

HOW THE COMMODITIES GROUP HERMANN TIETZ BECAME HERTIE

MAIN POINTS OF
THE HISTORICAL STUDY

In November 2020, the Gemeinnützige Hertie-Stiftung commissioned the Society for Business History (GUG) to carry out an independent scientific review of the history of Hermann Tietz OHG during the National Socialist era. Published in 2023, the key results of this study are presented here.



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THE DEPARTMENT STORE

In 1882, Oscar Tietz founded a textile goods store in Gera with financial support from his uncle Hermann Tietz. He named his company Hermann Tietz OHG (general partnership) out of gratitude for this support. In the following decades, the family built impressive department stores in prime locations in many cities (see graph on page 5).

Tietz was not alone in taking this step - neither in the German Empire nor worldwide. Department stores emerged in many metropolises and became true temples of consumerism, as various products were sold under one roof for the first time. Soon, large houses were built and equipped in the heart of the cities, making shopping an experience and offering unusual and exotic goods of high quality. The emerging bourgeoisie, i. e., the richer urban classes, discovered consumption. Trade in goods was no longer limited to covering everyday needs; rather, it permanently changed consumer behavior. Consumption became a shopping experience of its own in department stores, and the department store became a symbol of progress and modernity.

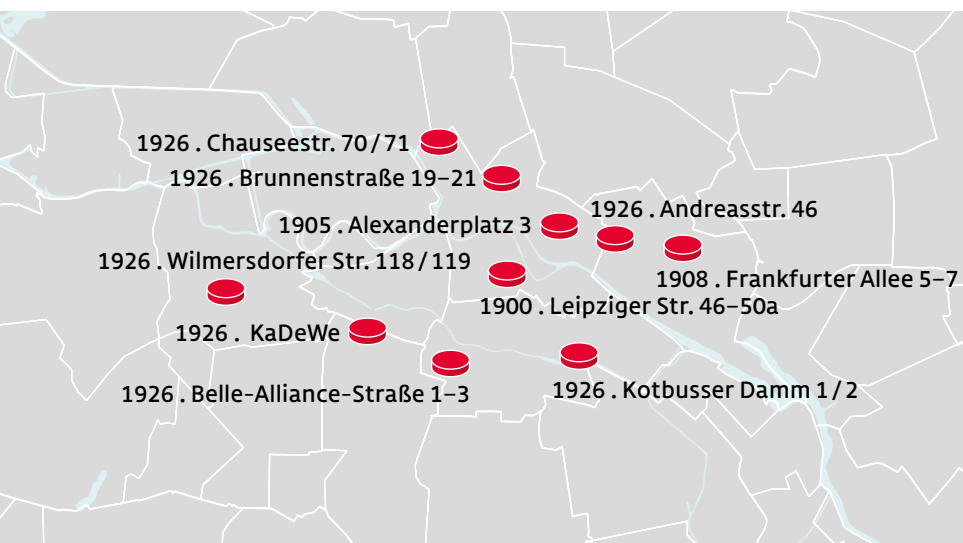
For over 100 years, department stores and large retail stores have shaped not only people's consumer behavior and shopping experience, but also the appearance of city centers due to their representative, elaborate architecture. Especially in Germany, department stores were founded early on in many medium-sized cities, shaping the cityscape with their impressive facades and enlivening the city centers with their attractiveness.



The proportion of Jewish ownership in the better-known houses was high. Eight Jewish families owned the ten largest houses; only two houses (Karstadt in Wismar and Althoff in Dülmen) were not founded by people of Jewish faith. In some respects, however, this strong representation was a special German case. Such high proportions of Jewish ownership are not found in France, the USA, or Great Britain, where the history of department stores is much older and has been a metropolitan phenomenon from early on.

Given the large number of department and retail stores that were Jewish-owned in Germany, there were declines and slumps in the area of trade from the start in the history of the "Third Reich." For Hermann Tietz OHG, like many other Jewish owners, the boycott of Jewish businesses propagated by the National Socialists ended their long-standing contribution to the diversity and success of consumerism in Germany. The exclusion of Jews and the "Aryanization" of their property characterized everyday life from 1933 onwards.

