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PROSPERITY AND PLUNDER

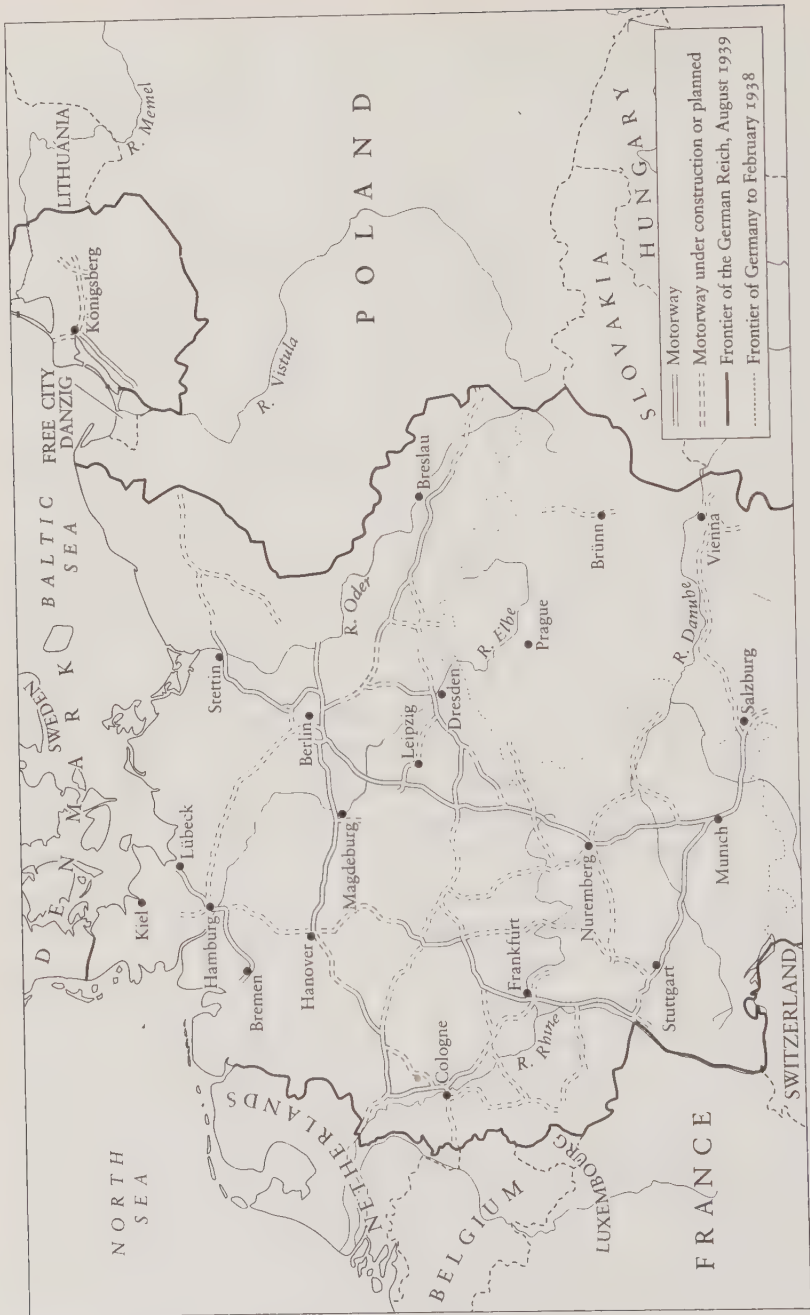
‘THE BATTLE FOR WORK’

I

On 27 June 1933 Hitler's government issued a law authorizing the building of a new type of road, the motorway (*Autobahn*). The dual-carriageway roads would link Germany's major cities with one another, establishing a communications network that would allow citizens and freight to be transported with unprecedented speed and directness across the land. The idea originally came from Italy, where a prototype had been built as early as 1924. A private enterprise scheme had already been proposed to link Hamburg, Frankfurt and Basel and planned in some detail from 1926 onwards, but in the circumstances of the Depression it had come to nothing. Almost as soon as he was appointed Reich Chancellor, Hitler took it up again. Speaking at the Berlin International Motor Show on 11 February 1933, Hitler declared that the state of the nation's highways would in future be the chief yardstick by which its prosperity would be measured. An enthusiastic devotee of the automobile, he had travelled the length and breadth of the land by car during the election campaigns of the previous years, and regarded driving – or at least being driven – as an aesthetic experience far superior to that provided by flying or travelling by train. Thus the new motorways were going to be built along scenic routes, with lay-bys for travellers where they could get out of their vehicles, stretch their legs and admire the German countryside. For Fritz Todt, the man whom Hitler appointed on 30 June 1933 to oversee the building of the motorways, they even fulfilled a racial purpose, linking the motor-borne German soul to the authentic woods, mountains and fields of its native land, and expressing the Nordic race's delight in the adventure, speed and excitement provided by modern technology.¹

It was Todt who had been largely responsible for persuading Hitler to adopt the idea. A civil engineer by training and background, he had worked on tar and asphalt roads for the Munich firm of Sager and Woerner and had been a member of the Nazi Party since the beginning of 1923. Born in the Swabian town of Pforzheim in 1891, he had received a technical education and served in the air force during the First World War. His commitment to the Party was in the first place the product of his personal admiration for Hitler. After the failure of the Munich putsch, Todt avoided active political engagement and concentrated instead on his career, but by 1932 he had become a member of the stormtrooper reserve, and at this point he assumed the leadership of the engineers' division of the Party's Fighting League of German Architects and Engineers, founded the previous year. Like other professionally qualified men in the Party, he saw it as a decisive, energetic, modern movement that would do away with the dithering of the Weimar Republic and impel Germany into a new future based on the centralized application of science and technology to society, culture and the economy in the interests of the German race. Within the Party, he tried to counter the hostility of economic thinkers like Gottfried Feder to mechanization and rationalization, which they considered to be destroying jobs, by proposing ambitious new construction schemes such as the motorways, on which he submitted a report to the Party leadership in December 1932. By this time he had gained important backing for his ideas through his appointment as chief technological adviser in the office of Hitler's deputy, Rudolf Hess. When Hitler announced the initiation of the motorway construction programme, it was largely Todt's ideas that he proposed to put into action.²

On 23 September 1933, Hitler turned the first sod on the long-planned Hamburg-to-Basel motorways; by May 1935 the first stretch, from Frankfurt to Darmstadt, was open; 3,500 kilometres were completed by the summer of 1938. The motorways were perhaps the most durable of the propaganda exercises mounted by the Third Reich; they survive to the present day. Hitler took a close personal interest in the routes the motorways followed, intervening on occasion to redirect them when he thought they were not going by the most picturesque route. He also insisted on personally approving the design of bridges and service stations. Many of these were bold examples of modernism, and Hitler



Map 9. The Motorway Network

gave the task of designing them to architects rather than to engineers; the former head of the Bauhaus, Mies van der Rohe, even submitted plans for two of the service stations. The modernity of the motorways, the vast, simple bridges striding across rivers and gorges, the elegant dual carriageways cutting through hills and sweeping across the plains, made them one of the Third Reich's most striking creations. Todt instructed the planners to merge embankments and cuttings into the landscape, to use native varieties of plants for the verges, and to construct the roads so that the landscape was clearly visible to all drivers and their passengers.³ But in fact they signified not the German soul's merging with the landscape, but technology's mastery over it, an impression strengthened in the propaganda that celebrated them as the modern age's equivalent of the pyramids of Ancient Egypt, outdoing the Gothic cathedrals of the Middle Ages or the Great Wall of China in the grandiosity of their conception. 'Clear the forest', declared the bold slogan on Carl Theodor Protzen's illustration of a motorway bridge, '- blow up the rock - cross the valley - overcome distance - drive a path through German land.'⁴

There were other respects in which Todt's plans failed to work out as he had predicted. Only 500 kilometres in addition to the 3,500 kilometres completed by 1938 were finished by 1945, since building resources were soon diverted to construction programmes more directly related to the war; the Reich Defence Ministry even vetoed strategically unimportant routes and insisted on priority being given to military roads in sensitive areas like East Prussia. As a result of such interventions and further postwar delays, the motorway linking Hamburg to Basel was not actually completed until 1962.⁵ Moreover, few people had the means to enjoy them before 1939, since Germany was one of the least motorized societies in Europe. In 1935, only 1.6 per cent of the population in Germany owned motor vehicles, compared to 4.9 per cent in France, 4.5 per cent in Britain, and 4.2 per cent in Denmark. Even Ireland had a higher proportion of vehicle-owners, at 1.8 per cent. All of these figures were dwarfed by vehicle ownership in the USA, which stood at 20.5 per cent, or one in five of the population.⁶

In his speech at the Berlin motor show, Hitler announced not only the inauguration of the motorway building programme but also the promotion of motor sports and the reduction of the tax burden on car

ownership.⁷ The result was a 40 per cent increase in the number of workers in the motor vehicle industry from March to June 1933 alone. Motor car production doubled from 1932 to 1933 and again by 1935. Well over a quarter of a million cars were now being produced every year, and prices were much lower than they had been at the end of the 1920s. Foreign car sales in Germany had fallen from 40 per cent of all car sales in 1928 to below 10 per cent six years later.⁸ The number of passenger cars on the roads increased from just over half a million in 1932 to just under a million in 1936.⁹ Even Victor Klemperer bought himself a car at the beginning of 1936 despite his growing financial worries, though he soon came close to regretting his decision: 'The car', he wrote on 12 April 1936, 'gobbles up my heart, nerves, time, money. It's not so much my wretched driving and the occasional agitation it causes,' he added, 'not even the difficulty of driving in and out, it's that the vehicle is never right, something's always going wrong.'¹⁰

Even he, however, had to admit that the new motorways were 'magnificent'. Driving down one on 4 October 1936, he noted with enthusiasm that he and his wife enjoyed a 'glorious view' and he even 'dared a speed of 80 km an hour a few times'.¹¹ Despite the spread of car ownership, however, the motorization of German society had still not got very far by 1939, and to describe it as the powerhouse behind Germany's economic recovery in these years is a considerable exaggeration.¹² By 1938, to be sure, Germany's vehicle production was growing faster than that of any other European country, but there was still only one motor vehicle there per forty-four inhabitants, compared with one for every nineteen in Britain and France.¹³ The vast majority of personal travel and the movement of bulk goods was still accounted for by Germany's railway system, Germany's largest employer at this time, which was brought under centralized administration and provided with enough additional funds to produce a 50 per cent increase in the (very small) stock of electrically powered locomotives and a quadrupling of the number of small shunting engines between 1932 and 1938.¹⁴ However, in general the railways suffered from chronic under-investment during this period. The railway management, jealous of its leading position in goods traffic, succeeded in delaying the removal of taxes on commercial vehicle sales until January 1935, though as soon as this happened, production of commercial vehicles increased much faster than that of passenger

cars – 263 per cent in 1934–5 as compared to 74 per cent for cars.¹⁵

None the less, even after this, the motor-car embodied an important part of Hitler's technological vision of Germany's future, which encompassed car ownership on an almost universal scale. Already in the 1920s he had come across an article on the 'motorization of Germany' as he whiled away his leisure time in Landsberg prison, and by the early 1930s he was drawing rough sketches of a small family vehicle that would sell for less than a thousand Reichsmarks and so be within reach of the vast majority of the population. Meeting with scepticism from the mainstream motor industry, Hitler secured the collaboration of the racing-car engineer Ferdinand Porsche, whose prototype design was ready by the end of 1937. At Hitler's personal insistence, the car's production was funded by the German Labour Front, the Nazi Party's successor to the trade unions, which built a vast new factory to produce the car. In this way, the dominance of the American-owned Opel and Ford works over the small-car market in Germany would finally be broken. Dubbing the vehicle the 'People's Car' or 'Strength Through Joy car', Hitler envisaged up to a million models a year rolling off the production line, and a huge advertising campaign was launched to persuade workers to put aside part of their wages to save up for one, with the slogan 'a car for everyone'.¹⁶

The campaign met with a good deal of success. In April 1939 a Social Democratic agent in Rhineland-Westphalia reported:

For a large number of Germans, the announcement of the People's Car is a great and happy surprise. A real Strength-Through-Joy car-psychosis developed. For a long time the car was a main topic of conversation in all sections of the population in Germany. All other pressing problems, whether of domestic or foreign policy, were pushed into the background for a while. The grey German everyday sank beneath notice under the impression of this music of the future. Wherever the test models of the new Strength-Through-Joy construction are seen in Germany, crowds gather around them. The politician who promises a car for everyone is the man of the masses if the masses believe his promises. And as far as the Strength-Through-Joy car is concerned, the German people do believe in Hitler's promises.¹⁷

Hitler proudly presented one of the first models in person to the International Motor Show in Berlin on 17 February 1939, and gave another one to his partner Eva Braun for her birthday. Although no production

models came off the assembly-line during the Third Reich, the car stood the test of time: renamed the *Volkswagen*, or People's Car, after the war, and popularly known as the 'beetle' from the rounded shape Hitler gave it in his original design, it became one of the world's most popular passenger vehicles in the second half of the twentieth century.¹⁸

II

Creating a motorized society was not just a grand technological vision for the future. It was also intended to produce more immediate benefits. Fritz Todt calculated that building the motorways would provide employment for 600,000 men, not just on the roads themselves but also in all the industries that supplied the basic materials for their construction. By June 1935 there were some 125,000 men working on motorway construction alone, so the programme did indeed create jobs, though fewer than many supposed.¹⁹ The Nazis had gained their stunning electoral successes of the early 1930s not least on the strength of their promise to pull Germany out of the catastrophic economic depression into which it had fallen. Six million people were registered as unemployed in January 1933, and three million more had disappeared from the employment statistics altogether, many of them women. Twenty million Germans had been in work in mid-1929; by January 1933 the number had fallen to 11.5 million. Many more were in short-time work, or had been forced to accept cuts in their hours, their wages or their salaries. Mass unemployment had robbed the labour movement of its principal bargaining lever, the strike, and made things easier for the new regime to destroy it in the first few months of 1933. Nevertheless, getting Germany back to work was the most immediate priority announced by the coalition government that took office under Hitler's Chancellorship on 30 January 1933.²⁰ Already on 1 February 1933 Hitler declared in his first-ever radio broadcast that the 'salvation of the German worker in an enormous and all-embracing attack on unemployment' was a key aim of his new government. 'Within four years', he declared, 'unemployment must be finally overcome.'²¹

Hitler's government was able to use work-creation schemes already set in motion by its predecessors. Germany's effective departure from

the Gold Standard in the summer of 1931 had allowed the state to pump money into the economy to try and revive it. Under pressure from the trade unions, General Kurt von Schleicher's short-lived government in particular had made a significant beginning of this process late in 1932, building on plans already drafted under his predecessors Franz von Papen and Heinrich Brüning. While Papen had made 300 million Reichsmarks available in tax vouchers for road-building, agricultural improvement and housebuilding, Schleicher put 500 million directly into the economy for such purposes; this was increased to 600 million by the Nazis in the summer of 1933. This programme only started coming into effect on 28 January 1933, enabling the Nazis to take the credit for it. The plans were in large measure the brainchild of Günter Gereke, an economist who had become Reich Commissioner for Work Creation on 15 December 1932 and continued in this position in 1933. By 27 April 1933 the Labour Minister Franz Seldte was able to announce that the number of jobless had fallen by over half a million. Some of this was doubtless the result of seasonal factors as employment picked up after the winter slump. The beginnings of economic recovery that had already made themselves noticeable in the last months of 1932 also played a role. Hitler's government was lucky in its timing.²²

