it moved in and out of the BIS. Several of these transactions were found to have occurred between the BIS and major Swiss banks. From these Swiss banks, money was used by the Nazis to purchase war materiel or was wired to accounts in Spain, Argentina, and the Middle East.

McKittrick was suspected by Allied authorities of helping Axis countries acquire funds the U.S. government had tried to freeze. He maintained that the BIS was neutral and that no looted gold was held by the BIS. The U.S. Office of Strategic Services, the forerunner of the Central Intelligence Agency, had found evidence that McKittrick had collaborated with the Nazis. A report given to President Bill Clinton alleged that the Axis powers had virtually taken over the BIS.

## Allen Dulles's private intelligence operation

The [Office of Strategic Services](#) was disbanded in September 1945, with its research and analysis branch being folded into the State Department and its covert operations into the Department of War. The Central Intelligence Agency would not come into existence until the passage of the [National Security Act](#) two years later. Meanwhile, Allen Dulles perceived an opening that he took it upon himself to fill with his own private intelligence operation.

As described by Joseph Trento in *Prelude to Terror*:

Allen Welsh Dulles, who had run the famous Bern (Switzerland) Station of the Office of Strategic Services (OSS) during World War II, was now running a private intelligence service out of an office at 44 Wall Street, using some of the biggest names in American business. Dulles did it because he felt he had to. "The Soviets were throwing everything they had at us. The NKVD (later the KGB) were eating us alive, and Washington could not make up its mind about what to do on intelligence," said Robert T. Crowley, a former aide to Dulles. In Washington, a fight had broken out about who should run the United States intelligence service, or even whether it needed one. [J. Edgar Hoover](#) wanted to control overseas intelligence collection through the FBI.

Dulles did not wait while the politicians debated. In the two years between the end of World War II and the creation of the Central Intelligence Agency, Dulles, who had done business with Hitler's supporters before the war, began a massive ex-Nazi recruitment campaign, using a State Department refugee office as a front. The enemy was now Communism; anyone, no matter how unsavory, who was willing to oppose Communism was an ally and a friend to be sought out and courted. Dulles made sure that investment bankers and lawyers who had done business with the Germans before and even during the war were back in touch with their old German contacts. In 1951, when he moved over to the new CIA, he brought with him the networks and assets he had recruited as a private citizen. His knowledge of how Hitler and his cronies had risen to power, and of which Americans had financed that rise, helped make recruiting in the postwar American business community "a lot

easier," according to Crowley. Recruitment was so easy that Crowley and a colleague ran an entire CIA office devoted solely to working with executives of major corporations.

This account raises two interesting points. One is the implication that Dulles was not only prepared to deal with ex-Nazis and Americans who had done business with them but actively used his knowledge of those connections to blackmail people into working for him. The other is the suggestion that the CIA from the start had an "off the books" quality, a resistance to the ordinary institutions and procedures of government. If that was so, then [Bill Casey's off-the-books operations](#) in the 1980s were not an anomaly but part of the Agency's very nature.

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