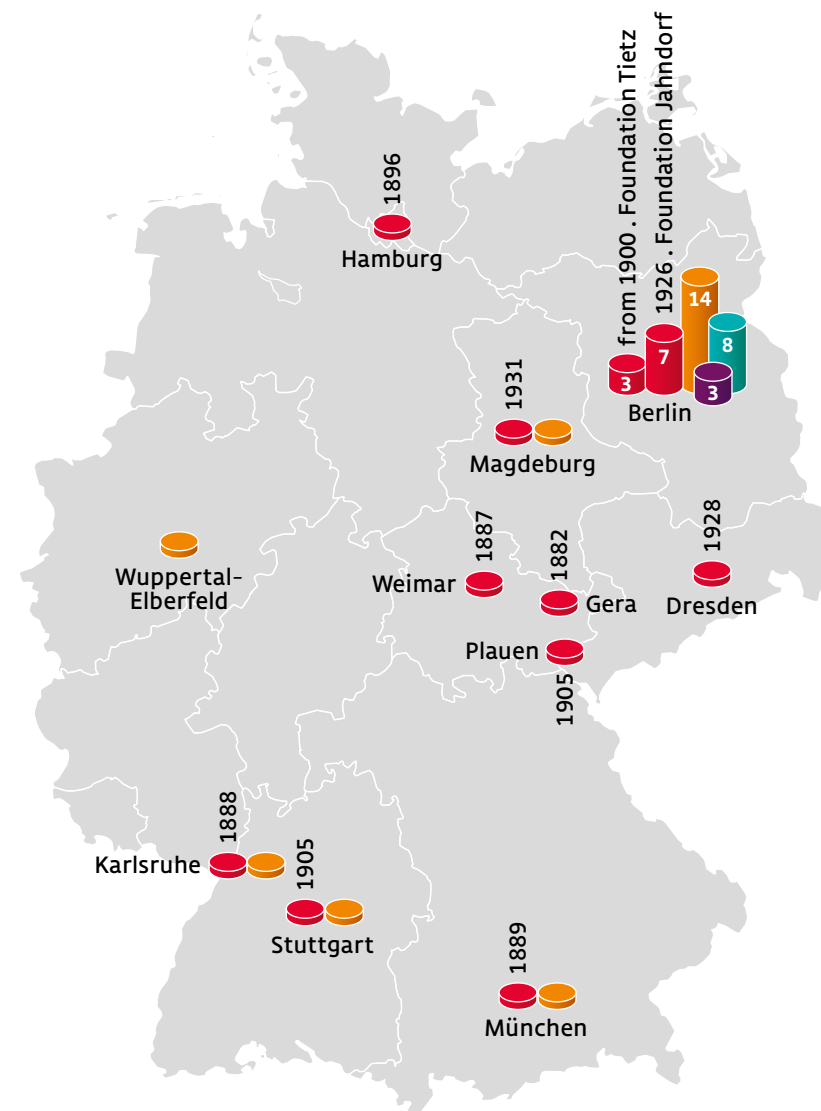
The retail goods and department stores of the Hermann Tietz OHG in Berlin with founding dates (as of 1932)

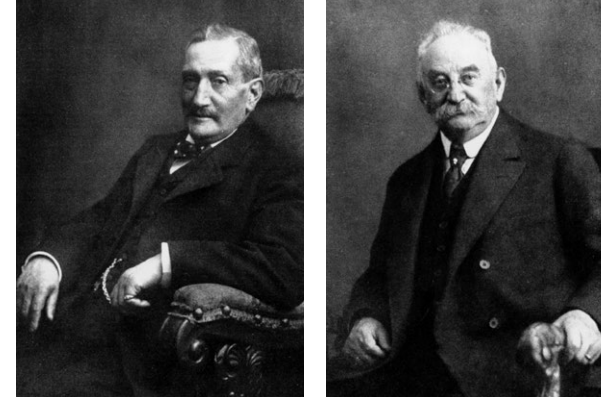


The retail goods and department stores of the Hermann Tietz OHG in Germany with founding dates (as of 1932)