Nevertheless, the Nazi Party was not entirely without its own ideas in this field. The Party Programme of 1920 had presented leftish-sounding ideas for economic reform, including widespread state takeovers of private firms, so that when gaining power had begun to seem a real possibility ten years later, Hitler and the leadership had been forced to work hard to convince industrialists and financiers that they had grown up a good deal in the meantime. In 1930 the Party's chief administrator Gregor Strasser had set up an Economic Policy Division which cultivated close contacts with business and devoted itself to working out job-creation schemes for the future. By July 1932 the Nazis were making great play in their electioneering with a proposal to use state credits for public works as a means of reducing unemployment, through schemes such as draining marshes, building canals, bringing moorland under cultivation and the like. Germany, they declared, needed to pull itself up out of the Depression by its own boot-straps; it could no longer afford to wait for international trade to recover.²³

Seldte presented further, more ambitious proposals based on a new

issue of treasury bonds for labour-intensive public works projects. These were accepted by the cabinet, and on 1 June 1933, the government promulgated the first Law on the Reduction of Unemployment, which made an additional 1,000 million Reichsmarks available for public works in the so-called 'First Reinhardt Programme', named after the State Secretary in the Reich Finance Ministry, Fritz Reinhardt. A second Law on the Reduction of Unemployment, also known as the 'Second Reinhardt Programme', issued on 21 September 1933, made 500 million Reichsmarks in credits available for private businesses, particularly in the construction industry, to take on new projects and employ new workers.²⁴ Taking these schemes all together and adding other, minor interventions to them, it has been calculated that the government had placed more than 5,000 million Reichsmarks at the disposal of job-creation schemes by the end of 1933, of which some 3,500 million were spent by early 1936. In this way, it hugely expanded the modest dimensions of the programme it had taken over from the Schleicher government at the beginning of the year.²⁵ In addition, the regime developed a scheme for subsidizing house purchases, conversions and repairs started under the Papen government in September 1932 to stimulate the construction industry. Finally, it steered substantial funds towards areas of special deprivation, above all mainly agrarian provinces; at the back of its mind was also the thought that when war broke out, the more industries that were relocated out of the big cities, the less damage would be done to industrial production by enemy bombing.²⁶

The new regime also acted quickly to take people out of the labour market as well, thereby reducing the number of economically active persons against whom the proportion of unemployed were measured. The most notable scheme in this area was the issuing of marriage loans, begun as part of the Law on the Reduction of Unemployment issued on 1 June 1933 and backed up by subsequent regulations. Young couples intending to get married could apply in advance for an interest-free loan of up to 1,000 Reichsmarks provided that the prospective wife had been in employment for at least six months in the two years up to the promulgation of the law. Crucially, she had to give up her job by the time of the wedding and undertake not to enter the labour market again until the loan was paid off, unless her husband lost his job in the meantime. That this was not a short-term measure was indicated by the

terms of repayment, which amounted to 1 per cent of the capital per month, so that the maximum period of the loan could be as much as eight and a half years. In practice, few loans were made at the maximum rate – the average was 600 Reichsmarks, amounting to roughly a third of the average annual earnings of an industrial worker. However, the loans were made more attractive, and given an additional slant, by a supplementary decree issued on 20 June 1933 reducing the amount to be repaid by a quarter for each child born to the couple in question. With four children, therefore, couples would not have to repay anything. Of course, the loans were only made to couples recognized as Aryan, so that like so much else in the Third Reich they became an instrument of racial policy in addition to their primary functions. Not only did all applicants have to undergo a medical examination to prove their fitness, as laid down in a supplementary decree on 26 July 1933, but they were likely to be turned down if they had any hereditary diseases, or were asocial, or vagrants, or alcoholics, or connected with oppositional movements like the Communist Party. Moreover, to stimulate production and ensure that the money was well spent, the loans were issued not in cash but in the form of vouchers for furniture and household equipment.²⁷

The idea of reducing unemployment amongst men by taking women out of the labour market was not new in 1933. Indeed as part of government retrenchment measures in the stabilization of 1924 and the crisis of 1930–32, so-called double earners, that is, married women who augmented their husband's income by engaging in waged or salaried labour themselves, had been fired from the civil service, and were also under pressure in the private sector.²⁸ All political parties in the Weimar Republic, despite the advent of female suffrage, agreed that a woman's place was primarily with her family, at home.²⁹ The Nazis were only saying what others were saying, but more loudly, more insistently, and more brutally. Here, as in so many other areas, Hitler gave the lead. The idea of women's emancipation, he told a meeting of National Socialist women on 8 September 1934, was the invention of 'Jewish intellectuals' and un-German in its essence. In Germany, he proclaimed, the man's world was the state, the woman's 'her husband, her family, her children, and her home'. He went on:

We do not consider it correct for the woman to interfere in the world of the man, in his main sphere. We consider it natural if these two worlds remain distinct. To the one belongs the strength of feeling, the strength of the soul. To the other belongs the strength of vision, of toughness, of decision, and of the willingness to act.³⁰

Goebbels had already put it in more homely terms in 1929: 'The mission of the woman is to be beautiful and to bring children into the world . . . The female bird pretties herself for her mate and hatches the eggs for him. In exchange, the mate takes care of gathering the food, and stands guard and wards off the enemy.'³¹ This demonstrated among other things Goebbels's extreme ignorance of ornithology: there are of course many species, such as peacocks or birds of paradise, where it is the male who is the gaudy one, and others, like the emperor penguin, where it is the male who keeps watch over the eggs. It was also characteristic of Goebbels that he should lay some emphasis on women's duty to be beautiful, something that never seems to have concerned Hitler very much. However, the point was clear, and the analogy from the natural world telling. 'The German resurrection', as a primer of Nazi ideology put it in 1933, 'is a male event.' Women's place was in the home.³²

The marriage loans scheme and the declaration of war on women working outside the home were thus central to Nazi ideology as well as useful for the reduction of unemployment figures. And as soon as the scheme was launched, Nazi propagandists greeted it as an outstanding success. In the first full year of the scheme, 1934, nearly a quarter of a million loans were issued. The number fell to just over 150,000 in 1935, but increased to over 170,000 in 1936, by which time about a third of all newly contracted marriages were assisted by a state loan.³³ These were impressive figures. Yet the effects of the measure on unemployment were less than the Nazis claimed. For women on the whole were not competing with men for the same jobs, so that taking a woman out of the labour market would seldom in practice mean freeing up a job for a man. The gender balance in the economy was shifting during the 1920s and 1930s. Still, the same basic pattern of gender differences remained as in the late nineteenth century. Less than a quarter of those classed as workers were female. Within this category they were concentrated above all in textiles, clothing and food and drink. Most domestic servants were

also women, as were the greater proportion of 'family assistants'. By contrast, there were very few women in the major industrial employment sectors. The main difference the marriage loans made, therefore, was to overall employment statistics; they did not in reality create space for unemployed men to get back to work, for no unemployed steelworker or construction labourer was likely to take up household cleaning or weaving, no matter how desperate his situation might be. Moreover, the take-up of the marriage loans has to be viewed in the context of the economic recovery that began tentatively in the second half of 1932 and gathered pace thereafter. During the Depression, previously unregistered women had come onto the labour market as their fathers or partners had lost their jobs, and as men began to find work again, above all in the heavy industrial sector that was so crucial to rearmament, so these women gave up their jobs, glad to be rid of the double burden of housekeeping and childcare on the one hand and working outside the home on the other. Many had delayed getting married and having children because of the economic crisis. The very high take-up of loans in the first year suggests that a large proportion of those who received them belonged in this category. Their decisions were taken largely independently of government incentives, therefore.³⁴

None the less, the Nazis soon began loudly to proclaim that with measures such as these, they had drastically reduced the catastrophic unemployment levels that had devastated the German economy and society since the end of the 1920s. By 1934 the official statistics showed that unemployment had fallen to less than half the levels of two years before; by 1935 it stood at no more than 2.2 million, and by 1937 it had dropped below the million mark. Hitler's boast that he would solve the unemployment problem within four years of taking office seemed to have been triumphantly justified. Incessant Nazi propaganda boasting that the 'battle for work' was being won gained widespread credence. It helped win over many doubters and sceptics to the government's side from May 1933 onwards, and pumped new euphoria into the Third Reich's supporters. Belief that Hitler really was reconstructing the German economy was a major factor in underpinning popular acceptance of his regime in its early months.³⁵ Was this, then, 'Hitler's economic miracle', as some have suggested, involving the conquest of unemployment, a Keynesian kick-starting of the economy by a bold policy of

deficit spending, a huge increase in investment, and a general recovery of prosperity and the standard of living from the depths to which they had sunk in the Depression? Did this sow the seeds from which, after the destruction of the war, the West German economic miracle of the 1950s sprang?³⁶

To some extent, of course, worldwide economic recovery was already under way, though slowly; in Germany it was helped by rapidly growing business confidence as a result of the political stability that the Third Reich seemed to guarantee, in contrast to its immediate predecessors, and in consequence of the suppression of the labour movement, which gave employers the feeling they had far more room for manoeuvre than before. Moreover, while the unemployment problem of the Depression years from 1929 to 1931 had been made worse by the fact that the large birth-cohorts of the years immediately before the First World War were flooding onto the labour market after leaving school, the situation was reversed from 1932 onwards, as the small birth-cohorts of the war years entered adulthood. Indeed, over two million births expected according to observable statistical trends did not take place in 1914-18, while the death-rate amongst children in the war years, strongly affected by food shortages during the war, was 40 per cent above normal. So the labour market benefited from the consequent fall in people's overall demand for jobs as well.³⁷

The impression that the Nazis were extremely lucky in coming to power when the economy was already starting to recover is strengthened when it is realized that some of their much-trumpeted measures did little more than restore the status quo of the pre-Depression years. In housing, for instance, the numbers of newly built or converted dwellings looked impressive at 310,490 in 1936; but this was still below the figure of 317,682 which had been achieved by the despised Weimar Republic in 1929. The government had in fact cut public subsidies for housebuilding back from a billion Reichsmarks in 1928 to almost nothing by 1934 and concentrated its resources on subsidizing repairs. Beyond this, too, the figures of additional workers in the construction industry were mostly derived from employment, much of it compulsory, on large earth-moving projects that had no connection with housing at all.³⁸ The regime was indeed far from averse to cooking the books. Not only men drafted into labour service but also previously unregistered family and other

effectively unpaid farm helpers, most of whom were women, were now counted as employed. None of these people could be considered as active participants in the labour market; none of them received a regular wage with which they could support themselves, let alone support a family. On this reckoning there were at least one and a half million 'invisible unemployed' in Germany at this time, and the total number of unemployed, which Nazi statisticians put at just over two million, was in fact much nearer four.³⁹ As late as January 1935, a contemporary observer reckoned that there were still over four million unemployed people in Germany.⁴⁰ There were subtler methods of statistical manipulation too. Occasional workers were now counted as permanently employed. Between January 1933 and December 1934 the number of long-term unemployed dependent on welfare fell by over 60 per cent in cities with more than half a million inhabitants, an impressive achievement, at least on paper. Yet this was not least because the figures of 'welfare unemployed' were now drawn from those registered with labour exchanges for job applications rather than, as previously, those who had signed on at welfare offices for receipt of benefits. In Hamburg, for example, the labour exchange counted 54,000 welfare unemployed at the end of March, 1934, in contrast to the welfare office's figure of close on 60,000.⁴¹

In addition, new regulations were introduced cutting working hours in some branches of trade and industry, making it necessary to employ more workers but cutting the wages of those already in employment quite substantially. Labour exchanges were usually able only to provide short-term employment; permanent jobs were still in short supply. Young men and some women too came under massive pressure to enrol in the so-called Voluntary Labour Service or to be drafted into agricultural work, where the peasants often resented their lack of experience and regarded them as simply more mouths to feed. Deprivation of welfare payments, forced labour or even imprisonment threatened those who resisted. In some areas all unemployed young men between the ages of eighteen and twenty-five were rounded up and given the choice of serving on the land or losing all benefits forthwith. Yet the payment for such work was so poor that in many instances it actually fell below welfare benefit levels, and if workers had to live away from home on these schemes they still needed benefits to meet the additional expenditure

this involved.⁴² Even on the prestigious motorway projects, working conditions were so poor, food rations so low and hours so long that there were frequent protests, all the way to the burning down of the workers' barracks. Many of those drafted onto the projects, such as hairdressers, white-collar workers or travelling salesman, were wholly unsuited to hard physical labour. Accidents were frequent, and repeated, acts of protest on one construction site led to the arrest of thirty-two out of the 700 workers in the space of a few months; the most vociferous complainers were sent to Dachau for 're-education' and to intimidate the others into silent acquiescence.⁴³ Such measures also helped, along with strict labour controls and the abolition of the unions, to keep net real wages down.⁴⁴

The so-called Voluntary Labour Service was not in fact a creation of the Nazis; it had already been in existence before the seizure of power, with 285,000 men enrolled already in 1932. By 1935 the number had increased to 422,000, but many of these were city-dwellers employed as short-term agricultural labourers for jobs, such as bringing in the harvest, which would otherwise have been carried out by rural workers anyway. So while these schemes led to a reduction of the numbers of the unemployed that figured in the official statistics, they did not bring about a general increase in the purchasing power of the population. Informed observers pointed out that the recovery had not affected consumer goods, where production in May 1935 was still 15 per cent below the level of seven years previously. Retail trade actually declined in quantity between 1933 and 1934, as wages continued to be pegged down while prices of food and clothing rose. The classical Keynesian theory of job creation, adopted at least in theory by the Papen government, envisaged a kick-start to the economy as state loans and job-creation schemes put money into workers' pockets and fuelled consumer demand, thus stimulating production, leading to more employment, and so on, until the process of recovery became self-sustaining. Two and a half years after Hitler had come to power, there was still little sign of this happening.⁴⁵

III

In fact, the Nazi job-creation programme was about something quite different than starting a general economic recovery. Its real aims were explained by Hitler to the Ministers on 8 February 1933:

The next 5 years in Germany must be devoted to the rearmament of the German people. Every publicly supported job creation scheme must be judged by the criterion of whether it is necessary from the point of view of the rearmament of the German people. This principle must always and everywhere stand in the foreground . . . Germany's position in the world will be decisively conditioned by the position of Germany's armed forces. Upon this, the position of Germany's economy in the world also depends.⁴⁶

