

PROLOGUE

This book is about a quest for justice. It directly affects potentially hundreds of thousands of people that are rightfully entitled to payments due on bonds, issued by Germany or entities therein, between the years of 1924-1930. Indirectly it affects millions of additional people that have, at one time or another, held a defaulted bond of any kind.

This book chronicles the deceit and treachery of the governmental entities and the politicians responsible for one of the biggest frauds, of all time. It describes in detail how a series of lies and one grand deception has now put Germany potentially, once again, at the brink of financial ruin.

This particular deception started shortly after World War I when Germany was forced to make reparation payments. In an effort to assist Germany in dealing with the burdens at hand, a bond issue was created commonly called the "Dawes Bonds" (named after Senator Dawes who devised the plan). These bonds were sold to American citizens and were denominated in U.S. Gold Dollars. The idea was that it would be the American people who would loan Germany the money to make the reparation payments and thereby assist Germany to get back on its feet.

This act of kindness, or greed, however you choose to view it, opened the flood gates for other state, municipal and corporate entities in Germany to float issues of their own to the American people. Well over 100 such issues, representing hundreds of millions of U.S. Gold Dollars, were sold to the American public between the years of 1924 and 1930. The final gold backed issue, commonly called the "Young Bonds"(also named after a U.S. Senator), sold in 1930 (a year after the great stock market crash), was designed to assist Germany in repaying the Dawes Bonds.

Nevertheless, payments on the bonds were short lived. When Hitler came to power in 1933, all of the 100 plus German bond issues went into default. What happened for the next several years was quite a story in and of itself, full of lies, manipulation and deceit. It was not until after the close of World War II, however, that politics paved the way for one of the most scandalous attempts in history to defraud the American people.

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In 1952, seven years after the end of World War II, a series of meetings were held in London to determine how Germany's pre-war and post-war debt would be paid. Germany officially and formally confirmed that it would take full responsibility for all of the pre-war debt of German issuers, as were identified in the exhibits attached to the Agreement, which was called "The Agreement on German External Debts," otherwise known as the "London Debt Accord, (LDA)."

It was here that the grand deception was conceived. Germany did not want to have to repay its pre-war debts and yet German pride demanded that Germany find a way to escape being labeled forever as a country that refused to take responsibility for the debts of its forefathers. Thus, a fantastic lie was invented! Germany would publicly appear to make every effort to repay all of their debts while privately doing whatever was needed to be done to make sure that very little, if any, of those debts would actually be paid to holders of the bonds.

The time was 1953 and the U.S. was deeply immersed in the "Red Scare", the beginnings of the "Cold War" and "McCarthyism." It was a dream come true for Germany. All Germany had to do was to somehow blame the Russians for their plight, then Germany would have the Americans willing to believe nearly anything. The right kind of deception would be easy to promote, would even be welcomed by the U.S. bureaucrats and would be believed by a totally naive and trusting American populace.

Germany had successfully manipulated the market in the 1930's to cause the prices of German Gold Bonds to fall to a fraction of their face value. Then Germany had special agents, on their behalf, repurchase hundreds of thousands of these bonds in the U.S. for mere pennies on the dollar. However, Germany did not retire and cancel the repurchased bonds. Instead, the German Government resold these same bonds in the Swiss stock markets for 40 and 50 cents on the dollar almost as fast as they received them, using the profits to financially fuel the voracious appetite of Hitler's war machine.

However, seven years after World War II ended, with malice and collusion, an alternate scenario was created. Sitting comfortably in London, at the London Debt Accord, German representatives advanced the theory that the 300,000 bonds, that were repurchased by Germany from the U.S. markets, were never resold and had instead been stored in the Reichsbank facilities in Berlin awaiting cancellation after the war. It was common knowledge that it was the Russian soldiers that first

entered Berlin in the early days of May 1945 so it would be very easy to suggest that since there were no bonds in the Reichsbank vaults by the time the other allied troops arrived in Berlin, the Russians must have looted the 300,000 U.S. Dollar denominated bonds that were supposedly sitting in those vaults. The German representatives also correctly assumed that the American people were in such fear of the Russians by that time, the 1950's, that they would go along with almost anything if it meant that the "Russian scourge" would now be denied any opportunity to profit from the German bonds they supposedly looted.

What followed was simplicity itself. Germany announced that Russian soldiers had blown the doors off of the Reichsbank vaults and looted 300,000 of the German Dollar bonds that had been repurchased in the U.S. markets. Thus any repayment plan to holders of pre-war German bonds had to include provisions that would make certain that the Russian thieves would not be able to cash in the allegedly stolen bonds. To complete the ruse, Germany declared that they had no way of identifying the validly outstanding bonds from the ones reported to have been looted. Therefore, holders of the bonds would simply be required to prove that their bonds were physically located outside of Germany in 1945 thus proving "by definition" that they could not have been looted by Russian soldiers. The story was just plausible enough that it inflamed the Americans' distrust and fear of the Russians to the point that virtually nobody thought to object to the absurd and unconstitutional procedure now being required to validate legitimate bonds for fear of being labeled a communist sympathizer.