Real estate, trading and manufacturing companies of the Hermann Tietz Group (as of the end of 1933)

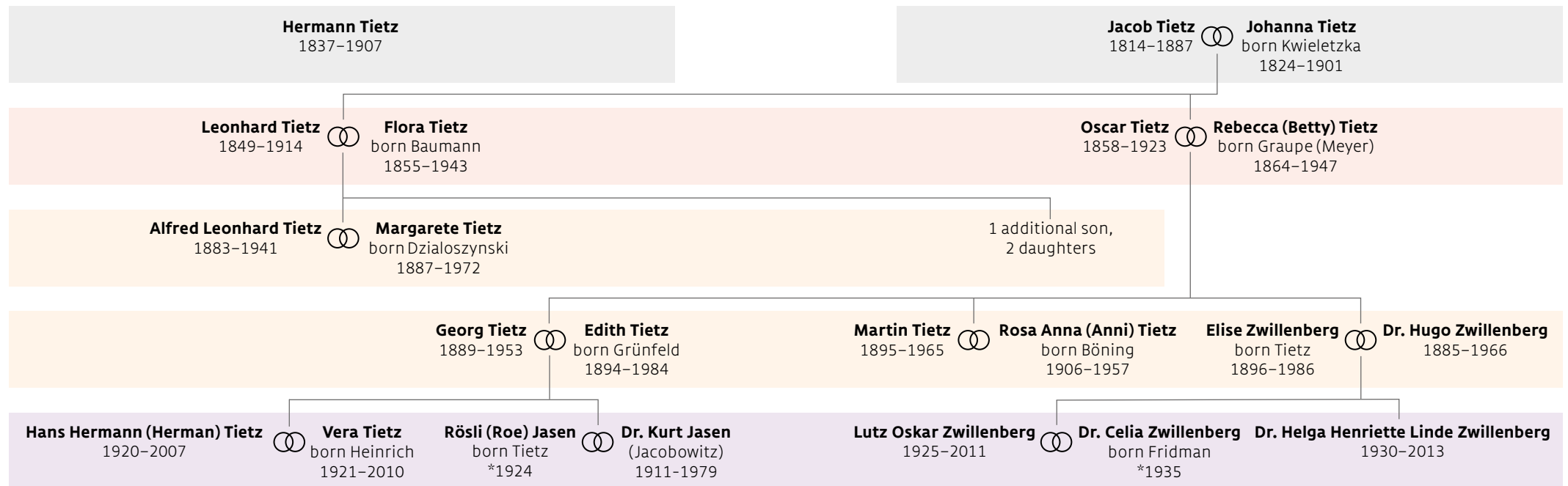
- Real estate companies
- Trading companies (textile trade)
- Manufacturing companies (textile production)





Hermann (l.) and Oscar Tietz,
Financier and Founder of the
Hermann Tietz OHG

EXCERPT FROM THE TIETZ FAMILY TREE



THE “ARYANIZATION” OF HERMANN TIETZ OHG

After Hitler came to power on January 30, 1933, the persecution of the Jews led to a call by the NSDAP (National Socialist German Workers' Party) leadership on April 1 to boycott Jewish doctors, lawyers, and business people. This was followed by the targeted expulsion of Jews from German economic life with the aim of transferring Jewish property into “Aryan” hands. This process, which intensified over time, took place under the general pressure of the Nazi system against Jews, including concrete threats of violence in individual cases, and culminated in the direct theft of Jewish property.

Until this study by the Society for Business History (GUG) from 2023, it remained unclear for decades under what circumstances the “Aryanization” of the Hermann Tietz Group took place; i.e. how the department store chain was transferred from Jewish to “Aryan” ownership. Until then, “Aryanization” of the firm was presented in two variants: either as a result of bankruptcy, which forced the owners to sell, or as a sale forced by Georg Karg, the earlier chief buyer in the firm’s textile sector.