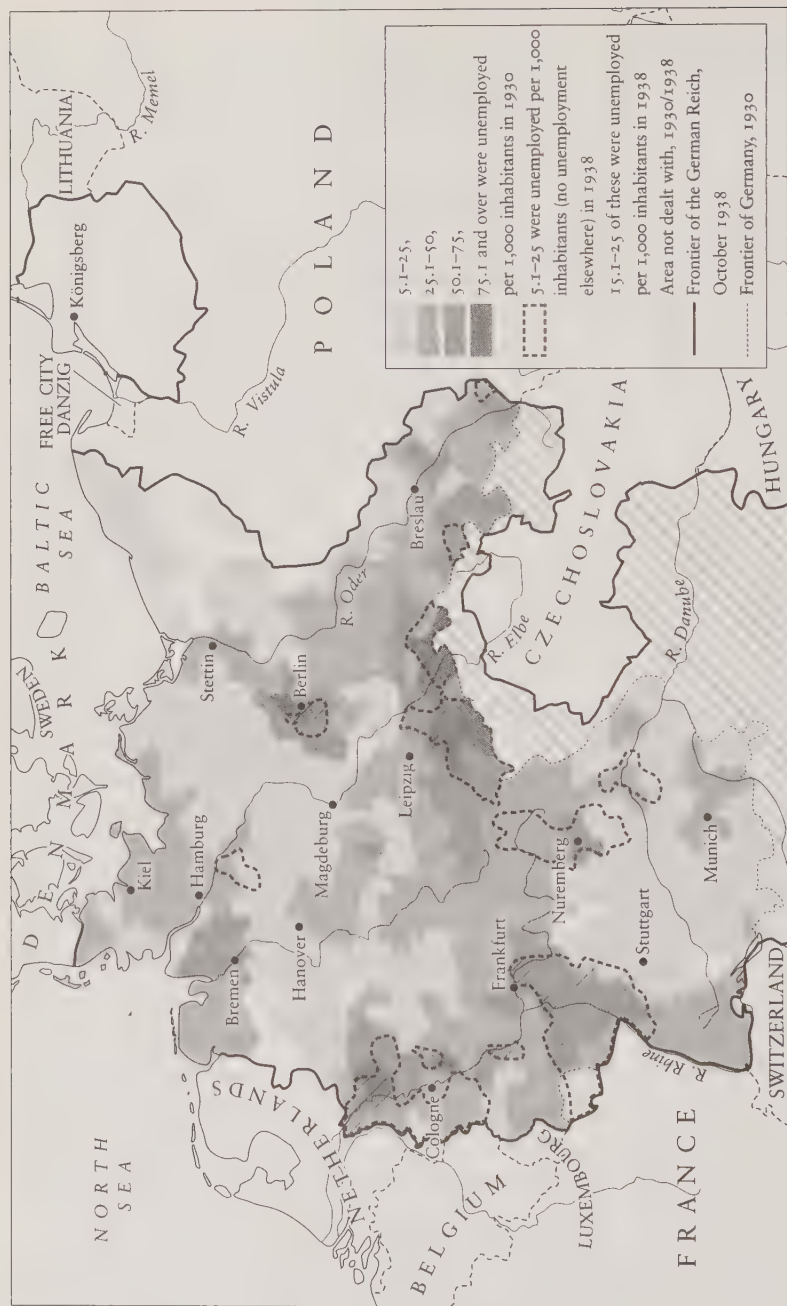
The motorways, he added, were also to be built 'on strategic principles'.⁴⁷ When Hitler presented the motorway construction plan to industrialists on 29 May 1933 he even suggested that the motorways should be roofed over with reinforced concrete to protect them against enemy attacks from the air while tanks and armoured troop-carriers rumbled along beneath them on their way to the front. In the end, the routes they followed were too far from any possible front lines in a war, and the road surface was too thin to carry tanks and heavy military equipment. Their gleaming white surfaces were to provide enemy aircraft with such an easy means of orientation that they had to be covered in camouflage paint during the war. Still, for all the importance given to their ideological, aesthetic and propaganda functions, the intention behind them, not only in Hitler's mind but also in the mind of their architect, Fritz Todt, was primarily strategic.⁴⁸ Hitler called attention to what he believed was the vital, if indirect importance of the motor industry for Germany's military future. 'Automobiles and airplanes have a common basis in the motor industry,' he declared: 'Without the development of, for instance, the diesel engine for motor traffic, it would have been practically impossible to lay the necessary groundwork for its utilization in aviation.'⁴⁹ The build-up of automobile production would allow factories to be converted to military production at short notice, while the profits from motor manufacture could be used to finance the development of aero engines by the same companies.⁵⁰

The 'motorization of Germany' turned out to be another false Nazi vision, as the diversion of resources to military production from the mid-1930s put a brake on the manufacture of cars, which began to level off and was in no way keeping pace with demand by 1938. The scheme by which workers, under the influence of a massive advertising campaign, parted with a portion of their wages each week to put towards buying a 'Strength Through Joy car' turned out to be no more than a means of getting them to put in more overtime so that they could contribute to the financing of rearmament. By the end of 1939, 270,000 people had lent 110 million Reichsmarks to the state in this way. In the end, no fewer than 340,000 people invested their money in the scheme. Not one of them ever got a Volkswagen in return. The factory was converted to war production in September 1939.⁵¹ The army itself considered that the expansion of motor vehicle manufacture was an essential precondition for the later rapid motorization of the armed forces. More generally, basic industries like iron and steel, manufacturing and engineering were to be given priority over the consumer goods industries because they would provide the basic infrastructure for rearmament. And getting Germans, especially German men, back to work would toughen them up and turn them from unemployed layabouts into potential fighters: hence it was more important to discipline them than to pay them well. From Hitler's point of view, the camps and barracks in which young men toiled for wages below the benefit level in voluntary labour schemes that in reality were not voluntary at all were important not least because they trained them for the privations of a future war.⁵²

More immediately, Hitler also wanted to get arms production under way again after the many years in which it had effectively been banned by the limitations imposed on Germany's armed forces by the Peace Settlement of 1919. Addressing leading figures from the armed forces, the SA and the SS on 28 February 1934, Hitler said that it would be necessary in about eight years' time to create 'living-space for the surplus population' in the East, because the economic recovery would by then have run out of steam. Since the 'Western Powers would not let us do this . . . short, decisive blows to the West and then to the East could be necessary'. Rearmament thus had to be complete by 1942.⁵³ There was a long way to go. In 1933 Germany was more or less without an air force, without capital ships, without tanks, without most basic items of

military equipment, and restricted to an army of no more than 100,000 men. Already in early February 1933 Hitler set a programme of rearmament in motion, where possible disguised as job creation (the revamped Schleicher programme, he said on 9 February, 'facilitates in the first place the disguising of work for the improvement of national defence. Particular stress must be laid on this concealment in the immediate future').⁵⁴ The army itself asked for 50 million Reichsmarks from the Schleicher programme to fund the initial phase of expansion, along lines it had already drafted in 1932, while the commissioner for aviation asked for just over 43 million. These sums were far too modest for Hitler, who thought that rearmament would require 'billions' of marks and had to be done as quickly as possible in order to get over the difficult period when Germany's enemies began to realize what was going on before it had reached a stage where any serious German resistance to, say, a Polish invasion was possible. The military eventually convinced Hitler that more was not possible in the initial stage of rearmament. He ordered that priority in the allocation of resources from the economic recovery programme was to be given to the military, and he gave the armed forces control over their own rearmament budget in April 1933.⁵⁵

The army drew up a register of 2,800 firms to which arms orders could be sent; in 1934 these accounted for over half of all iron and steel, engineering and motor vehicle production. The effects of the Depression included a massive under-utilization of productive capacity, so initial arms orders were in many cases just taking up the slack, and did not require major new investment. Investment in German industry in 1932 had been less than 17 per cent of its 1928 level, but it now began to increase, reaching just over 21 per cent in 1933, 40 per cent in 1934 and 63 per cent in 1935. Work began almost immediately in preparation for the creation of a German air force. In March 1934 a production schedule was drawn up aiming at 17,000 aircraft by 1939; many of these were disguised as passenger planes though intended for conversion to bombers when the time was ripe. Fifty-eight per cent of them were listed, somewhat implausibly, as 'trainers'. By 1935 there were 72,000 workers employed in aircraft construction, compared to fewer than 4,000 at the beginning of 1933. Similarly, Krupps embarked on the large-scale production of what were coyly described as 'agricultural tractors' in July 1933; in reality they were tanks. In 1934, the Auto Union company



Map 10. The Fall in Unemployment, 1930-38

launched another military vehicle production department, disguised in its accounts under the vague name of 'Central Office'. In November 1933 the navy ordered over 41 million Reichsmarks' worth of military equipment and another 70 million Reichsmarks' worth of ships. Major firms such as Borsig, in Berlin, and the Bochumer Association, in Hanover, started up production of rifles and guns. All this had an immediate effect on employment. Already in January 1933 the Mauser rifle factory increased its workforce from 800 to 1,300; in the first four months of 1933, the Rhine Metal Company, which made howitzers and machine guns, took on 500 new workers too. Similar developments could be observed in hundreds of companies across Germany. All this feverish activity inevitably had a knock-on effect on industry more broadly, as iron and steel, engineering, coal and mining companies stepped up production and hired additional labour to cope with the new and rapidly rising demand from the arms and arms-related sector. By the end of 1934, the government, noting the reduction of unemployment figures to less than half the level at which they had been when it had taken office, suspended specific job-creation programmes. From now on, it did not need to rely on such measures to absorb the remaining German unemployed.⁵⁶

The final step in the reduction of the unemployment figures was taken by the introduction of compulsory military service in May 1935. Already in October 1933, Hitler had asked the British Ambassador if his government would agree to a trebling of the size of the German army to 300,000; and the army itself soon took advantage of an international agreement signed on 11 December 1932 that proposed to replace the disarmament clauses of the Treaty of Versailles by a convention that gave Germany equal rights within a new system of international security. Massive recruitment drives in the course of 1934, initially launched to replace the drafting of thousands of troops into the newly formed German air force, resulted in an increase of the army's strength to 240,000 by 1 October. But this was not enough. Hitler had already promised the army on 3 February 1933 that he would reintroduce conscription. Taking a proposed increase in the length of French military service as a pretext, Hitler made the formal announcement to the Reich Defence Council on 15 March, taking many of the officers present by surprise. From now on, all able-bodied, non-Jewish German men would have to

serve for one year in the armed forces – extended to two in August 1936 – once they reached the age of eighteen and served the required six months in the Reich Labour Service. By 12 June 1936, the General Staff was estimating that the total personnel strength of the army stood at just over 793,000 men, including reservists and non-combatants; by the eve of the war, there were nearly three-quarters of a million men on active army service, and more than a million in the reserve. In the spring of 1935, too, the German government formally announced the existence of an air force (*Luftwaffe*), which by this time had 28,000 officers and men serving in it; by August 1939 this number had grown to 383,000.⁵⁷ Naval rearmament began more slowly, initially based on plans drawn up in November 1932, but here as well, expansion eventually reached a headlong pace. There were 17,000 naval officers and seamen in service in 1933, an increase of only 2,000 on the previous year, but by the beginning of the war in 1939 the number had grown to almost 79,000.⁵⁸ Taken together, these increases soaked up any remaining unemployment amongst the young. After 1936, Hitler and the leading Nazis did not trouble to mention the ‘battle for work’ again; the fact that it had been won had long since been accepted by the overwhelming majority of the German people.⁵⁹

IV

Germany’s government was in a parlous financial state when Hitler became Reich Chancellor in January 1933. More than three years of the most catastrophic economic depression in German history had forced his predecessors to cut back sharply on state expenditure. Bankruptcies, business failures and mass unemployment had led to a huge drop in the gross domestic product and a precipitate fall in tax revenues. This situation did not change overnight. In 1938, for example, state expenditure took up 35 per cent of national income. The 17,700 million Reichsmarks that came into the state’s coffers from taxation was only sufficient to cover little over half the money that the state actually spent – 30,000 million Reichsmarks in all. How did the regime manage to pay for its massive programme of rearmament and job creation? It could only pay for it by what it called ‘creative credit production.’ Such a policy was

anathema to traditional economic managers in view of the danger of inflation that such a policy threatened to bring. Nobody wanted a repeat of the uncontrollable hyperinflation of 1923. The President of the Reichsbank, Hans Luther, was unsympathetic to the regime's aim of deficit-financed rearmament. A high priest of monetary orthodoxy, he also had a political past, as a former Reich Chancellor. His concern to maintain the neutrality of the internationally guaranteed Reichsbank led him to protest to Hitler in person when brownshirts ran up the swastika over the bank building on 30 January 1933. All this made him an uncomfortable bedfellow for the Nazis. So Hitler replaced him in the middle of March 1933 with Hjalmar Schacht, the financial wizard who had been largely responsible for bringing the inflation under control at the end of 1923.⁶⁰

Schacht was an anomalous figure in the leadership of the Third Reich. On official occasions, while other ministers appeared in jackboots and uniforms, Schacht stood out in his grey civilian suit, high white collar, shirt and tie, dark overcoat and bowler hat. His thin, somewhat unassuming physical presence and his rimless glasses lent him a slightly withdrawn, academic air which was equally at odds with the rough energy of other leading figures in the regime. Nor was his background in any way similar to theirs. Born in January 1877 into a family of modest means, he was christened Horace Greeley Hjalmar Schacht; his father had spent seven years in the United States and so admired the founder of the *New York Herald Tribune* and coiner of the phrase 'Go west, young man' that he named his son after him. 'Hjalmar', the name by which he was generally known in Germany, was a traditional name in the Hamburg and Schleswig-Holstein family from which his mother descended. Educated at a famous grammar school in Hamburg, he studied political economy under Lujo Brentano at Munich University, then, after gaining practical experience as a cub journalist, learned French in Paris and wrote a doctorate on British economics. Schacht's background was thus both varied and cosmopolitan, and he went on to work with major economists and commentators of the Wilhelmine period such as Hans Delbrück and Gustav Schmoller. He gravitated naturally towards the National Liberal Party, and wrote for the Trade Treaty Association, which brought him into contact with Georg von Siemens, founder of the Deutsche Bank. Through this connection, he

entered the real world of finance, and rose rapidly through the ranks. Schacht played a part in the economic management of the German war effort in 1914–18, but he was in no sense a right-wing nationalist, and indeed, if he is to be believed, he eventually separated from his first wife in 1938 because of her radical, pro-Nazi views. Schacht's allegiance during the Weimar years lay rather with the Democrats.⁶¹

Schacht shot to fame towards the end of 1923 through his role as Commissioner for National Currency, a post to which he had been appointed by Hans Luther, at that time Finance Minister. He probably owed this preferment to the extensive connections in financial circles he had built up over the previous few years as director of a succession of major banks. His role in ending the hyperinflation brought him appointment as President of the Reichsbank after the previous incumbent died suddenly on 20 November 1923. Here he cemented his reputation as a financial miracle-worker by successfully maintaining the stability of the Rentenmark and then – to a chorus of disapproval from the far right – playing a key role in the renegotiation of reparations under the Young Plan. When early in 1930 the government renegotiated parts of the Plan that Schacht considered should have been retained, he resigned and went into temporary retirement. This suggested he had now moved to the nationalist far right politically; and indeed by this time, he had left the Democratic Party, though without transferring his allegiance anywhere else. Introduced to Hitler at a dinner-party thrown by Hermann Göring early in 1931, he was favourably impressed by the Nazi Leader. Like many other Establishment figures, he thought Hitler's radicalism could be tamed by associating him with more conservative and more experienced figures such as himself.⁶²

