

This means that the crisis has to be well under way in order to elicit an international response. While denial of a crisis' occurrence and delays in realized action play a role in prolonging the wait for aid, the demand for quantifiable data demonstrating the need for aid is the primary source of delay.³⁸ It is important to note that these statements were made primarily with regards to famines in the latter half of the twentieth century, but they are also pertinent to the study of the Holocaust and the international response to reports of starvation within the concentration camps, as well as broader conditions.

Conclusion

Food plays a role in human life and interaction beyond its simple physiological importance on an individual basis, from the conception of ideological policies supported by, or even arguably rooted in, agricultural concerns to the systematic deprivation of food and essential nutrients within specific populations based on ideological policies. The complexity of these roles are crucial to examine in studying the frameworks used for the displacement of hundreds of thousands of people in Nazi German occupied territory and the means of extermination used against, primarily, Europe's Jewish population.

³⁸ Butterly and Shepherd, *Hunger*, p. 139.

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Deciphering Business Relationships in Nazi-German Occupied Europe: Business Ethics in Dealing with Morally Questionable Regimes

Introduction

From gradually gaining power in the 1920s to the mass liquidation of the ghettos and concentration camps, economic issues had always been at the forefront of the German Nazi party's blueprint for domination. It was an integral part of its national socialist agenda to have ample control over the means of production and distribution of resources. Businesses were encouraged and compelled to work with the state to advance its power and reach. Household names like Bayer (known as IG Farben in the Nazi era,¹ a company that systematically exploited concentration camp prisoners), Hugo Boss (the main supplier of Nazi party uniforms; the company's profit grew exponentially during Nazi rule and used forced labor in the process), Volkswagen (created by Nazi's German Labor Front in 1936; the *People's Car* project was an attempt to boost the economy) and many more all benefitted in various ways from Nazi policies.

One of the fundamental purposes of Holocaust studies is to educate and prevent similar mistakes and oversights from happening in the future. The issue of business ethics is therefore an interesting lens to look through in the study of the Holocaust.² What does it mean to conduct business

¹ [ED] Bayer was a part of IG Farben, one of its three major "founding companies" in 1925 (along with Agfa and BASF). After the war, when IG had been dissolved, Bayer became independent again.

² My participation in the *Witnessing Auschwitz* seminar was possible thanks to the generous financial and academic support of the UBC Sauder School of Business. I am especially grateful to Dr. David Silver for his help, encouragements and invaluable suggestions and comments on an earlier version of the chapter.

ethically in exceptional times? How do business ethics theories apply in such a unique context? The discussion so far has focused on whether particular companies are responsible for aiding the Holocaust. Instead, this paper attempts to answer the above questions and aims to lay out frameworks for businesses to take note of in extraordinary circumstances, especially when working with questionable regimes.

Legacy Business Ethics Frameworks Are Difficult to Apply

The issue of corporate social responsibility and business ethics is an age-long debate with varying thoughts, ideas and theories from philosophers of all disciplines. Two prominent doctrines from two renowned economists describe what are widely considered the most influential foundations of the business ethics discussion, although they take two opposite approaches. Milton Friedman argues that the only responsibility a company should have is to increase its profits and maximize shareholder returns within societal rules. If the decision makers of a company decide to act on their own social conscience and divert away from the profit-maximizing goal, it is essentially taxing the firm's shareholders unfairly without democratic due process to determine which social improvements should be invested in. Friedman warns that this leads to totalitarianism.³ In contrast, Edward Freeman's stakeholder theory states that a company has the duty to not only maximize returns for its shareholders, but also take into consideration the well-being of its other stakeholders, including employees, customers, society, the environment, the government and so on. Both frameworks have their merits and flaws with many debatable aspects, but one particular facet that these theories often fail to address is that of business ethics in extraordinary circumstances. Friedman's shareholder doctrine stresses the belief that it is good for businesses to stay

“within the rules of the game” and “engage in open and free competition without deception or fraud”.⁴ This idea collapses when “the rules of the game” are inherently corrupt and “open and free competition without deception or fraud” is systematically impossible. Freeman's theory suffers similar issues due to the ambiguous definition of “stakeholders”. In a world where groups of people are marginalized as subhuman, their interests can be easily disregarded and overlooked as non-stakeholders. There is simply arbitrary rule or force drawing the line between “stakeholders” and “non-stakeholders”, particularly in desperate times.

Europe during World War II, particularly in Nazi Germany, was caught in precisely the kind of event in which such social constructs and the rule of law fell apart and no longer applied. The frameworks described above fail to explain or assess the ethics (or lack thereof) of Nazi Germany and its collaborating businesses' exploitation of millions of individuals; further, they lack any provision of guidance for companies in such circumstances to act. It would be a serious breach of morality to say that a company in German-occupied Europe during WWII was ethical because it maximized shareholders' return while following the “rules”, or to say that a business was unethical because it failed to consider the welfare of the government as a stakeholder in its acts.