Berlin: “Germans! Defend yourselves! Don’t buy from Jews!” National Socialist guards in front of the Hermann Tietz department store on Leipzigerstrasse. April 1, 1933. Photograph by Ernst Gersdorff, Vienna



At the beginning of the 1930s, the Hermann Tietz department store group was still run as a general partnership and, therefore, with personal liability for the owners. It comprised over 20 different real estate, trading, and manufacturing companies. The majority of the Tietz family’s assets consisted of land and real estate.

Financially, Hermann Tietz OHG, which had significantly increased its debt levels through the acquisition of the Jandorf department stores, felt the consequences of the global economic crisis in 1929, but was able to overcome this crisis independently. It was only the “Jewish boycott,” which the Nazi regime announced in 1933 and which department stores were particularly exposed to, that drove the company to the brink of collapse with sales falling by 40 percent. Hermann Tietz OHG ran into payment difficulties and had to pledge the family’s property in order to keep the creditors at bay. The group, which still had a good balance sheet, needed a loan in the double-digit million range to secure liquidity. However, due to the political circumstances and the associated poor prospects of success for a Jewish department store group, the banks were not prepared to provide a loan of this size.

Under pressure from the National Socialists, the family was forced to agree to exit the company so that the rescuing loan could be made available. The separation of the family and the department store group was highly complex due to the OHG structure and the numerous companies. Therefore, the “Aryanization” was implemented by the decision of the creditor banks through the establishment of the aforementioned Hertie Kaufhaus-Beteiligungs GmbH. It joined the OHG as a partner in place of the family members. Additional shareholders of this GmbH were senior staff from the Hermann Tietz OHG, including among others, the previously mentioned Georg Karg, who was now appointed managing director. Oscar Tietz had already introduced the abbreviation HERTIE as a trademark. The banks wanted to preserve the successful transition and decided at that moment to include this trademark in the company name.

The actual events took place as follows:
The administrative advisory board, which included the creditor banks of Hermann Tietz OHG, made the important decisions. In a “Gleichschaltungsvertrag” [forced alignment agreement] dated July 29, 1933, Hugo Zwillenberg was replaced as a personally liable partner by the Hertie Kaufhaus-Beteiligungs GmbH [Hertie Department Store and Investment Company; GmbH = limited liability company]. In return, the company received the urgently needed loan of 14.4 million Reichsmarks. Zwillenberg, Georg, and Martin Tietz remained fully liable partners until the legal dispute over property ensued.

The Hermann Tietz OHG now traded as Hermann Tietz & Co. In a second step, on August 13, 1934, Georg and Martin Tietz were forced out of the advisory board, thus “Aryanizing” the company. The so-called settlement agreement now transferred all of their shares to the Hertie Kaufhaus-Beteiligungs GmbH. In return, they were relieved of liability for their debts, the Reich Flight Tax was waived, and some real estate and a small business in Berlin were left in their possession.