From Hitler's point of view, Schacht was simply the best financial manager around. He needed him to provide the money for his rearmament programme, and to ensure that the rapid growth in state expenditure would not create any problems. Schacht did not even have to become a member of the Nazi Party. He later claimed, like many others, that he had accepted a position in the regime in order to prevent anything worse from happening. In fact, however, by this time Schacht's political views had moved much closer to Hitler's own. He may not have been a rabble-rousing apostle of violence, but he had certainly become enough of a radical nationalist to approve wholeheartedly of the regime's primary

aim of rearming Germany at maximum speed. By the end of May 1933 he had come up with an ingenious scheme for deficit financing. A Metallurgical Research Institute (*Metallurgisches Forschungsinstitut*), set up by four big companies with a capital of a million Reichsmarks, was authorized to issue so-called 'Mefo bills', which were guaranteed by the state and discounted by the Reichsbank. The bank in turn simply met the bills presented to it by printing banknotes. Fifty per cent of arms purchases by the military were made in these bills between 1934 and 1936. Since the Reichsbank covered the bills by printing money, the notes in circulation increased by 6,000 million by the end of March 1938, by which time about 12,000 million Mefo bills had been spent. Schacht was already worried about the inflationary effects of these measures, and he stopped the issue of Mefo bills in 1937, after which point tax vouchers and non-interest-bearing treasury notes were used instead. In the meantime, gross Reich debt had spiralled almost out of control. But neither Hitler nor his economic managers considered this very important. For deficit financing was only a short-term measure in their view; the debts would be paid by territorial expansion in the near enough future. And besides rapid rearmament, Hitler was busily taking other steps to ensure that this would not only be possible but would also, as he saw it, bring the maximum economic benefit.⁶³

From the outset, Hitler wanted Germany to be economically self-sufficient. In preparation for the coming war, the German economy had to be freed from its dependence on foreign imports. Hitler had seen the effects of the Allied blockade of Germany in the First World War for himself: a malnourished and discontented population; arms production hamstrung by lack of basic raw materials. He did not want this to happen again. 'Autarky', the Nazi term for self-sufficiency, was a basic precept of Nazi economics from the early 1920s on. It took up a large part of the economic discussion, such as it was, in Hitler's politico-autobiographical tract *My Struggle*. It was intimately connected with another basic idea of Nazi policy, that of the conquest of 'living-space' in Eastern Europe, which Hitler believed would secure food supplies for Germany's urban population. Thus from the outset, Nazi policy focused on withdrawing trade from international markets and reorienting it towards countries, for example in South-eastern Europe, which one day would be part of the Nazi empire. Given the current depressed state of the world economy,

Hitler told military leaders in early February 1933, it was pointless trying to boost exports; the only way to a long-term, secure recovery of the German economy was through the conquest of 'living-space' in the East, and preparations for this now had to take priority over everything else.⁶⁴

At home, the Third Reich pursued the objective of autarky in food supplies through the Reich Food Estate, promulgated on 13 September 1933. Headed by the 'blood-and-soil' ideologue Richard Walther Darré, now adorned with the title of Reich Farmers' Leader, this was a characteristic Nazi organization, hierarchically structured on the basis of the leadership principle, with Farmers' Leaders appointed at every level through to districts and localities. The idea, long advocated by farming lobbyists, was to unite producers, wholesalers, retailers and consumers in a single chain that would eliminate the exploitation of one by another and ensure a fair deal for all. Thus in the fishing industry, for example, fishermen, fish processors, fish wholesalers, fish distributors and fish-mongers were organized into a single association run from Berlin, and the same was done for other branches of agriculture, from fruit farmers to grain producers. These elaborate structures were backed up by import agencies to protect the domestic producers of particular products, and enforced by sanctions including hefty fines and even imprisonment for contravention of the regulations. In this way, the whole national production and supply of foodstuffs could be controlled, prices fixed, and quantities and quotas determined in the interests of the producers. In some ways, the Reich Food Estate, which was intended to function as an independent corporation, was seen by Darré as the vehicle through which peasant farmers would strengthen their economic interests and claim their rightful place in the new Germany. It was also an imitation of the institutions of the Corporate State in Fascist Italy, binding together everybody in a particular area of society and the economy in a structure that, theoretically at least, would replace mutual antagonism with mutual co-operation and generate a sense of community through removing real and potential sources of conflict.⁶⁵

But the Reich Food Estate proved a problematical institution.⁶⁶ Very soon, Darré's ideological vision of a future Germany based on a healthy and stable community of peasant farmers began to be pushed aside by the more immediate imperatives of autarky and rearmament. In line with general economic policy, the Reich Food Estate had to keep prices down,

restrict imports (including animal fodder) and ration consumption. Price controls squeezed farmers' profits and meant they could not compete with the big industrial firms in the level of wages they paid their workers. The shortage of iron and steel and the prioritizing of the armaments industry in allocating them meant severe restrictions on the manufacture of agricultural machinery that might have been an acceptable substitute for their vanishing labour force, assuming that farmers could afford to pay for it. Already in September 1934 Schacht launched a 'production battle' aimed to make Germany self-sufficient in food supplies, a goal that the Reich Food Estate had to play its part in fulfilling. Yet success proved elusive. Subsidies for the construction of grain stores, silos and the like had some effect. But this was more than counteracted by the requisitioning of large quantities of agricultural land for motorways, airfields, barracks and camps, and army training areas, and the drafting of agricultural labourers into arms-related industries in the towns and cities. Between 1933 and 1938, 140 villages were broken up and 225 rural communities disrupted or displaced by compulsory army land purchases, while in the last two years of peace, the building of the defensive emplacements known as the 'West Wall' caused the abandonment of 5,600 farms with 130,000 hectares of land. Grain yields generally failed even to reach the levels of 1913, while there was a shortfall in domestic production against demand of between 10 and 30 per cent in pork and fruit, 30 per cent in poultry and eggs, around 50 per cent in fats, butter, and margarine, up to 60 per cent in legumes and over 90 per cent in vegetable oils.⁶⁷ In this as in other areas, the diversion of production to armaments and associated industries from consumer goods manufacture and the clampdown on non-military-related imports had created a shortage of consumer goods by the autumn of 1936, as demand began to outstrip supply. Prices therefore began to rise. A Price Commissioner – the conservative politician Carl Goerdeler, Mayor of Leipzig – had already been appointed late in 1934, but his advocacy of a slow-down in rearmament as the remedy had been brusquely rejected, and his office was little more than a propaganda show. To prevent a resurgence of the dreaded inflation of the early 1920s, the government imposed a compulsory freeze on prices on 26 October 1936. On 1 January 1937 it introduced rationing of butter, margarine and fat. Thus consumers began to feel the pinch as well as producers.⁶⁸

As Darré was also Minister of Agriculture, he had to go along with these measures. Every time the interests of the state clashed with those of the Reich Food Estate, it was the latter that had to yield. Moreover, by 1936, therefore, it was clear that the goal of self-sufficiency in food was as far away as ever. The Reich Food Estate was caught between the Party and the state. Formally an institution belonging to neither, it lost its functions as each of the two asserted its own interests. Darré's star was now waning rapidly. His deputy, Herbert Backe, persuaded Göring and Himmler that Darré was an ideologue who lived in a dream-world and the practical goal of achieving self-sufficiency in food production could only be achieved by an expert such as himself. In addition, a war of attrition with Robert Ley over the interests of agricultural labourers had led to further inroads into the position of the Reich Food Estate in rural society. Ley was also able to use his role as Reich Organization Leader of the Party to remove a variety of functions, for example in education and training, away from Darré's organization as a prelude to incorporating it into the Labour Front. Attempting to shore up his waning power, Darré had in fact already yielded to the demands of autarky, for example sponsoring a law of 26 June 1936 that allowed the state to merge farms together compulsorily to create larger and more efficient units. Moreover, he was also compelled to cede the care of the social and cultural welfare of its members to the Party and its subordinate organizations. The unpopularity of his schemes amongst the peasantry sealed his fate.⁶⁹

Göring and Backe devoted considerable energy to boosting the country's home-produced food supply: measures taken included cheap loans to farmers for the purchase of machinery, price cuts for fertilizers, price incentives for producing grain, eggs and the like, and the requirement in some cases to cultivate crops that would provide the raw materials for textile fibres, such as flax, or vegetable oils and fats. They also tried to remedy the growing labour shortage on the land. From the outset of the Third Reich, hundreds of thousands of young people had been drafted onto the land to try and offset a long-term shortage of agricultural manpower, although many of them were too young, lacked the physical strength, or were too ignorant of the countryside and its ways to be of much use. Even concentration camp inmates were roped into clearing moorland for cultivation. This was not what Darré had

imagined when he had set up the Reich Entailed Farms and the Reich Food Estate. On the eve of the war, his original vision had all but disappeared.⁷⁰

Germany did indeed become self-sufficient in some basic foodstuffs like bread, potatoes, sugar and meat by 1939, but there were still many products, notably fat, pulses (except lentils), and even eggs where imports were still necessary on a considerable scale to meet demand. The number of rural workers dropped by 1.4 million between 1933 and 1939, partly because of the removal of foreign workers, partly because of a continuing drift to better-paid jobs in the towns.⁷¹ The land brought under cultivation was not enough to make a significant difference. Thirty per cent of fodder for horses, still a vital component of the army transport system in 1938, had to be imported. Crop yields for cereals in 1939 were not much better than they had been in 1913. On the eve of war, roughly 15 per cent of Germany's food supplies still came from abroad.⁷² All this pointed yet again in the minds of the Nazi leaders to the need for 'living-space' in the East to make up the deficit. On the other hand, the fact that the trade agreements Schacht had negotiated brought in cheap agricultural produce from South-eastern Europe allowed Hitler and Göring to avoid taking yet more draconian measures to subordinate peasant farmers completely to the dictates of autarky, which would have alienated them even more. The peasants were not going to be militarized or dragooned into a new kind of serfdom to satisfy the demands of the state. Some of the measures introduced by Darré early on thus remained, and the farming community could look back in 1939 to an improvement in its situation during the previous six years, in which the overall proceeds of agriculture had grown by 71 per cent in comparison to 1933, far less than those of industry but still, by the eve of the war, better than the situation of the late 1920s.⁷³

German consumers did not do so well. More and more foodstuffs were subject to official rationing as the government stockpiled supplies in preparation for war and requisitioned agricultural workers and craftsmen for arms-related industries. Butter and fat had long been restricted; fruit and coffee were also rationed from the early spring of 1939. Apples remained unpicked because workers had been drafted into the towns. People were urged to grow their own fruit and to make preserved fruit for use in the winter months. Food supplies were not helped by a series

of poor harvests in the mid-1930s caused by bad weather, a cold snap in the spring of 1938 that froze a lot of fruit blossoms off the trees and a bad outbreak of foot-and-mouth disease among the nation's cattle the same year. Coffee imports fell as the shortage of hard currency in Germany began to limit the ability of importers to pay for it. The shortage of wheat and rye meant official controls on bakers, who were instructed to bake only 'homogenized bread' made from an amalgam of inferior flours. White bread could be purchased only on presentation of a medical certificate. To prevent people evading controls on the purchase of milk by going directly to the producer, dairy farmers were obliged from 1 January 1939 to deliver all their supplies to central milk depots. Later the same year, it was reported that no eggs were to be had in Munich for the whole of Easter Week, while in Elberfeld people were unable to bake Easter cakes for lack of fat. Training courses were put on for Saxon housewives to show them how to cook 'Hungarian fish gulash' since meat for the real thing was so hard to come by. On 28 March 1939, the meat counter at the Hertie department store on the Dönhoffplatz in Berlin was opened only to sell registered customers their weekly ration of fat; there was no fresh or frozen meat available at all. Shortages inevitably led to a flourishing black market in scarce foodstuffs. Berlin's markets were already cleared out of fruit by seven in the morning, before the price commissioners came in to check that stallholders were adhering to the official price limits. Imported fruit, such as bananas and oranges, was particularly hard to come by. Only well-off early risers could afford to circumvent the regulations in this way, though at a price well over the official maximum. In the Ruhr, many workers were only able to eat meat once a week. 'The people', reported a Social Democratic agent in May 1939, 'are suffering a great deal from the shortage of all kinds of foodstuffs and respectable, solid clothing. Still,' he added, 'this has not led to any kind of unrest, apart from queueing in front of shops, which has become a daily occurrence.'⁷⁴

BUSINESS, POLITICS AND WAR

I

Despite interventionist institutions like the Reich Food Estate, Hitler and the Nazi leadership generally sought to manage the economy by tough control of the market economy rather than by nationalization or direct state takeovers.⁷⁵ Thus, to take one example, the regime pressed the giant chemicals combine I.G. Farben into developing and producing synthetic fuel for motor vehicles and aeroplanes through the hydrogenation of coal, so as to reduce Germany's dependence on oil imports; an agreement was signed on 14 December 1933, committing the combine to produce some 300,000 tons a year in return for a guaranteed ten-year purchase order from the state.⁷⁶ Where a company refused to go along with demands of this kind, however, the regime stepped in to bring it to heel, as in the case of Hugo Junkers, the aircraft manufacturer, who was forced to sell his majority interest in his two companies to the Reich at the end of 1933 after attempting to resist the government's calls to convert them from civil to military purposes. On his death in April 1935, indeed, both companies were nationalized, although only briefly.⁷⁷ Moreover, the Economics Ministry actively insisted on the creation of cartels in key areas so as to make it easier for the state to direct and monitor increases in war-related production.⁷⁸ Yet despite this increase in state intervention, as Nazi economic spokesmen repeatedly insisted, Germany was to remain a free-market economy, in which the state provided leadership and set the primary goals. For this purpose, at least early on, when the 'battle for work' and the reorientation of the economy towards rearmament were the main aims, Hitler needed the willing co-operation of business.