This paper therefore explores the relations between businesses and Nazi dictatorship and aims not necessarily to judge past business actions as ethical or unethical. Instead, this paper, in examining several cases of businesses' involvement in the exploitation of the situation, of concentration camp prisoners, and groups targeted during the Nazi era, aims to shed light through a historical perspective on the proper ways of conducting business in extraordinary circumstances. One of the most significant distinctions we need to make here is that there is a difference between direct responsibility for the atrocities committed during war-time and exploitation of the situation despite knowledge of the atrocities.

3 Milton Friedman, “The Social Responsibility of Business is to Increase its Profits,” *The New York Times Magazine*, 13 September 1970.

4 R. Edward Freeman, *Strategic Management: A Stakeholder Approach*, Cambridge: Cambridge University Press, 2010.

Many discussions regarding business activities during wartime and dictatorships address the question of whether or not the wrongful actions or events would have even been possible without business involvement. I would argue that this is irrelevant when discussing the ethics of doing business; such is a futile illusion where business actions are judged by the end ahead of the means. Nevertheless, looking at several cases of business involvement during the Holocaust, it is apparent that this manner of thinking is prevalent in a number of assessments.

The Case of IBM

In Edward Black's book *IBM and the Holocaust*, he claims that one crucial development of technology that allowed Nazi Germany to facilitate the Holocaust was a data and information keeping system that enabled Nazi authorities to collect and record census data that was later used to track and capture Jews and "undesirables". Black argues that without the assistance of IBM's technology through its German subsidiary Dehomag, the Holocaust would not have been possible. He writes, "from the very first moments and continuing throughout the 12-year existence of the Third Reich, IBM placed its technology at the disposal of Hitler's program of Jewish destruction and territorial domination".⁵ It is well known that IBM's Hollerith machine was widely used by Nazi authorities to collect identification data, schedule concentration camp transports and carry out camp operations;⁶ what's more, IBM had supplied tabulators, key punchers and various other machines to Dehomag before Germany declared war against the United States in 1941. Some evidence outlined by Black has also pointed out that even after IBM lost official control over Dehomag, IBM remained a main supplier to Dehomag by using various subsidiaries

5 Edward Black, *IBM and the Holocaust: The Strategic Alliance Between Nazi Germany and America's Most Powerful Corporation*, New York: Crown, 2001, p. 79.

6 Dr. Piotr Setkiewicz, personal communication, 19 May 2015.

in Europe under the name Watson Business Machine. This activity makes it clear that IBM retained their intentions to continue to operate and profit in the German market throughout the war period.

Opponents of Black base their argument on the claim that IBM was simply unaware of the political climate in Germany from 1933 to 1941 and that regardless, even without IBM's technology and supplies, Nazi Germany authorities would have found another way or another supplier to carry out systematic identification and the mass extermination of "undesirables". In his review of Black's book, historian Henry Turner Jr. of Yale University writes, "Black fails to produce evidence that IBM was aware its machines were being used for genocidal purposes while the United States was at war with Germany. Nor does he prove that the machines were essential to the Holocaust".⁷

Distilling this excerpt into two parts, the question boils down to awareness and the impact of IBM on the persecution of Jews. While awareness is an important element in determining the ethics of doing business with a questionable regime, it would be incredible to say that IBM was completely unaware of the situation in Germany at that time. With the anti-Nazi protest in New York in 1933, the passing of Nuremberg Laws in 1935 and the approximately 120,000 German-Jewish emigrants to Western Europe and the Americas from 1933 to 1939,⁸ ample signals and hints of Jewish persecution were transmitted internationally and, as such, IBM ought to have examined its business relationship with the Third Reich more cautiously.

The second question relating to Turner Jr.'s quotation is whether IBM's technologies were essential to the Holocaust. Richard Bernstein of the New York Times echoed on a similar note with a hint of ridicule: "Is Mr. Black really correct in his assumption that without I.B.M.'s technology,

7 H. Turner Jr., "Reviews of Books: IBM and the Holocaust: The Strategic Alliance between Nazi Germany and America's Most Powerful Corporation by Edwin Black," *The Business History Review*, 2001, 75(3), p. 637.

8 United States Holocaust Memorial Museum, "Refugees," 20 June 2014, web, <http://www.ushmm.org/wlc/en/article.php?ModuleId=10005139>, accessed 25 July 2015.

which consisted mainly of punch cards and the machines to tabulate them, the Germans wouldn't have figured out a way to do what they did anyway?"⁹ From these quotations, it seems that an excessive portion of the effort made in inquiring into the role IBM played in Nazi Germany with respect to the Holocaust surrounds hypothetical questions as to what might or might not have happened if the Nazis did not have access to IBM's technology. In terms of business ethics, "if I don't do it, somebody else will"¹⁰ is a futile question to focus on. It is important for a business, when it comes to the ethics of dealing with morally questionable clients, to follow strict guidelines such that, if misuses of the products are highly plausible, the business must follow up with either more due diligence or establish that refusal of service is warranted. This is especially important when the nature of the business and its products can be easily exploited. In IBM's case, none of the above guidelines were employed.