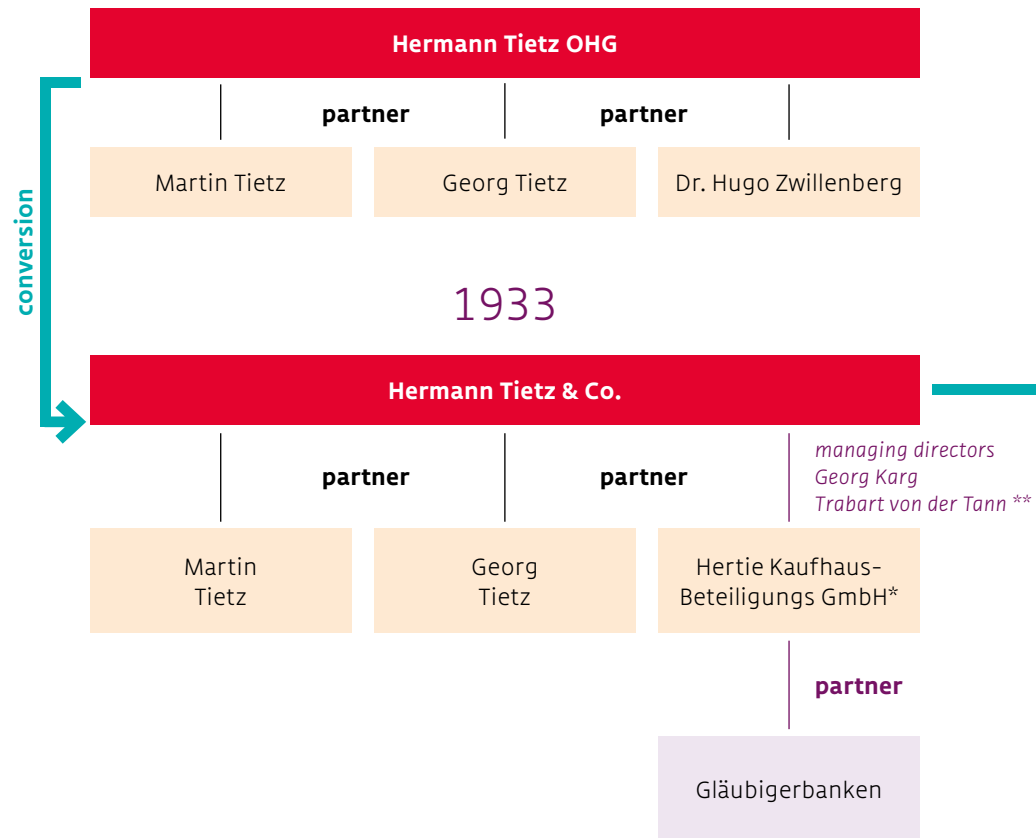
The family had to watch helplessly as the non-liable Betty Tietz, widow of the late company founder Oscar Tietz, had to give up her entire private equity holdings and witness how the opposing side collected an assets surplus of 15.5 million Reichsmarks.



After the “Aryanization,” Hertie GmbH took over Hermann Tietz & Co. at the end of 1934 and operated from then on until 1993 as Hertie Waren—und Kaufhaus GmbH [Hertie Commodities and Department Stores Inc.]. In 1934, the owners were the creditor banks.

THE STRUCTURE OF THE TAKEOVER

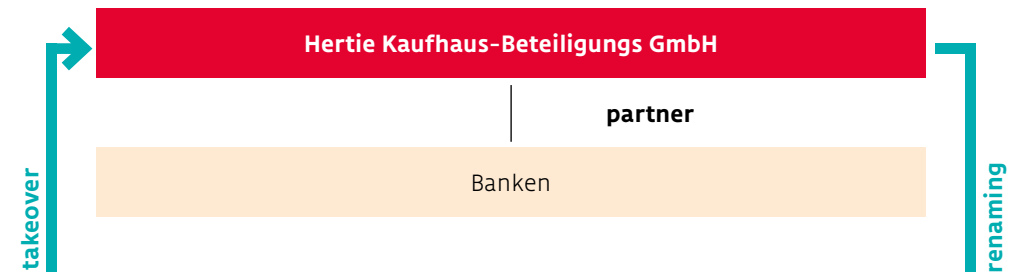
1883 to 1933



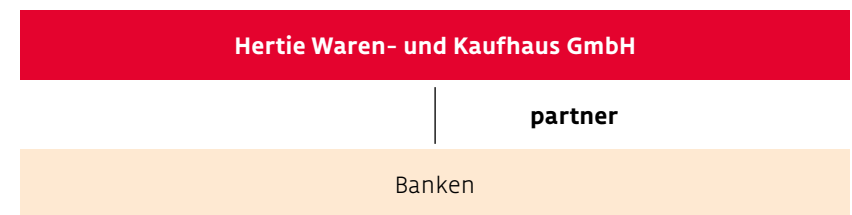
* Hertie GmbH replaces Dr. Hugo Zwillenberg.