It was not surprising, therefore, that he chose a leading representative of the business community as his Reich Economics Minister after the enforced departure of the cantankerous German Nationalist Alfred Hugenberg.⁷⁹ This was the general director of the Allianz Insurance Company, Kurt Schmitt. Born in 1886 into the modest bourgeois family of a doctor, Schmitt had been an enthusiastic duelling corps member at university, where he had studied commercial law, then worked briefly in the Bavarian civil service under Gustav Ritter von Kahr, later to become notorious on the far right in Bavaria. Shortly before the outbreak of war, Schmitt entered the Munich branch of the Allianz. Immensely hard-working, he was none the less no cold pen-pusher. He developed a human approach to insurance, personally mediating between claimants and insured, and thus reducing substantially the number of expensive lawsuits which the company had to handle. Not surprisingly, this led to his rapid promotion through the managerial ranks, a rise that was not seriously interrupted by the war, from which he was invalided out early on with a minor wound that became repeatedly reinfected and so prevented him from returning to the front. He became general director at the age of thirty-four. Soon, encouraged by his subordinates, Schmitt was wearing expensive, tailor-made suits and hobnobbing with the great and the good in the gentlemen's clubs of Berlin. Under Schmitt's leadership, Allianz expanded rapidly in the kind of mergers and takeovers that characterized other sectors of the business world in the 1920s as well. Like other businessmen, Schmitt was dissatisfied with the conditions under which private enterprise had to labour during the Weimar era, and he lobbied for a reform of the law affecting insurance through the Reich Association for Private Insurance. This brought him into contact with leading politicians, many of whom were impressed by his competence, his decisiveness and his obvious financial acumen. By the early 1930s he had become a public figure of some repute. He enhanced his reputation with his performance on the Economic Advisory Council set up by Brüning. Both Brüning and Papen offered him the post of Finance Minister. He turned the offers down in the belief that the prevailing economic situation would not allow him to do the job with any degree of success.⁸⁰

By this time, Schmitt had taken up contacts with the Nazi Party. In November 1930, like Schacht a little later on, he had met Göring at a dinner and been extremely impressed by his political advocacy. Soon

Schmitt was indulging Göring's impressive appetite for food and wine in regular lunchtime meetings in a Berlin restaurant, held at his company's expense. Before long, he had met Hitler too. The Nazis' promise to defeat the menace of Communism and end the party-political bickering of the Weimar years won him over to their cause. A self-made man who had risen by his own abilities, Schmitt was less wedded to traditional conservative politics than were colleagues from old-established business or civil service backgrounds. As the Nazis seized power in Germany, Schmitt abandoned his previous discretion and signed up as a Party member in the spring of 1933, leading company celebrations of Hitler's birthday on 20 April. Schmitt shared the common elite prejudice that regarded Jews as too prominent in public and intellectual life, banking, finance and the law; the most common adjective he used when referring to them was 'unpleasant'. He agreed with Göring's proposal, made to him at one of their private meetings, to deprive Jews of the vote and ban them from holding positions of authority over Germans. By the summer, his contacts with Göring had borne spectacular fruit. Seeking to replace Hugenberg as Reich Economics Minister, Hitler was persuaded by Göring that it would be politic to have a leading representative of the business community in the post. Hitler offered it to Schmitt, who was sworn in on 30 June 1933, believing that he had a role to play now that the political situation had been stabilized.⁸¹

Despite attempting to strengthen his position by, for example, becoming an officer in the SS, Schmitt proved no match for the big beasts in the Nazi power jungle like Goebbels, Ley or even Darré, all of whom had removed substantial areas of the economy from the purview of his Ministry within a few months. Underlings such as the Nazi economic theorist Gottfried Feder, who had written the abolition of 'interest slavery' into the Party programme in 1920, were a continual source of trouble. Schmitt's announcements and instructions to state and regional officials not to endanger the economic recovery by countenancing actions against Jewish businesses were omitted from press reports and generally disregarded by 'old fighters'. Most seriously of all, Schmitt was opposed to what he considered as unproductive expenditure on rearmament and of spectacular but, as he argued, useless ideas such as the motorways. Here too he was ignored. Schmitt disapproved of the Nazis' extravagant propaganda claims about an economic recovery, the end of unemployment and

the like. He increasingly thought of himself as a failure. Under increasing stress on all sides, he suffered a serious heart attack on 28 June 1934 and eventually resigned with effect from 30 January the following year. Before long, he had returned to the insurance business. He had realized his incompetence as a politician and refused all subsequent invitations to leave the walk of life he knew best.⁸²

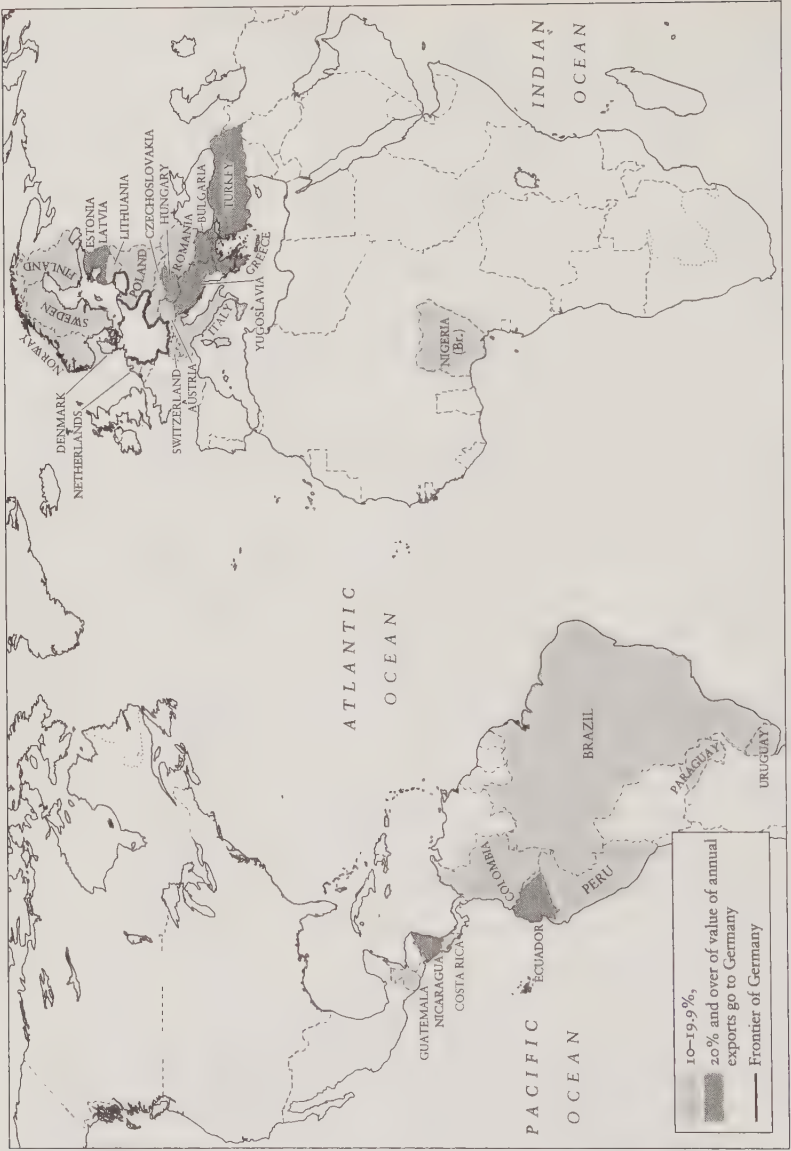
Schmitt was replaced on 3 August 1934 as Acting Economics Minister, then from 30 January 1935 on a permanent basis, by Hjalmar Schacht, who had already made it clear privately to Hitler that, unlike his predecessor, he would regard rearmament as a top priority irrespective of the economic situation. Schacht was given dictatorial powers of economic management. He began by promptly sacking Feder from his post in the Ministry and purged other Party figures who, the army had complained, were trying to impose their ideas on the management of the economy. In the next four months, Schacht established a new structure under the aegis of his Ministry, in which all firms were compulsorily enrolled in one or other of seven Reich Groups (industry, trade, banking, and so on), further subdivided into specialist and regional sub-groups. This enabled the Ministry to take a stronger lead in implementing rearmament policy on the existing basis of private enterprise rather than on the kind of anti-capitalist ideas favoured by Feder.⁸³

Already by this time, however, the nascent armaments boom was beginning to have some unwelcome effects. By boosting domestic industrial production, the state and the army caused industry to switch away from export-oriented, mostly consumer products. Added to a continuing slump in world trade and the imposition of trade sanctions by Britain and the United States in protest against the regime's persecution of the Jews, this caused a fall in exports from 1,260 million Reichsmarks in the last quarter of 1933 to 990 million in the second quarter of 1934. Simultaneously imports grew rapidly in volume, as demand in Germany for products like rubber, oil and cotton all increased. Imports of raw materials rose by 32 per cent from the middle of 1932 to the beginning of 1934, while the prices obtained for German exports fell by 15 per cent. The situation was made worse by the fact that Britain and the USA had allowed their currencies to depreciate, while the Nazi government, like its predecessors, was unwilling to devalue the Reichsmark for fear that it would encourage inflation. Thus German goods became more

expensive on the world market, encouraging other economies to turn elsewhere for their sources, while imports to Germany became cheaper, prompting German firms to buy more of them. In 1934, Germany's balance of payments went into deficit.⁸⁴ Germany's foreign debt rose, while its gold and foreign exchange reserves fell by more than half between January and September.⁸⁵ Piecemeal foreign currency quotas and restrictions failed to have any real effect on the rapidly deteriorating situation.⁸⁶ On 14 June 1934 the Reichsbank imposed a six-month stop on the repayment of all long-term and medium-term foreign debts.⁸⁷

On 19 September 1934, to try and counter these mounting problems, Hjalmar Schacht, the newly anointed 'economic dictator' of Germany, announced a 'New Plan' according to which trade would from now on be on a bilateral basis: a kind of barter between Germany and other states, in which imports would only be permitted from states to which Germany exported substantial quantities of goods. 'Implementation of the rearmament programme', he declared on 3 May 1935, was 'the task of German policy.' In order to pay for it, imports had to be restricted as far as possible, to arms-related raw materials and foodstuffs that could not be grown in Germany.⁸⁸ South-eastern Europe seemed a particularly favourable area for bilateral trade arrangements. A focus on the Balkans might well open up a perspective on a future Greater German trade area in East-Central Europe, the long dreamed-of *Mittleuropa* (Central Europe) project. It would be safer in the event of war than existing trade links to the north and the west. Besides this, cutting back on overseas trade would lessen Germany's dependence on the British merchant marine, which might prove severely damaging in the event of a future war between the two nations.

Too many raw materials came from far-flung parts of the globe, and the New Plan sought to reduce Germany's dependence on such sources. Enforced by twenty-five Surveillance Officers, the new plan helped cut German imports from the rest of Europe from 7.24 billion Reichsmarks in 1928 to 2.97 billion ten years later; by the latter date, imports from South-eastern Europe, which had made up 7.5 per cent of the total in 1928, had risen to 22 per cent of the whole.⁸⁹ Yet the army was soon complaining that while Schacht was managing to find the money to pay for the initial stages of rearmament, he had not succeeded in making the economy ready for war. In particular, import restrictions had



Map 11. Major Exporters to the Third Reich

dangerously depleted Germany's domestic reserves of raw materials, ore and metals, while attempts to find substitutes – home-grown textiles, synthetic rubber and fuel, locally drilled oil and so on – had so far made only a very limited impact. The time had come, in Hitler's view, for a far more radical intervention in the economy – one which Schacht, who made no secret of the fact that he thought the German economy had reached the limits of its ability to sustain rearmament and war mobilization by 1936, could no longer be trusted to manage.⁹⁰

II

On 4 September 1936, Hermann Göring read out to the cabinet a lengthy memorandum that Hitler had drawn up in the light of the mounting evidence of the New Plan's bankruptcy. In typical fashion, it ranged widely over history and politics before coming to the point at issue: preparing the economy for war. Politics, Hitler declared, was 'a struggle of nations for life'. In this struggle, the Soviet Union was now becoming a threat. 'The essence and goal of Bolshevism is the elimination of those strata of mankind which have hitherto provided the leadership and their replacement by worldwide Jewry.' Germany had to take the lead in the struggle against it, since Bolshevism's victory would mean 'the annihilation of the German people'. Preparing for the coming battle, Hitler declared, was an absolute priority. All other issues were of secondary importance. 'The German armed forces must be operational within four years.' 'The German economy', he added, 'must be fit for war within four years.' Hitler went through his familiar litany of economic beliefs: Germany was overpopulated and could not feed itself from its own resources; the solution lay in extending living-space to obtain new raw materials and foodstuffs. Raw materials could not be stockpiled for a war, since the quantity needed was simply too great. The production of fuel, synthetic rubber, artificial fats, iron, metal substitutes and so on had to be ratcheted up to a level that would sustain a war. Savings had to be made in food supplies; potatoes for example were no longer to be used for making schnapps. The people had to make sacrifices. An economic plan had to be drawn up. The interests of individual businesses

had to be subordinated to those of the nation. Businessmen who kept funds abroad had to be punished by death.⁹¹

In presenting this memorandum to the cabinet, Göring launched a fierce attack on the view, propagated by Schacht and his ally the Price Commissioner Goerdeler, that the solution to the economic blockage of 1936 lay in scaling down the rearmament programme. On the contrary, since 'the showdown with Russia is inevitable', it had to be speeded up. There had to be much tighter controls on the economy and on the export of currency. Göring revealed that it was he who had been entrusted by the Leader with the execution of the Four-Year Plan that Hitler went on to proclaim at the Party Rally on 9 September. Schacht had begun to outlive his usefulness. On 18 October 1936 a decree made Göring's supremacy official. He used it to establish a whole new organization dedicated to preparing the economy for war, with six departments dealing with the production and distribution of raw materials, the co-ordination of the labour force, the control of prices, foreign exchange and agriculture. Göring appointed the top civil servants in the Ministries of Labour and Agriculture to run the relevant two departments in the Four-Year Plan organization. In this way he began to bring the two Ministries under the aegis of the Plan, bypassing Walther Darré and Franz Seldte, the two responsible Ministers. Göring's operation also undercut Schacht, who had been sent on compulsory leave on the day that the Plan had been unveiled to the cabinet. Schacht soon found that the Four-Year Plan operation was taking policy decisions without reference to his Economics Ministry. His protests had no effect. Increasingly frustrated at this loss of power, and increasingly worried by the rapid expansion of military and raw material production on what he regarded as an inadequate financial basis, Schacht wrote to Hitler on 8 October 1937 reaffirming his view that there could only be one head of economic affairs in the Third Reich, and making it clear he thought that person should be himself. The threat of resignation was clearly implicit.⁹²

By this stage, however, Hitler had lost all confidence in Schacht, whose economic realism was now a serious irritation to him. On 25 October 1937, the head of the navy, Admiral Erich Raeder, had formally asked Reich War Minister General Werner von Blomberg to get Hitler to step in personally to arbitrate between the different interests – army, navy and air force – that were competing for the inadequate supplies of iron,

steel, fuel and other raw materials. Hitler responded by getting Blomberg to call a meeting in the Reich Chancellery on 5 November 1937, at which the Nazi Leader outlined his overall strategy to a small group consisting of Raeder, Blomberg, the Commander-in-Chief of the army General Werner von Fritsch, the head of the air force Hermann Göring and Foreign Minister Konstantin von Neurath. Notes were taken by Hitler's military adjutant Colonel Friedrich Hossbach, and these were subsequently used as evidence that Hitler was already planning a war in the not-too-distant future. In fact, there was no concrete plan, although there were certainly intentions. Hitler was mainly concerned to impress on his audience the need for urgency in rearmament and the imminence of armed conflict, particularly in East-Central Europe. Much of what he had to say would already have been familiar to his listeners from earlier statements of this kind. 'The aim of German foreign policy', Hitler began, according to Hossbach's memorandum of the meeting, 'was to make secure and to preserve the racial stock (*Volksmasse*) and to enlarge it. It was therefore a question of space.' By this he meant, as he had always done, the conquest of East-Central and Eastern Europe, which would solve the German race's need for expansion 'only for a foreseeable period of about one to three generations' before further expansion, probably overseas, became necessary and indeed, with the probable collapse of the British Empire, possible. After a detailed survey of the shortages in raw materials and foodstuffs, Hitler concluded that 'autarky, in regard both to food and to the economy as a whole, could not be maintained'. The solution especially in terms of food supplies was to be found in 'gaining space for agricultural use' in Europe, by conquest and, implicitly, the removal or reduction of the people who lived there. 'Germany's problem', he declared, 'could be solved only by the use of force.'⁹³

