



the
MANAGEMENT
of
OPPORTUNITY

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I.T.T.: The Management of Opportunity

and investments would be welcomed and dealing a defeat to Adolf Hitler's National Socialists, who had campaigned against it.

Under the circumstances, then, it was both natural and prudent for ITT to seek further inroads into the expanding German economy, and so it did. Given its past relationships with National City and the close ties that had developed between Behn and Owen Young—and through him, with General Electric—it also made sense to work with and through these entities.

In 1930 ITT purchased Mix und Genest Aktiengesellschaft, Süd-deutsche Apparatefabrik Gesellschaft, and Telefonfabrik Berliner, all of which were engaged in the manufacture of telephonic, telegraphic, and electrical equipment. Then the Colonel joined with General Electric to organize Standard Elektrizitäts Gesellschaft (SEG) as a holding company, into which he put these three companies, their subsidiaries, and Ferdinand Schuchardt. This new, somewhat smallish enterprise thus would have a relationship with the giant AEG, and for a while it appeared that General Electric and ITT would unite in a drive to displace Siemens as Germany's premier electrical company, but nothing came of this. Instead General Electric sold its share of SEG to Behn, thus providing ITT with what could become a major base of operations in that country.

In a separate but related move the Colonel purchased from the Dutch firm of Philips all but a fractional share of C. Lorenz, AG. A medium-size radio-equipment manufacturer, Lorenz had become an important competitor of Siemens in several fields, even though operating in Germany under governmental constraints and being chronically short of capital. In 1930, when it appeared the American economic slump was ending, Behn thought Lorenz could be provided with ample funds and, through his relationship with Young, freed of at least some of the controls.

Behn seemed positioned to carve out a slice of the German telecommunications-equipment market. He and his associates understood there was no chance of obtaining a telephone concession in that country, but equipment manufactured by Lorenz and SEG had a share of the strictly controlled German telephone-equipment market. Moreover, like many other American businessmen, Behn was entranced by the technological proficiency of German scientists and engineers and eager to control laboratories and research centers in which they worked. Finally, Germany was the traditional supplier

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of telephonic equipment to much of Eastern Europe, and through SEG and Lorenz, ITT might gain entry to these markets.

All of this has to be kept in perspective. In 1934, a year when the German economy was recovering rapidly, under 4 percent of ITT's assets were invested in that country—less than in Great Britain, Mexico, or Chile, a quarter of the investment in Spain, and only slightly more than had been committed to Cuba. Over a quarter of ITT's investments were in Argentina, and that country's affairs involved a proportionate amount of Behn's attention.

Viewed from the Continent, ITT's machinations in Germany appeared only a small part of a gigantic American program directed from Wall Street to take over the European electrical-equipment market, a movement opened up by Morgan and National City and led by General Electric, with ITT a minor ally, there to cover one of its flanks. Just as apprehensions regarding a triumphal American communications empire had prodded the British to organize Cable & Wireless, so there was talk of a unified operation in the electrical-equipment industry to meet the General Electric challenge. Siemens and Ericsson, rivals competing for the German electrical and telephonic businesses, now joined in an informal alliance, which some observers thought might be a prelude to the creation of a binational giant along the lines of Royal Dutch Shell, the British-Dutch petroleum combine that vied worldwide with Standard Oil of New Jersey for crude sources and markets.

At the time, Ericsson was controlled by Ivar Kreuger, a Swedish businessman who was one of the most spectacular and audacious international financiers and manipulators of modern times. From his base in Kreuger & Toll he had put together a combination of companies in construction, mining, ball bearings, wood pulp, and newspapers, but he was best known as the "match king," as he controlled some 250 factories throughout the world that turned out 30 billion boxes of matches a year—three quarters of the market. In Europe, Latin America, and the Orient, Kreuger tried to obtain concessions under which he would have a monopoly of the market in exchange for legal and illegal payments to governments and their officials. Much of this was financed by the sale of securities, and in the middle and late 1920s his main arena was Wall Street. From 1923 to 1929 Kreuger sold some \$148 million of International Match stock and bonds through the New York bankers, and there were other placements for several of his properties, Kreuger & Toll included.