** The two managing directors of Hertie GmbH – Karg and von der Tann – join the management of Hermann Tietz & Co.; they can override the votes of Georg and Martin Tietz.

December 31, 1934



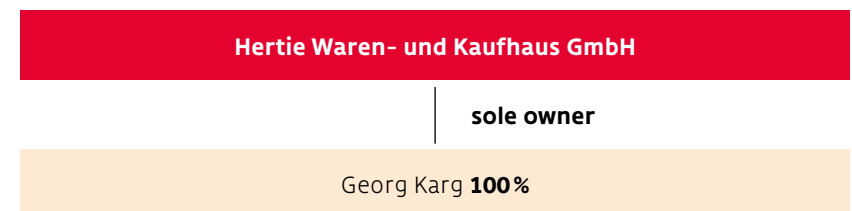
January 1, 1935



1937



1940



THE ROLE OF GEORG KARG

Georg Karg, born in 1888, had a respectable career at A. Jandorf & Co. When Hermann Tietz OHG acquired the Jandorf department store in 1926, Karg became chief buyer for the OHG's textile division. While the department store group came under economic pressure during the global economic crisis and especially as a result of the anti-Semitic boycotts, and the Jewish owners were pressured to sell by the creditor banks, Georg Karg remained active in his position.

When the creditor banks founded Hertie Kaufhaus-Beteiligungs GmbH in 1933 to take over the shares of the ousted Hugo Zwillenberg, Georg Karg became managing director of this GmbH together with the creditor banks' representative Trabart von der Tann. Even after Hermann Tietz & Co. changed its name to Hertie Waren- und Kaufhaus-GmbH (Hertie GmbH) and the "Aryanization" was completed, Georg Karg continued as managing director.

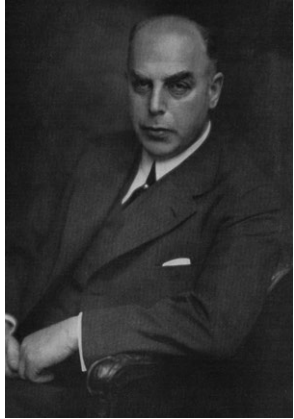
The creditor banks, however, did not have an actual restructuring plan or the desire to continue the Hertie department store group as a business until Hertie ran into liquidity problems again in 1935.

A troubleshooter was appointed to the advisory board of Hertie GmbH, but this move was not successful. Georg Karg was able to take advantage of the messy situation: in 1937 he acquired 51 percent of the company shares from the creditor banks at 50 percent of the nominal value. Karg financed this acquisition with a loan from Dresdner Bank and paid it off over time in the form of a profit share. Since the department stores experienced an economic boom from 1937 onwards, he was able to do this quickly. Sales in the following years were so favorable that Georg Karg was able to buy additional shares after repaying his loan until he finally owned 100 percent of the shares in July 1940.

Georg Karg did not take over the department store group Hermann Tietz OHG directly from the Jewish owners, but rather gradually bought the shares in Hertie GmbH from the banks. Nevertheless, he was the main beneficiary of this "Aryanization," which turned him from an authorized representative into the owner of the department store chain.



THE RESTITUTION



Dr. Hugo Zwillenberg



Martin Tietz



Georg Tietz

The Tietz and Zwillenberg families parted ways when they emigrated. Martin and Georg Tietz emigrated with their families to Switzerland in 1937 and later to Cuba and the USA. Dr. Hugo Zwillenberg was temporarily taken into concentration camp custody as a result of the brutal riots on November 9, 1938, and was then able to escape with his wife and children to the Netherlands, where the family narrowly escaped deportation under German occupation in 1943. Much of their wealth remaining in Germany was stolen from the Tietz and Zwillenberg families by the Nazi state authorities. After the Second World War, the Allies established a two-pronged so-called reparations law in West Germany. The state confiscation by the Nazi regime fell under the right of compensation, while the "Aryanization" of private company ownership was regulated by restitution laws.