Hitler went on to warn that other nations were catching up in armaments, and the domestic food crisis would soon reach breaking point. Hossbach noted that Hitler's speech sounded a new note of anxiety about his own health: 'If the Leader was still living, it was his unalterable determination to solve Germany's problem of space by 1943-5 at the latest.' Indeed, he would take military action earlier if France was weakened by a serious domestic crisis or became involved in a war with another state. In either case, if war came, Germany's first priority would be to overthrow Austria and Czechoslovakia to reduce the threat on its

south-eastern flank. The forced removal of two million people from Czechoslovakia and one million from Austria would free up additional food supplies for the Germans. The British and the French, he added, were unlikely to intervene, while the Poles would remain neutral as long as Germany was victorious.⁹⁴ Thus Hitler's response to the supply bottleneck was not to reduce the pace of rearmament but to accelerate the pace of proposed conquest of 'living-space'. Despite the doubts of some of those present at the meeting, Hitler thus pressed on with rearmament at an ever more frenetic tempo. The caution of Schacht and his allies – who included some of those present at the meeting – was brushed aside. The solution of Germany's economic problems was reserved until the creation of 'living-space' in the East. With Hitler in such a mood, Schacht's position had now become wholly untenable. On 26 November 1937 Hitler accepted his resignation as Minister of Economics. The management of the economy now passed effectively to Hermann Göring. The discussion earlier in the month made it clear that it was Goring's job to make sure that the brakes were taken off rearmament whatever the economic problems this might cause.⁹⁵

The results of these changes could soon be seen. The pace of rearmament quickened still further. As Schacht had predicted, by 1938 expenditure on preparations for war was clearly spiralling out of control: 9,137 million Reichsmarks were spent on the army, compared to 478 million in 1933; 1,632 million on the navy, compared to 192 million five years earlier; and 6,026 million on the air force, compared to 76 million in 1933. Including expenditure on administration, and on the redemption of Mefo bills, rearmament costs had risen from 1.5 per cent of national income in 1933 to 7.8 per cent in 1934, to 15.7 per cent in 1936 and 21.0 per cent two years later, where national income itself had almost doubled in the same period. The Reich's finances, which had recorded a modest surplus in 1932, recorded a deficit of 796 million Reichsmarks in 1933, rising to nearly 9.5 billion in 1938. Acting now in his capacity as President of the Reichsbank, Schacht wrote a personal letter to Hitler on 7 January 1939, signed by all the other directors of the Reichsbank, in which he warned that 'overstretching public expenditure' was rapidly leading to the 'looming danger of inflation'. 'The limitless expansion of state expenditure', they told Hitler, 'is destroying every attempt to put the budget in order. Despite an enormous tightening of the screw of

taxation, it is bringing the finances of the state to the edge of ruin and from this position it is wrecking the bank of issue and its currency.' Hitler's response was to sack him along with the entire board of directors a few days later, on 20 January 1939. He no longer fitted into the general National Socialist scheme of things, Hitler told Schacht.⁹⁶

Schacht went on a long holiday to India and retired from public life on his return. After the death of his first wife, he married a member of the staff at the Munich House of German Art, a woman thirty years his junior, and after a honeymoon in Switzerland in 1941 they lived quietly in the countryside, though Schacht retained a variety of more or less meaningless titles including that of Minister without Portfolio. His successor was the former state secretary in the Propaganda Ministry, Walther Funk, whom Göring had shoehorned into the position of Reich Minister of Economics on 15 February 1938. Funk now took over the running of the Reichsbank as well, thus subordinating both institutions to the Four-Year Plan. Unsurprisingly, what Schacht and his fellow directors, some of whom were subsequently reinstated, had called the 'unrestrained spending habits of the public finances' continued unabated, at an even more frenetic tempo than before. On 15 June 1939 a new law removed all limits on the printing of money, thus realizing Schacht's worst fears. But Hitler and the Nazi leadership did not care. They were counting on the invasion and conquest of Eastern Europe to cover the costs. In February 1934, Hitler had stated that rearmament had to be complete by 1942. By the time of the Four-Year Plan, the date had been moved forward to 1940. Germany's economic problems, as Hitler had always said, could only be definitively solved by war.⁹⁷

III

The switch from the New Plan to the Four-Year Plan in 1936 testified to the growing sense of urgency with which Hitler was now pursuing this goal. But neither could really be called a plan in the normal sense of the word. At least Schacht, as economic supremo in the early years of the Third Reich, had retained a firm conceptual grasp of the economy and state finances as a whole. But Göring, for all his undoubted energy, ambition and intuitive grasp of how power worked, possessed no such

overview. He had very little understanding of economics or finance. He did not set clear priorities, nor could he, since Hitler kept changing his mind as to which arm of the services – air force, navy, army – should come top of the allocation list. New blueprints kept being produced and then superseded by more ambitious ones. The chaos of overlapping and competing competencies in the management of the economy was characterized subsequently by one senior official as the ‘organizational jungle of the Four-Year Plan’. There was a fundamental contradiction between the drive to autarky in anticipation of a long war and reckless rearmament in preparation for an imminent conflict. It was never resolved. Nor was the statistical information available which was necessary for the provision of a rational planning system. Despite its elaborate structure, which included a General Council that was supposed to coordinate operations and harmonize the activities of the various government Ministries involved, the Four-Year Plan consisted in reality of little more than a series of piecemeal initiatives. Yet these met with some success. Coal production, for instance, increased by 18 per cent from 1936 to 1938, lignite by 23 per cent, and coke by 22 per cent. By 1938, Germany was producing 70 per cent more aluminium than two years before and had overtaken the USA as the world’s largest producer. In 1932 Germany had only been able to meet 5.2 per cent of demand for textiles, essential among other things for military uniforms. Increased production of rayon and other artificial fibres raised this to 31 per cent in 1936 and 43 per cent by 1939. The goal of abolishing Germany’s reliance on imported fuel moved nearer to fulfilment as petroleum production went up by 63 per cent and output of synthetic fuel by 69 per cent between 1937 and 1939. In 1937 Hitler announced the establishment of ‘two gigantic buna [i.e. synthetic rubber] factories’ which would soon produce enough to meet all Germany’s requirements.⁹⁸

Yet these impressive figures masked a failure of the Four-Year Plan to produce the desired result of making Germany entirely self-sufficient by 1940. To begin with, the Plan failed to solve Germany’s chronic balance of payments problem. Although exports did rise in 1937, they fell again in 1938 as German manufacturers put their faith in safe and lucrative domestic contracts instead of risking their products on the world market. And in both years, they were exceeded in value by imports, further reducing Germany’s already seriously depleted foreign currency reserves.

It was this issue more than any other, perhaps, that occasioned Schacht's growing alienation from the regime he had served so faithfully from the beginning.⁹⁹ Imports continued to be vital in a number of fields after he had departed the scene. Despite massively increasing their output, Germany's aluminium factories, for instance, relied almost entirely on imported raw materials. High-grade steel was similarly reliant on metals not to be found in Germany. Buna production amounted to no more than 5 per cent of Germany's domestic consumption of rubber in 1938; only 5,000 tonnes had been produced, as against a planned target of 29,000. Germany still depended on imports for half its mineral oil in 1939. Expansion to the East might bring new sources of oil within Germany's reach, but it would certainly do nothing to alleviate the shortage of rubber. Above all, these increases in domestic production had to be set against massive growth in demand, above all from the armed forces. Initially, the armed forces had conceived of rearmament as a means of strengthening Germany's defences; but the long-term goal was always the mounting of an offensive war against the East, and already on 30 December 1935 General Ludwig Beck, Chief of the General Staff, built on the experience of successful armoured manoeuvres the previous summer to demand the creation of a more mobile kind of army, increasing the number of tank brigades and motorized infantry units. By the middle of 1936 the army was planning to include three armoured divisions and four motorized divisions in its peacetime force of thirty-six. All of these would require huge quantities of steel to build and massive amounts of fuel to drive.¹⁰⁰

Building naval strength was less urgent, since Hitler's main aim in the short to medium term was the conquest of Europe, and above all Eastern Europe. But in the long term, as he had indicated in his unpublished second book, he envisaged a titanic transcontinental clash with the United States, and for this a large navy would be necessary. In the spring of 1937 he increased the number of battleships to be constructed from four to six, to be completed by 1944. In addition there were to be four pocket battleships (changed in 1939 to three battle cruisers), and the pace of construction increased sharply as the threat of war with Britain loomed ever closer. Expenditure on the navy rose from 187 million Reichsmarks in 1932 to 497 two years later, 1,161 million in 1936 and 2,390 million in 1939. In 1936 ship construction accounted for nearly

half of all naval expenditure, though this had sunk to under a quarter by the eve of the war, as men were drafted in to crew the new fleet and munitions were manufactured for the new guns to fire. Even in 1938 the planned fleet was thought to require six million tonnes of fuel oil a year and two million of diesel oil, in a situation in which total German consumption of mineral oils stood at six million, of which less than half was produced at home. Plans for the expansion of the air force were even more ambitious, and came up rapidly against very similar constraints. Overriding the objections of the army and navy, which saw airplanes as little more than support forces, Hitler created a Reich Aviation Ministry on 10 May 1933 under Hermann Göring, himself a former fighter pilot. Göring, aided by his talented and energetic state secretary Erhard Milch, a former director of the Lufthansa airline, immediately adopted a plan drawn up by another Lufthansa director, Robert Knauss, that envisaged an independent air force designed to fight a two-front war against France and Poland. Long-range bombers were the key to success, argued Knauss. By 1935 aircraft production had been reorganized, with many firms making components, thus saving the time of the big manufacturers such as Junkers, Heinkel or Dornier. Defensive fighters were soon added to the Ministry's targets. In July 1934 a long-term programme envisaged the manufacture of more than 2,000 fighters, another 2,000 bombers, 700 dive-bombers, over 1,500 reconnaissance aircraft and thousands more training aircraft by the end of March 1938. By 1937, however, iron and steel shortages were beginning to have a serious effect on these ambitious plans. Constant changes in the design of bombers slowed things down further. Aircraft production actually fell from 1937 to 1938, from around 5,600 to 5,200.¹⁰¹

Meanwhile, iron ore imports increased from just over 4.5 million tonnes in 1933 to almost 21 million tonnes in 1938; the drive to rearm was negating the drive for autarky. Nevertheless, restrictions on foreign currency severely limited the extent to which shortfalls could be made good by imports. By 1939 the army was imposing what an American survey later described as 'drastic restrictions on the use of motor vehicles in order to save rubber and fuel'. Already in 1937 it only received half the steel it wanted. Ammunition was in short supply, and too few barracks were being constructed to house the rapidly growing numbers of troops. The navy was unable to obtain the steel it needed to fulfil its

shipbuilding programme.¹⁰² In 1937 the air force only received a third of the steel it required to meet its production targets. In October 1938, however, Göring announced a fivefold increase in the size of the air force to a size so enormous that it would have required the import of 85 per cent of known world production of aircraft fuel to keep it going. Nearly 20,000 front and reserve aircraft were to be ready for action at the beginning of the coming war in late 1941 or early 1942. In the event, when war actually did break out, the air force had just 4,000 aircraft ready for action. This was an impressive number, especially when compared to the situation six years before, but it was far below the target envisaged by Göring.¹⁰³

By 1939, shortages of raw materials were leading to grotesque consequences for the everyday life of ordinary Germans. From 1937 onwards, the regime began to encourage the collection of scrap metal in order to feed the insatiable demands of the iron and steel industry. It became people's patriotic duty to surrender any old or unused metal objects to the authorities. A Reich Commissioner, Wilhelm Ziegler, was appointed to organize the collection and, increasingly, the forced requisition of scrap. In 1938 he ordered the removal of all metal garden fences throughout the Reich. Uniformed brownshirts forcibly uprooted iron railings around factories, churches, cemeteries and parks. Iron lampposts were replaced by wooden ones. Iron railings around family graves were torn down by gangs of stormtroopers, who also combed factories and workplaces for wire, tubing and other disused metal objects. Boys from the Hitler Youth searched people's cellars and attics for discarded tin plates, disused metal radiators, old keys and the like. Everywhere, local committees were formed to organize the hunt for scrap. Metal for non-military purposes was strictly rationed, and heavy fines were meted out to building contractors who installed central heating with metal piping in their houses instead of the more old-fashioned tiled stoves. When a toilet was put into a house, its outlet pipes had to be made of clay rather than iron. Homeowners and town councils tried to replace confiscated iron lampposts and railings with wooden ones, but there was a shortage of wood as well, also leading to a shortage of paper. Building projects were instructed to cut back their use of wood by 20 per cent, while country-dwellers were told to burn peat instead of usable wood. Coal for domestic use was rationed. Official limits were placed on the use of

gold by watchmakers. A black market began to grow up in metal spare parts for washing machines and other domestic appliances. There were instances of copper and other metals being stolen and sold to arms manufacturers, who were by now so desperate that they did not ask too many questions about where it all came from.¹⁰⁴

IV

In addition to shortages of raw materials, the rearmament programme also created bottlenecks in the labour supply that became steadily tighter as time went on. As coal, iron and steel production, engineering, manufacturing, armaments and munitions factories sucked in all the available skilled and semi-skilled labour, the regime was forced to rethink its attitude towards women's work. Women might not be able to work in heavy industry, but surely they would be able to take over more jobs in clerical work, and in assembly-lines in modern sectors of the economy like chemicals and electrotechnics and more generally in consumer goods production. Already in a series of decrees in 1936-7, the government withdrew the requirement that a woman receiving a marriage loan would have to give up her job and not take another one. This led to an immediate increase in the number of applications for loans, as might have been expected, and heralded a general reorientation of policy towards women's work across the board. Only in one area, largely by chance, did restrictions become tighter: Following a conference in the Reich Justice Ministry in August 1936, at which participants raised among other things the issue of women in the judicial system, Martin Bormann asked Hitler whether women should be allowed to practise as lawyers. Hitler's response was comprehensively negative: women, he told Bormann, could not become judges or lawyers; if they were legally qualified, then jobs should be found for them in the civil service.¹⁰⁵ Apart from this area, however, women were returning to employment in larger numbers already. The number of women physicians increased from 2,814, or 6 per cent of the profession, in 1934, to 3,650, or 7 per cent of the profession, in early 1939, by which time 42 per cent of them were married. More significantly, women workers in industry grew in number from 1,205,000 in 1933 to 1,846,000 in 1938. The growing labour

shortage in the countryside also led to an increased use of female family labour on the farms. Aware of the need to provide welfare and other kinds of support particularly for married women workers with children, the German Labour Front, the Nazi successor to the old trade unions, put increasing pressure on employers to provide day-nurseries for the young children of female workers and to regulate hours and conditions of women workers so that their health would not suffer.¹⁰⁶