Although Black's claim that IBM was the main facilitator of the Holocaust and the mass persecution would not have been possible without the company's technology is somewhat overstretched, it is simply not the issue to be concerned with in the process of investigating a historical case of business ethics. At the same time, it is also true that the absence of concrete, explicit evidence showing that IBM was "fully aware" of the situation in Nazi Germany makes it especially difficult to judge. However, in this day and age, where information technology is more advanced than ever, lack of awareness is no longer a valid excuse for a company to claim ignorance in dealing with dubious regimes. Even though in IBM's case it was entirely legal on the surface for the firm to do business in and with Nazi Germany until 1941¹¹ (which according to the Friedman Doctrine

would be entirely ethical since no rule was broken and it was a profit seeking venture), a line should have been drawn once immoral acts were instituted by the Nazis as they gained power.

The Case of Crematoria Manufacturers

Having established that one key to address faulty behaviour in doing business with totalitarian or authoritarian regimes is "awareness", it is nevertheless incredibly hard to prove explicitly. Very few companies, if any, would ever declare in literal words that they conduct operations immorally, at least not until after the fact. The main manufacturer of crematoria of various concentration camps, Topf & Söhne, is a case that demonstrates the company's awareness, which can serve to provide guidance for current businesses when they assemble information in their due diligence process,¹² thereby avoiding pitfalls.

Topf & Söhne, which perhaps needs no introduction to those familiar with the Holocaust, was the major builder of immovable crematoria inside various concentration camps, especially in Auschwitz where the company supplied 46 out of a total of 66 ovens throughout the Nazi's concentration camp network.¹³ There is little dispute about Topf & Söhne's involvement and its knowledge of the mass murder of the camp prisoners during the Holocaust, so it is not necessary here to regurgitate once more. However, there are lessons to be learnt from the interaction and cooperation of the crematoria manufacturer and the Nazi authorities. Using the case of Topf & Söhne as a precedent, companies are urged to think critically in both operational and legal senses in order to avoid supporting morally corrupt clients executing atrocities with their services and products.

9 Richard Bernstein, "I.B.M. and the Holocaust: Assessing the Culpability," *The New York Times*, 7 March 2001, web, <http://www.nytimes.com/2001/03/07/arts/07BERN.html>, accessed 4 July 2015.

10 Ronald A. Howard and Clinton D. Korver, "Draw Distinctions: Overcoming Faulty Thinking," *Ethics for the Real World: Creating a Personal Code to Guide Decisions in Work and Life*, Boston: Harvard Business Press, 2008, p. 43.

11 Donald W. McCormick and James C. Spee, "IBM and Germany 1922-1941," *Organization Management Journal*, 2008, 5(4), pp. 208-213.

12 Assuming companies perform due diligence on their clients already by default, regardless of the degree of depth. So I say "in their due diligence process" instead of "with due diligence process" as the latter signifies that due diligence process did not exist previously.

13 Robert McGinn, "Sixteen Case Studies of Ethical Issues in Engineering," *The Ethically Responsible Engineer*, Hoboken: John Wiley and Sons, 2015, p. 138.

In Rudolf Höss's memoir, later named *Death Dealer*, the Auschwitz camp commandant recited the way multiple corpses were crammed into an oven for cremation.¹⁴ Detailed instruction of mass cremation was provided by Topf & Söhne themselves to camp authorities in September, 1941.¹⁵ Nevertheless, Ernst-Wolfgang Topf, the managing director of the firm, claimed during his trial that he had no knowledge of the use of the crematoria. Although extremely unlikely, let us assume that Topf was indeed unaware of the purpose of the crematoria but nonetheless provided instructions for cremating multiple bodies. The most relevant question now is how companies can safeguard the use of their products without explicitly knowing how they are being deployed.

In order to mitigate the risk of aiding crimes, the company must ask itself before providing designs or instructions: (1) whether such designs or instructions are standard industrial practices, and (2) why would a client want such designs or instructions for their products and/or services. In Topf's case, cremating multiple bodies in one cremation chamber was an extremely unusual practice (conventionally, bodies were and are cremated individually out of respect for the dead and their families so that they can collect "pure" ashes); it was also illegal according to the *German Cremation*

Act of 1934 and the *Regulation of Implementing the Cremation Act of 1938*.¹⁶ When the request for designs or instructions to cremate multiple bodies was made, Topf & Sons, if it was not aware of the ultimate purpose, should have critically examined why these atypical functions were needed as well as determined whether this request was legal in the first place. Companies in similar situations should evaluate these abnormal requests critically by asking why and how instead of simply reducing the issue to a profitability function of revenue minus cost in its offer tendering and decision making processes.