Under strict guidelines, negotiations for reimbursement of the Tietz family's company property began as early as 1948. During the proceedings, very different perceptions of the events of the 1930s came into conflict. An agreement was finally reached through personal dealings between Georg Karg and the Tietz family regarding a regulation that explicitly focused on the future economic interests of both parties and pushed aside the moral implications of "Aryanization." In 1949, an extraordinary restitution settlement was concluded, which established a long-term business relationship between the involved parties.



marks until the settlement expired. However, due to the so-called economic miracle that quickly took hold, department store sales and lease payments were significantly higher than expected.

In 1953 Georg Karg founded the Karg Family Foundation. This was largely motivated by the goal of securing the family company in the long term and reorganizing it as a company-affiliated foundation. The background here, too, was the dynamic growth path that Hertie had embarked on through acquisitions and the opening of new department stores in the Federal Republic.

During this expansion process, disagreements repeatedly arose between Karg, Hertie GmbH and the Tietz and Zwillenberg family members regarding compliance with the reimbursement settlement regulations. Finally, Georg Karg managed to negotiate advance purchase options for the southwest German department stores with the individual branches of the family. While the Martin Tietz family extended the lease agreement for 15 years, most of the real estate assets finally became the property of Hertie GmbH in 1970.

The Tietz/Zwillenberg family was awarded the real estate and land from their department stores in Karlsruhe, Stuttgart and Munich, and at the same time leased them to Hertie over a period of 20 years in the form of a sales share of up to 2.5 percent. The assumption was that rental income would amount to up to 30 million German

HISTORICAL RESPONSIBILITY

THE ACADEMIC STUDY

As is unfortunately the case in many companies, the process of coming to terms with the history of Hermann Tietz and Hertie during the National Socialist era was only undertaken at a relatively late date. The Society for Corporate History was commissioned for the first time in 2000 to carry out a study that examined whether a biography of Georg Karg would be feasible. The report submitted in 2001 stated that Georg Karg's relevant documents, i.e. self-written letters, notes, diaries, etc., no longer existed. Without this basis for research, a biography could not and cannot be written.

In 2020, new research into sources began, aimed to document the events of robbery and "Aryanization," the development of Hertie under National Socialism, and restitution after the end of the Second World War. Based on the diverse sources, new insights were gained, and published by the Siedler Verlag in December 2023 in the study *Verfolgt, "arisiert," wiedergutmacht? Wie aus dem Warenhauskonzern Tietz Hertie wurde* [Persecuted, "Aryanized," and Compensated? How the Department Store Group Tietz Became Hertie].

The study was carried out and written by two experts on business history under National Socialism, Prof. Dr. Johannes Bähr and Prof. Dr. Ingo Köhler. The research work and study were designed, implemented and supervised by the Society for Business History (GUG) on behalf of the non-profit Hertie Foundation with the support of the Karg Family Foundation.



The study by the Society for Corporate History was presented on December 5, 2023 at the Jewish Museum Frankfurt in the presence of the descendants of the Tietz family. The recording of the book launch is available on the website www.ghst.de.

FROM DEPARTMENT STORE GROUP TO NON-PROFIT FOUNDATION

The Karg family contributed 97.5 percent of the shares in Waren- und Kaufhaus GmbH to the Karg Family Foundation, which was founded in 1953. It was renamed the "Hertie Foundation" in 1971 and was a private-for profit institution at that time. In 1974 it was re-established as the "Non-profit Hertie Foundation for the Promotion of Science, Education, and Vocational Training" with its headquarters in Frankfurt am Main.

With the sale of its shares in 1998 to the mail order company Quelle Schickedanz AG & Co. - which merged with Karstadt to form KarstadtQuelle AG in 1999 - the Hertie Foundation finally broke away from the department store chain 111 years after it was founded by Oscar Tietz.