In February 1938 the Four-Year Plan organization announced that all women under twenty-five who wanted to work in industry or the service sector had first to complete a year of duty on a farm (or in domestic work for married women workers). Extended ten months later, the scheme mobilized 66,400 young women by July 1938, and another 217,000 by July 1939. This was far more successful than the voluntary labour service promoted by the various Nazi women's organizations with much the same purpose; by 1939 there were only just over 36,000 young women working, mainly on farms, as part of these programmes.¹⁰⁷ One young woman who took part in such a scheme was the League of German Girls activist Melita Maschmann, who did her labour service in rural East Prussia. Here she encountered a degree of poverty and backwardness wholly alien to her comfortable background in the upper middle class of Berlin. Long hours of hard physical work were relieved only by short periods of sport, political instruction or singing. Nevertheless, despite all the hardships, as a committed member of the League of German Girls, she found the experience uplifting, even inspiring. She later confessed:

Our camp community was a model in miniature of what I imagined the National Community to be. It was a completely successful model. Never before or since have I known such a good community, even where the composition was more homogeneous in every respect. Amongst us there were peasant girls, students, factory girls, hairdressers, schoolgirls, office workers and so on . . . The knowledge that this model of a National Community had afforded me such intense happiness gave birth to an optimism to which I clung obstinately until 1945. Upheld by this experience, I believed, despite all the evidence to the contrary, that the pattern of our camp would one day be magnified on an infinite scale – if not in the next then in future generations.¹⁰⁸

For farmers themselves, untrained city girls were often of little use, however. Moreover, in the economy as a whole, two-thirds of married

women were still not registered as employed on the eve of the war in 1939. If they did work, it was often as unregistered, part-time cleaners or family assistants, above all in the countryside.¹⁰⁹

By contrast, more than 90 per cent of unmarried adult women had jobs in 1939. Yet the increase since 1933 in the number of female industrial workers had not kept pace with the corresponding increase in the number of male industrial workers: between 1933 and 1939 the percentage of women working in industry actually fell, from just over 29 per cent to just over 25. The Labour Front's attempts to persuade firms to provide facilities for working mothers had largely run into the sands. The mobilization of the potential female labour force also ran up against the continuing insistence of the regime and its leaders that women's most important role was to bear and bring up children for the Reich. Marriage loans, with their continuing bonuses for every child born, and the general recovery of male employment in the course of rearmament made it seem unnecessary for mothers to endure the hardships of factory work while bringing up a family. Towards the end of 1937, indeed, the government even attempted to make girls leaving school get training in domestic science and childcare before they entered the labour market. In reality, neither working men, nor their womenfolk, nor the regime itself really thought it appropriate for women to work in heavy industry, iron and steel or other arms-related industries in what were generally agreed to be men's jobs. Despite pressure from the armed forces for the mobilization of what one senior labour official described in June 1939 as a huge potential labour supply of some 3.5 million women currently without paid employment, the contradiction between economic interest and ideological belief ensured that nothing was done to draft women into war production before 1939.¹¹⁰

Behind the scenes, too, Hitler and the leading Nazis were concerned about another potential problem. Believing, as they did, that Germany had lost the First World War on the home front, not in the trenches, they were almost obsessively concerned to avoid what they thought of as a repetition of the poverty, privation and hardship suffered between 1914 and 1918 by the families of serving soldiers at home. Knowledge of this, they thought, had demoralized the troops and made the population in general susceptible to the blandishments of subversives and revolutionaries. The spectre of 1918 haunted all the Nazis' preparations

for war in the late 1930s. Drafting women into factory work would have given it concrete shape. With the outbreak of a new war, the men called up to fight would fight harder if they knew their wives were not having to slave long hours on assembly-lines producing munitions, but were instead being cared for, together with their children, by the Third Reich.¹¹¹ All this meant that the regime had to look elsewhere for labour as rearmament began to intensify demand for particular kinds of workers from 1936 onwards. This meant above all foreign labour. Recruitment and virtually every other aspect of the control of workers from other countries had already been centralized under the Labour Ministry in 1933, building on previous laws and regulations that gave German workers priority and reduced foreign workers to the status of second-class citizens. Up to the summer of 1938 foreign workers were mostly unskilled and were recruited to alleviate the desperate shortage of labour on farms and to work on construction sites. Seasonal Polish workers, along with Italians, made up the bulk of this workforce. Between 1936/7 and 1938/9 the number of foreign workers increased from 274,000 to 435,000. Yet foreign workers were a drain on the economy because they sent much-needed hard currency back home. Thus their numbers had to be kept in check unless some means could be found of stopping them damaging Germany's balance of payments. By 1938-9, a solution was beginning to appear, predicated, as so much else in the economy, on foreign conquest through war. Foreign workers would be recruited as forced labour, from prisoners of war and other groups in countries like Poland and Czechoslovakia once the Germans had taken control of them. And they would be subject to a particularly harsh police regime that would ensure they would do as they were told. Regulations along these lines were already introduced in August 1938 and toughened up in June 1939. They were to reach draconian extremes during the war.¹¹²

Meanwhile, however, all these measures did little to alleviate the immediate problems they were intended to address. The difficulties which the German economy was experiencing in 1938-9 were a testimony to the fundamental contradictions inherent in the Four-Year Plan. Its basic aim was to render Germany self-sufficient in foodstuffs and raw materials in preparation for a lengthy war along the lines of 1914-18, a precedent that was never far from the forefront of Hitler's mind. A general European war, focused on the invasion of the East but encompassing the

traditional enemy, France, and perhaps Great Britain as well, was expected to begin some time in the early 1940s. Yet by accelerating the pace of rearmament, the Plan created tensions and bottlenecks that could only be resolved by bringing the date of military action forward in order to obtain fresh supplies of raw materials and foodstuffs from conquered countries such as Austria and Czechoslovakia. This meant in turn that a general war might break out when Germany was less than fully prepared for it. The war that came would have to be swift and decisive because the economy was clearly in no shape to sustain a prolonged conflict in 1938–9.¹¹³ This solution was already becoming clear to Hitler in 1937, when, at the meeting recorded by Friedrich Hossbach, he told his military chiefs that the forthcoming ‘descent upon the Czechs’ would have to be carried out ‘with lightning speed’.¹¹⁴ The state of preparedness of the economy simply would not allow for a long-drawn-out conflict. The concept of the ‘lightning war’, the *Blitzkrieg*, was born. Yet neither economic planning, nor military technology and arms production, was doing anything to help prepare for putting it into effect.

V

The Four-Year Plan marked a massive escalation of state intervention in the economy. The priorities were being set by the regime, not by industry, and mechanisms were being put in place to make sure that business fulfilled them whatever the consequences to itself. The senior staff of the Plan were all hard-line National Socialists, from Göring at the top through the Regional Leaders Walter Köhler and Adolf Wagner, the ‘old fighter’ Wilhelm Keppler and others, who had largely displaced the traditionalist economic bureaucrats who had worked with Schacht. At the same time, however, given the focus of the Plan on synthetic fuel and synthetic rubber, as well as chemical fertilizers for agriculture and synthetic fibres for clothing and uniforms, it was not surprising that senior managers of I.G. Farben, the mammoth firm that was being commissioned to manufacture these products, played a key role in the Plan’s administration. Most prominent amongst them was one of the firm’s directors, Carl Krauch, in charge of research and development under the Plan, but there were others too, notably Johannes Eckell, head

of the chemical division. Clearly these men were there above all for their expertise; but they also took on these jobs not least in the interests of their own company. This has led some historians to describe the Four-Year Plan as an 'I.G. Farben Plan' and to ascribe a good deal of the impetus behind the armaments and autarky programmes to the profit-making greed of big business. After the war, indeed, twenty-three leading figures in the firm were put on trial at Nuremberg for conspiring to prepare and launch a war. Although they were in fact acquitted of this charge, a large literature, not all of it Marxist, ascribed to I.G. Farben in particular and German big business in general a large part of the responsibility in driving Europe and the world to war in 1933-9.¹¹⁵ More generally, a huge mass of Marxist and neo-Marxist writing both at the time and subsequently, particularly in the 1950s and 1960s, sought to present the economic and ultimately too the foreign and military policy of the Third Reich as driven by capitalist interests.¹¹⁶

Yet already in the 1960s, some Marxist historians were beginning to argue that in Nazi Germany at least, the economy was subjected to a 'primacy of politics' in which the key parameters were set by ideology rather than by capitalist self-interest.¹¹⁷ The truth is, the economic system of the Third Reich defied easy categorization. To some extent its sheer irrationality undermines any attempt to portray it as a system at all. Superficially, the Four-Year Plan in Germany was more than reminiscent of Stalin's Five-Year Plan in the Soviet Union. But Nazi economic planning was clearly not designed to further the interests of the working class, as its Soviet counterpart was, at least officially. While Soviet planning under Stalin more or less eliminated free markets and free enterprise, Nazi planning left business intact, from great firms like I.G. Farben all the way down to small retailers and backstreet artisanal workshops. On the other hand, Nazi rhetoric, especially in the 1920s, had a strongly anti-capitalist flavour, so it is not surprising that business only swung round to support the Party after Hitler became Chancellor in January 1933. The destruction of the labour movement in the following months convinced many businessmen that they were right to back the new regime. But as time went on, businessmen found that the regime had its own objectives that increasingly diverged from their own. Chief of these was the ever more frenetic drive to rearm and prepare for war. Initially, business was happy to accommodate itself to this objective, which

brought it renewed and then increased orders. Even consumer goods producers benefited from the armaments-driven economic recovery. But within a few years, as the regime's demands began to outstrip German industry's capacity to fulfil them, industrialists' doubts began to grow.¹¹⁸

Few industrialists' reactions to this process were as sharp as those of the steel boss Fritz Thyssen, whose support of the Nazi Party before 1933 was as extreme as the extent of his disillusion with the movement six years later. In 1939 Thyssen bitterly condemned the state's direction of the economy and prophesied that the Nazis would soon start shooting industrialists who did not fulfil the conditions prescribed by the Four-Year Plan, just as their equivalents were shot in Soviet Russia. He fled abroad after the outbreak of the war, his property was confiscated by the Gestapo, and he was subsequently arrested in France and put into a concentration camp.¹¹⁹ His alarm at the state's growing interference in the economy was shared by many others, however. At the centre of their concerns was the Four-Year Plan. In his attempt to increase supplies of domestic raw materials, Göring had first of all berated industrialists for their egotism in exporting their products for profit instead of using them to further German rearmament, then taken matters into his own hands, nationalizing private deposits of iron ore, taking over control of all privately owned steelworks and setting up a new company, known as the Hermann Göring Works.

Founded in July 1937, this state-owned and state-run enterprise, based at Salzgitter, was designed to produce and process low-grade German iron ore at an uneconomic price, something private industry had been unwilling to do. The Hermann Göring Works would use the state's money to pay over the odds for coking coal and other raw materials, and for labour too, forcing private firms to compete. The effect would be to push up the price of German iron and steel and make it more difficult to export; yet exports at this time were where the biggest profits lay. Worse still, the Hermann Göring Works soon began taking over small firms in the same area, then in April 1938 the Rheinmetall-Borsig armaments company. The nationalization of the large Thyssen concern was in fact part of a wider process in which Göring was getting industry into line to serve the interests of autarky and rearmament. Heavy industrialists in firms such as the United Steelworks, backed behind the scenes by Schacht while he was still in office, objected furiously to this increase

in state ownership and control and to state-subsidized competition with their own enterprises. They began intriguing against the Four-Year Plan and talking about ways of getting state controls reduced. Göring had their secret meetings bugged and their telephone conversations tapped and even summoned the two leading conspirators to his office to play back recordings of their conversations. Faced with such pressure, and the more than implicit threat of arrest and consignment to a concentration camp, the industrialists, intimidated, disillusioned and divided, caved in.¹²⁰

Typical of such men in many respects was the steel magnate and arms manufacturer Gustav Krupp von Bohlen und Halbach, who had presided over the Krupp firm in the company town of Essen, in the Ruhr, since marrying into the family in 1906. The Krupps had a long and close association with the Prussian state, which they supplied with arms. Kaiser Wilhelm II himself had given formal permission to Gustav to add the Krupp name to his own on his marriage to the family heiress Bertha. From that point on, Gustav, previously a career diplomat (although from an industrial family), regarded the preservation of the firm as his principal task in life. Stiff, formal, cold and unbending, he worked long hours to further the company's interests, and was rewarded by huge armaments orders which ensured that by 1917, 85 per cent of Krupp's output consisted of war-related products. Although not active in politics, Gustav was, like most industrialists, a conservative nationalist; Alfred Hugenberg was the chairman of the company's supervisory board from 1909 on, and the two men shared many of the same views. A paternalist who supplied his workers with housing, welfare and other benefits in return for their agreement not to join trade unions or engage in political activity, Gustav thought the state should behave in much the same way, looking after the masses so long as it retained their loyalty. This became more difficult for the firm during the postwar inflation and even more so during the French occupation of 1923, during which Gustav was imprisoned for seven months for allegedly encouraging German resistance. However, the company survived, reorienting itself successfully towards peacetime production until it was hit by the world economic crisis in 1929. By 1933 its output of steel and coal had virtually halved since 1927, and its workforce at Essen had been reduced from 49,000 to little over 28,000.¹²¹

These events did not turn Gustav Krupp into a supporter of Nazism. On the contrary, he regarded its demagoguery with considerable distaste, preferring to lend his support to the radical-conservative government of Franz von Papen. Krupp's importance was enhanced by his position as head of the Reich Association of German Industry, the national organization of employers, on behalf of whom he lobbied against the idea of autarky and promoted the idea of a strong state which would repress the unions, cut welfare expenditure, and provide the political stability necessary for a recovery of the economy. Like many others, he did not at first see Hitler's appointment as Reich Chancellor on 30 January 1933 as much more than the creation of yet another short-lived Weimar government. In the subsequent election campaign he gave funds to Papen and the German People's Party in the forlorn hope of a conservative victory. Under pressure from Thyssen and other supporters of the new regime, he was forced to agree to the 'co-ordination' of the Reich Association. When Paul Silverberg, a Cologne industrialist and one of the Association's most prominent figures, was deprived of his positions in 1933 and forced into exile because he was Jewish, Krupp made a point of going to visit him in his new Swiss home. He did not join the Nazi Party in its first years of rule, and although he became director of the 'Adolf-Hitler Donation from the German Economy', which regularly supplied the Nazi Party with large sums of money from June 1933 onwards, this was not least undertaken in order to fend off the numerous and rapacious demands made to industrialists and employers for *ad hoc* donations by Regional Leaders, brownshirt gangs and local Party officials. A visitor who met Krupp in Berlin towards the end of 1934 found him in despair at the arbitrary nature of Party rule. 'Believe me', he said, 'we are worse off here than the natives in Timbuctoo.'¹²²