In addition to the issues outlined above, the locations of the crematoria were also suspect. German law at the time mandated that crematoria could only be built near cemeteries.¹⁷ As experts in the cremation industry, Topf & Söhne should have known the legal aspects of cremation. When the firm was contacted to build crematoria in the concentration camps by the Nazi government, it should have been alarmed that there might be malevolence involved due to the illegal nature which the crematoria were evidently to be used; certainly, when a government or authority is willingly breaking the laws that it itself established, it is a hint that they are not acting in good faith. Companies that undertake work with governments must look out for traces of hypocrisy in order to avoid supporting ill-intended public actions. (SS commander Heinrich Himmler justified the illegal building of crematoria within the concentration camps by declaring it a national security issue.¹⁸ This is eerily similar to how many governments today avoid transparency to the public.)

14 Rudolf Höss and Steven Paskuly, *Death Dealer: The Memoirs of the SS Kommandant at Auschwitz*, Buffalo: Prometheus Books, 1992.

15 Deborah Lipstadt, M. MacLaughlin, and D. Leshem, *Auschwitz-Birkenau Crematoria: Civilian Ovens Comparison*, web, <http://www.hdot.org/debunking-denial/ab4-civillian-ovens-comparison/>, accessed 10 January 2017. [ED] The instruction refers to "regular" use of a crematoria. There is no doubt that by installing a new type of crematoria in Nazi concentration camps, the "Topf" company implicitly accepted a high mortality implied by them, namely, several dozen corpses a day. However, this can be explained by the conditions of war and epidemics of infectious diseases. But more significant in this regard was the conference in August, 1942, when, representing the company engineer, Prüfer agreed to provide four new crematoria for Auschwitz, which were to have a theoretical ability to burn more than four thousand corpses a day. It is obvious that such a great number of deaths in the camp could not have resulted from "natural" causes. Nevertheless, Prüfer did not protest because such an agreement would bring considerable profits not only for the company but also for him personally.

16 Gesetz über die Feuerbestattung (Cremation Act), 1 RGBl § 3-9, 1934. Verordnung zur Durchführung des Feuerbestattungsgesetzes (Regulations of Implementing the Cremation Act), 1 RGBl § 1000-13, 1938.

17 Dr. Piotr Setkiewicz, personal communication, 19 May 2015.

18 Ibid.

Ethical Companies During the Second World War?

In the context of World War II and Nazi Germany, it is difficult to fully determine whether or not a business was proactively ethical or unethical in German-occupied Europe. The reason is simple: no company within the Nazi' sphere of influence would openly condemn and/or refuse to participate in the exploitation and extermination of the oppressed in fear of retaliation or forced takeover by the state. Therefore, similar to gauging the unethical by proxy above, there are certain traces that we can look for in order to hypothesize ethical decisions made by companies.

For example, the systemic round up of forced laborers provided an ample supply of human resources for companies to profit from during Nazi rule. When the war began and the economy started to boom due to wartime demand, these labor forces should have been fully utilized. However, such was not always the case and often there would be idle prisoners with no work to do¹⁹ although the use of forced laborers would have been immensely profitable for manufacturers.

Many firms have cited reasons for not using forced labor, such as product quality and low capacity. From this standpoint, speculation can be made that some companies indeed did disagree with the exploitative policies at that time, but used these other reasons to avoid directly declining offers from the state. Nonetheless, the general attitude of the companies that refused forced workers remains uncertain, and further research should be done on this topic.

Reconciliation and Moving Forward

As discussed in this paper, lack of concrete, explicit evidence summarily makes it very difficult to prove any level of consciousness in connection to

the various businesses involved in the operations of concentration camps and the extermination of the oppressed during World War II. There is considerable plausibility in many cases, but incomplete or partial evidence cannot, and should not, be the material that we use to judge because judgments made in haste would be just as dangerous as leaving suspects unaccountable. Endless debate and attempts to somehow "prove" accusations in a black and white manner may very well be fruitless and unproductive.

Because the Holocaust is one of the most researched historical events in modern days, there is an abundance of factual accounts and records of the situations that businesses experienced during that time. Thus we can leverage and examine these experiences to formulate best practices in response to these situations. Instead of devoting our efforts to debates regarding what could have been or would have been, the discussion of business ethics in the context of historical events should be redirected to outlining behaviours that are at no time acceptable and providing frameworks to respond to extraordinary situations since this would be far more extensive in and effective at providing guidance in a forward-looking, useful manner.

¹⁹ Ibid.