Germany had won, or so it seemed at the time. The bonds were, after all, bearer bonds, and most Americans had hidden them under mattresses, stowed them away in private safes and safe deposit boxes or otherwise secreted them in what they believed were secure locations. They had no way of knowing that decades after the bonds were originally purchased, they, as owners of the bonds, would be required to prove the whereabouts of their bonds on a specific date years prior. Those Americans, in 1953, had no way of "proving" where their bonds were when Berlin fell in 1945 any more than you or I today could "prove" where the \$5 bill, currently in our own pocket was located on a particular day over 7 years ago.

The world applauded Germany for offering to repay all of its pre-war debts. Secretly, however, Germany knew full well that, with few exceptions, only a small fraction of the American bondholders would be

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able to prove where their bonds were when the Reichsbank was supposedly “looted” in 1945 and thus very few, under the terms of the German scheme, would ever have to be paid.

To Germany this nightmare had ended. They had initially duped the American public out of hundreds of millions of dollars in the 1920's to rebuild their country after World War I. **In the late 1930's the American public had again been duped by Germany when Germany bought back the same bonds for pennies on the dollar with money that should have been used to pay the interest rightfully due on those bonds.** Then in the 1950's, Germany found a way to add insult to injury by duping the American public for a third time. By preying on the American distrust of the Russians, Germany planned on escaping the responsibility for these debts once and for all.

Germany, under its own internal laws, made an offer, by treaty, to exchange new bonds for the old Pre-World War II bonds to anyone that could prove where their bonds were in 1945, confident in the knowledge that only a small percentage would be able to take advantage of the offer.

But in America, the story was ever so slightly different. Unfortunately for Germany the U.S. Constitution stood steadfast against the “taking of property without due process”. Consequently, in order to ratify a treaty with Germany concerning these bearer bonds, the treaty had to be written as an exchange offer to holders of the bonds. The offer had to clearly stipulate that anyone who did not want to accept, or assent to the terms of, Germany's offer, did not have to and could instead directly file a claim against Germany for the full payment of all principal and interest due. The writers of the treaty did, however, want to give Germany time to get back on its feet before having to deal with the old bond claims, so they included a provision which said that the “non-assenting” bondholders (those that did not accept the German Government's offer) could not press a claim against Germany for repayment of the bonds, at the original contract terms, until **after** everyone that did accept the exchange offer, (the “assenting” bondholders) was paid in full. This was designed to be Germany's salvation.

So, at the end of 1953, Germany proceeded to issue new bonds in exchange for the Pre World War II bonds that were held by the assenting bondholders who managed to meet the exchange requirements. The new bonds had maturities as long as **41 years**,

which meant that the non-assenting bondholders could not press a claim against Germany, at the original contract terms of the bonds, until April 15, 1994.

The German officials who were in power, at that time, obviously regarded this as a total victory. It was their belief that almost no one would keep track of any of these bonds for another 41 years. It had already been nearly 30 years since they were issued. How many of the original purchasers would last another 41 years to finally press a claim against Germany for repayment? To Germany the matter was closed and it was time to set about rebuilding Germany once again.

The German officials had however underestimated the tenacity and perseverance of the American people. Bonds were passed from generation to generation with the hope that someday those old, musty pieces of paper would someday be recognized as having the real value that holders have always been entitled to. On the appointed day, April 15, 1994, the American Securities and Exchange Commission announced in "SEC Today" that all of the "Conversion bonds" had been paid in full. This signified that all American citizens still holding, what are called, Non-Assented Pre-World War II German Gold Bonds, could finally press their claim against Germany for repayment of these obligations, that were now, as much as, 70 years old.

Tens of thousands of the bonds came out of the woodwork. Some bonds were still held by the original owners, or direct heirs thereof, and others were held by investors and collectors who had acquired the bonds over the years in hopes of an eventual payday. On average, each bond, with an original face value of \$1,000 U.S. Gold Dollars, now represented an obligation of the German Government of \$500,000 or more after taking into account 70 years of back interest and conversion to gold at its current value. The problem that Germany thought that it had so skillfully swept under the rug in 1954 emerged from the shadows as an enormous financial time bomb representing a combined obligation, with back interest, of as much as \$600 billion dollars...- payable in gold.

In closing, please take note that I, as author of this book, have no axe to grind against Germany. I myself, by blood, am mostly German and partly English. I have never been to Germany and I have no religious affiliations that would cause me to have a jaded opinion about Germany one way or the other. I am however a seeker of justice and have always pontificated that one must stand up for what is right even

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if standing alone. Fortunately, in my quest to see that justice is done in this case, I am not standing alone as you will see later in this book. Nevertheless, the bottom line of the point that I am making is that all countries, including specifically Germany, must be held accountable for their obligations and there are ways that this can now be done without expense to the debtor nation. While it is true that Germany will most likely not appreciate that I am bringing this matter to the attention of the world at large with the release of this book, hopefully they will appreciate that in this book I offer them a way to resolve this matter once and for all and build an even stronger Germany without having to spend a dime. The rest of this book details what you have just been told in this Prologue and explores what happens next.

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