From left to right: Frank-J. Weise, former chairman of the board of the non-profit Hertie Foundation, study author Prof. Dr. Ingo Köhler, Janet and Larry Tietz (son of Hans Hermann Tietz), Henry (son of Rösli Jasen) and his wife Terri Jasen, study author Prof. Dr. Johannes Bähr, Dr. Andrea Schneider-Braunberger, Society for Business History (GUG), and Dr. Orna von Fürstenberg, Jewish Community Frankfurt

CHRONICLE OF EVENTS

1882-03-01 . With financial help from his uncle, Oscar Tietz founds his first textile goods store in Gera and names it after his uncle Hermann Tietz.

1923-01-17 . After Oscar's death, the Hermann Tietz OHG is taken over by his sons, Georg and Martin Tietz, and his son-in-law, Dr. Hugo Zwillenberg.

1926-12 . Acquisition of the Berlin group A. Jahndorf with six retail and department stores, including the KaDeWe in Berlin.

1933-01-30 . The National Socialists come to power.

1933-04-01 . National call from the NSDAP leadership to boycott Jewish businesses.

1933-04 . Sales at Hermann Tietz department stores collapsed by more than 40 percent. To save the business, a loan of several million Reichsmarks was needed.

1933-06-22 . The Jewish owners are lured to the Hotel Adlon in Berlin under a pretext and forced to agree to their company's "Gleichschaltung" [change of ownership].

1933-07-24 . A banking consortium led by Dresdner Bank founds Hertie Kaufhaus-Beteiligungs GmbH to enforce the "Aryanization" of Hermann Tietz OHG. Georg Karg, previously authorized representative of Hermann Tietz OHG, is appointed managing director of Hertie GmbH.

1933-07-29 . The banks force a change to the articles of association of Hermann Tietz OHG ("Gleichschaltungsvertrag" = forced alignment agreement). Hugo Zwillenberg leaves and is replaced by Hertie Kaufhaus-Beteiligungs GmbH. The company now operates as Hermann Tietz & Co.

1934-08-13 . Georg and Martin Tietz are forced out of the group as shareholders, and all of the family's shares in the group's companies are transferred to Hertie GmbH.

1934-end of . Hertie GmbH takes over Hermann Tietz & Co. and renames itself Hertie Waren- und Kaufhaus GmbH (Hertie).

1937-09 . Georg Karg manages to acquire 51 percent of the shares in Hertie Waren- und Kaufhaus GmbH.

1937 . The Tietz family emigrates to Cuba and to the USA.

1938 . Dr. Hugo Zwillenberg is imprisoned and taken to the Sachsenhausen concentration camp. He then escapes and emigrates to the Netherlands.

1938 . November pogroms.

1940-06 . Georg Karg owns 100 percent of the shares in Hertie and is therefore the sole owner.

1945-05-08 . The Second World War ends with Germany's surrender.

1949-10 . As part of the restitution process, the Tietz/Zwillenberg and Georg Karg families agree on a settlement in which three department stores will be transferred back to the Tietz/Zwillenberg families. They lease them for 20 years.

1953-08-26 . Georg Karg founds the Karg Family Foundation.

1970-07-01 . The restitution settlement from 1949 expires. The southwest German department stores are transferred to Hertie. Only the lease agreement with the Martin Tietz family branch is further extended for 15 years.

1974-12-10 . On his initiative, Georg Karg's children found the "Non-profit Hertie Foundation for the Promotion of Science, Education, and Vocational Training" based in Frankfurt a. M.

1993 . Hertie is sold to Karstadt.

PUBLISHER

Gemeinnützige Hertie-Stiftung

Grüneburgweg 105, 60323 Frankfurt am Main
Französische Straße 48, 10117 Berlin
www.ghst.de

EDITORS: Julia Ihmels and Dr. Andrea Schneider-Braunberger

TEXT: GUG Gesellschaft für Unternehmensgeschichte e.V.
www.unternehmensgeschichte.de

PHOTO CREDITS: p. 8. ullstein bild brandstaetter images / Archive Seemann,
image no. 08303534, p. 19 Non-profit Hertie Foundation / Dominik Buschardt,
all other images from the Karg Family Foundation Archive

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