Nevertheless, Krupp on balance was not dissatisfied with the Third Reich in the early years of its rule. He was reassured by the presence in government of men like Papen and Schacht, the continuing domination of the armed forces by officers like Blomberg and Fritsch, the relatively orthodox financial policies pursued by the Economics Ministry, and above all the swelling order books that resulted in a virtual doubling of Krupp's profits by 1935 and an increase in the workforce at Essen from 26,360 at the beginning of October 1932 to 51,801 two years later. Before long, however, Krupp began to find that the new regime did not

allow his company the freedom of action he wanted for it. An important part of the firm's growth lay in exports, including major arms contracts in Turkey and Latin America, and Krupp was sufficiently concerned about the regime's growing drive for autarky to speak out against it in public in 1935. He continued to maintain a mixed portfolio of products, in which armaments were only part of a wider whole. From 1937 he began to become alarmed at the Four-Year Plan's downgrading of basic heavy industry, its hostility to international trade and its promotion of state ownership, above all in the Reich Works. The growth in the firm's profits had slowed down considerably. The independence Krupp had sought for his business had become severely restricted by the regime's manic concentration on preparations for a European war, in which the Krupp firm's name marked it out for a significant part. The government provided it with interest-free loans to expand capacity, but only at the price of putting the state in charge of determining what it was used for. Things had not turned out at all as Krupp had hoped, and already in 1937 he was beginning to put his business in the hands of younger men who, he hoped, would press his company's interests more aggressively than he himself now felt able to do. In 1941 he suffered the first of a series of strokes that forced him to relinquish his part in the business altogether. Incapacitated, he lived on until 1950, largely oblivious of what was going on around him.¹²³

Ostensibly, a concern like I.G. Farben, whose products were at the centre of the regime's plans for an autarkic economy, was better placed to profit from the Third Reich. From 1933 onwards its influence on the formation and implementation of government economic policy in this area grew rapidly. The concern began preparing for war as early as 5 September 1935, when it established an Army Liaison Office to co-ordinate preparation for a war economy. Yet the combine's role should not be exaggerated, for its share of expenditure under the Plan amounted in all to no more than a quarter, and the share of the chemical industry in the German economy overall did not markedly increase under the Third Reich. Metal processing, iron, steel and mining were always more central to the rearmament programme. At the same time, I.G. Farben was forced to reorient its own production increasingly to meet the military demands of the regime. Complex and seemingly interminable negotiations over the financial conditions under which the combine would

produce the much-desired buna (synthetic rubber) illustrated only too clearly the gulf between the primacy business placed on profits and the disregard the Four-Year Plan had for anything except accelerating rearmament and the drive towards autarky. I.G. Farben dragged its feet in the process because of its concern to minimize costs. By the autumn of 1939, national output of buna was only just in excess of two-thirds of the targeted 30,000 tons, while production and stockpiles of rubber in September 1939 were only sufficient for two months of warfare.¹²⁴ Such caution ensured that the giant combine did well out of the Four-Year Plan, though growth rates were still slower than they had been in the initial years of recovery. From 1933 to 1936, net profits grew by 91 per cent, and between 1936 and 1939 by another 71 per cent. The five most important branches of the combine under the Plan – fuel oil, metal, rubber, plastics and nitrogen for explosives – increased their share in I.G. Farben's turnover from 28 per cent in 1936 to almost 33 per cent in 1939; during this period they accounted for more than 40 per cent of the combine's sales. But the contribution made to the total turnover of I.G. Farben by product lines fostered by the Four-Year Plan only grew from 28.4 per cent in 1936 to 32.4 per cent in 1939, and the combine in effect had to pay for the development of these products itself. Thus neither was the Plan mainly dependent on I.G. Farben, nor I.G. Farben on the Plan.¹²⁵

Big business undoubtedly benefited from rearmament and more generally from the economic recovery that occurred, partly in the natural form of the economic upswing that had already begun before the Nazis came to power, and then increasingly from the knock-on effects of rearmament for the rest of the economy. The financial policies pursued by Schacht were bold and ingenious but in the end financially relatively orthodox. By 1938 they had run their course, and the regime, running up against the limits imposed on rearmament by the profit motive that was always the central feature of free enterprise, began to take matters into its own hands. Hitler's unrelenting drive to rearm had already brought vastly increased interference by the regime in the economy with the Four-Year Plan. By 1938 the Nazi Party and various affiliated organizations such as the Labour Front, under Hitler's direction, were creating huge economic enterprises that aimed to bypass conventional capitalist operations in the pursuit of the regime's power-political goals. The automobile indus-

try was to be outflanked by the Volkswagen company; iron and steel by the Hermann Göring Works. A rapidly swelling flood of laws and regulations aimed at setting limits on prices, forcing the rationalization of businesses, diverting investment into war-related branches, imposing production quotas, steering foreign trade, and much more.

Promises made in the Party programme and subsequently to nationalize the banks and stock exchanges of Germany had quietly been forgotten as the realities of the financial world became clear to Hitler and his lieutenants. They needed money, and banks were needed to supply it.¹²⁶ Nevertheless, here too the regime gradually imposed tighter and more comprehensive controls on financial institutions in order to steer capital into the rearmament programme. By 1939 a series of laws on credit, mortgages, loans and banks had ensured that freedom to invest in anything apart from rearmament had been severely curbed.¹²⁷ Businessmen spent increasing amounts of time dealing with the mass of regulations and requirements imposed on them by the state. These involved increasingly detailed interference in production and trade. On 2 March 1939, for instance, Colonel von Schell, Plenipotentiary for the Automobile Industry, issued a series of orders restricting the number of different models that could be manufactured. Thus the production of spare parts could be rationalized and made less expensive, and military vehicles could be repaired more quickly and efficiently. Instead of 113 different kinds of truck and van, for example, only nineteen were allowed to be manufactured in future, and by specifically nominated companies. 'Private property has remained in industry, to be sure,' concluded a critical observer, but very little initiative remained 'for entrepreneurial initiative, which is being pushed back by the power of the state in giving orders.'¹²⁸ No wonder that some thought that the socialism in National Socialism was coming to the fore once more.

ARYANIZING THE ECONOMY

I

'Socialism' in the Nazis' ideology had involved a real element of hostility to big business in the early 1920s, usually mixed with a strong dose of antisemitism. In the last years of the Weimar Republic, Hitler had done his best to play this down. What was left was, predictably, a continuing hatred of Jews' role in the German economy, which the Nazis exaggerated for their own purposes. The economic history of the Third Reich is indeed inseparable from the history of the regime's expropriation of the Jews, a vast campaign of plunder with few parallels in modern history. In keeping with those ideological imperatives, one of the prime targets of Nazi propaganda before 1933 had been the department store (*Warenhaus*), where since the late nineteenth century people had been able to go to buy cheap, mass-produced goods of all kinds. Many of the founders of such stores were Jewish, reflecting perhaps the existing concentration of Jews in drapery and similar branches of the retailing trade.

The most famous of these enterprises had been founded by members of the Wertheim family after 1875, when Ida and Abraham Wertheim opened a small shop in Stralsund selling clothes and manufactured goods. Soon their five sons joined them, and introduced a new system of retailing based on high turnover, low profit margins, fixed prices for goods, a broad selection of merchandise, a right to return or exchange goods and payment strictly in cash. The firm grew quickly, and in 1893-4 it constructed a large new building on the Oranienstrasse in the Berlin district of Kreuzberg, followed by three more stores in the capital. Wertheim offered a new concept of shopping, in bright, airy and well-designed stores with helpful shop assistants and a mixture of cheap and

luxury goods to encourage impulse buying. It also displayed an advanced attitude towards labour relations and employee welfare; the company was the first in Germany, for example, to make Sunday a compulsory rest day for all those who worked for it. The Wertheims were not the only Jewish family to found a chain of department stores; in 1882, for instance, Hermann Tietz and his nephew Oscar founded a small shop in Gera, on similar principles. This too flourished, and by 1930 the Tietzes owned fifty-eight department stores, including the famous KaDeWe (*Kaufhaus des Westens*, or Department Store of the West) in Berlin. Compared to the annual sales of the Tietz stores, which stood at 490 million Reichsmarks in 1928, and their massive workforce of more than 31,450 employees, Wertheim by this stage, with a mere seven stores and 10,450 employees and sales of 128 million Reichsmarks, was a relatively modest enterprise.¹²⁹

Despite their popularity, these department stores accounted for less than 5 per cent of total retail sales in Germany up to the late 1920s.¹³⁰ Anti-semitic attacks on them remained muted before 1914, even among small retailers' associations.¹³¹ This situation changed with the economic problems of the early Weimar Years. Point 16 of the Nazi Party programme appealed directly to small shopkeepers in 1920 when it demanded the 'immediate nationalization of the big department stores and their renting out at low prices to small businessmen'.¹³² In 1932, a local election pamphlet in Lower Saxony urged retailers and small tradesmen to join the Party to oppose the opening of new branches of 'the vampire business' of Woolworth's, which would supposedly ruin them in the name of 'finance capital'.¹³³ In March 1933 stormtroopers broke into a branch of Woolworth's in Gotha and trashed the entire store; violent attacks were launched on a number of department stores irrespective of their ownership. In Braunschweig the restaurant in a local department store was shot to pieces by brownshirts armed with pistols. Less dramatically, there were many demands in the first months of the Third Reich to close down the department stores or tax them out of existence. But the Ministry of Economics and the Nazi leadership quickly realized that closing down enterprises that employed so many scores of thousands of people would seriously damage the 'battle for work'. Hess stepped in to protect the department stores, and the nationwide boycott of Jewish-owned shops on 1 April 1933 had no impact beyond the day itself.¹³⁴

Nevertheless, the department stores soon began to experience discrimination in less obvious ways. When the Ministry of Finance began to issue marriage loans from the summer of 1933 onwards, for instance, the purchase coupons through which the loans were made were not allowed to be redeemed in department stores, whether or not they were Jewish-owned, or in Jewish businesses of any kind. One official report estimated that those shops and businesses affected lost at least 135 million Reichsmarks in sales in 1934. Department stores, irrespective of their ownership, and Jewish businesses of all kinds were also banned from advertising in the press from the middle of 1933 onwards. Coming on top of a decline in sales that had begun already with the onset of the Depression in 1933, this got them into serious difficulties. Sales figures for the Hermann Tietz stores fell by up to 41 per cent in 1933. The company was forced to seek a loan of 14 million Reichsmarks from the banks. Brokered by Economics Minister Schmitt, who wanted to avoid a spectacular bankruptcy involving the loss of 14,000 jobs, serious damage to suppliers and financial problems for the banks, the loan was made conditional on the 'Aryanization' of the management, or in other words the removal of Jewish owners, board members and other senior officials. The remaining Tietz brothers were forced out in 1934 after a lengthy audit, with a compensation of 1.2 million Reichsmarks. Covering his back, Schmitt made sure to obtain Hitler's approval for these arrangements. From now on the stores were known under the name *Hertie*, which ingeniously kept the link to their founder's name while at the same time advertising to everyone that the business had been placed on a new footing; Leonard Tietz's stores were renamed with the neutral-sounding title of *Kaufhof*, or 'shopping court'.¹³⁵

These events prompted the remaining members of the Wertheim family to take action to preserve their own interests. A family friend, the banker Emil Georg von Stauss, who knew Hitler and Göring personally and supported the Nazi Party in various ways, was brought onto the board. His protection ensured that attempts by stormtroopers to close down the Wertheim store in Breslau were frustrated. But Nazi Party activists, especially those connected with its trade union branch, the Factory Cell Organization, barred Georg Wertheim from going into his own stores. He never ventured into one after 1934 and stopped taking part in meetings of the company's supervisory board. To avoid a repetition of the

problems that had assailed the Tietz family, he transferred his shares and some of his late brother's to his wife Ursula, who was not Jewish. She now became the majority shareholder. However, this did not get the firm out of difficulties. As Hertie and other chains successfully neutralized the Nazi assault on department stores by making it clear that they were not Jewish-owned, the hostility of both local Nazis and the central government and Party organizations was directed more precisely towards the chains, like Wertheim, that still were. The Propaganda Ministry ordered all Wertheim's book departments to be closed early in 1936 following a denunciation by a former employee in Breslau, though the firm had already withdrawn at least 2,500 banned books from its shelves. Stauss managed to reverse the order, though only at the price of a donation of 24,000 Reichsmarks from the firm to the German Schiller Foundation. Complaining about such pressures in an interview with the Minister of Economics, Georg Wertheim and his son were told by Schacht: 'You have to howl with the wolves.'¹³⁶

The howling increased noticeably in 1936. Wertheim's sales had in fact grown while those of its rivals had fallen. This may have been because the removal of Jewish managers and employees from rival chains had led to the appointment of inexperienced personnel in their stead, or because only Wertheim had retained its well-known and trusted image, name and style intact. Nevertheless, Stauss, who now held Ursula Wertheim's shares in trust while she spent her income on expensive holidays, first forced the smaller family shareholders to transfer their shares to non-Jewish shareholders at well below their value, then made it clear to Georg and Ursula Wertheim that Hess's office demanded that they must divorce if she was to be allowed to keep her shares; they did so in 1938. Charged by Hitler with buying land in Berlin on which the new Reich Chancellery was to be built, Stauss selected a site occupied by a number of properties owned by Wertheim, had the banks undervalue them to save money, then pressured Wertheim into selling them to pay off some of the debts that creditor banks were now calling in. By 1938 there were no more Jewish shareholders, both Jewish managers had been forced out, and the last thirty-four Jewish employees had been fired; there is no evidence that they received any severance pay, in contrast to their colleagues in the other chains. In consultation with the Ministry of Economics, Stauss agreed to change the stores' name from Wertheim to

AWAG. This was a similar though less obvious compromise to the renaming agreed on for Tietz. Most people thought the new name was an acronym for A. Wertheim AG (*Albrecht Wertheim Aktien-Gesellschaft*, or Albrecht Wertheim Company). But it actually stood for *Allgemeine Warenhaus Aktien-Gesellschaft*, or General Department Store Company, thus severing it from any association with the family at all. Georg Wertheim, now over eighty years old and nearly blind, died on 31 December 1939. A year later, his widow married Arthur Lindgens, a non-Jewish member of the supervisory board of the new company.¹³⁷

II

The fate of the department stores illustrated in microcosm how the Nazi Party's priorities had changed since 1920. Starting off with a pronounced anti-capitalist message, they had first soft-pedalled it under the influence of economic necessity, then substituted for it a determined drive to remove the Jews from the German economy. The department stores themselves did not disappear; indeed, the campaign against Jewish owners opened up new opportunities for non-Jewish companies to expand their operations. If, as the Nazis claimed, the country's economic ills in the 1920s and early 1930s had originated with the Jews, then would they not be solved by, among other things, getting rid of the Jewish economic influence on business rather than by attacking business itself? The boycott of 1 April 1933 had already advertised the Party's intentions in this respect. Although the boycott itself had met with relatively little public support, local Party groups continued to harass and attack Jewish shops and businesses, as the example of the Wertheim store in Breslau indicated. Stormtroopers continued to paint slogans on the display windows of Jewish-owned shops, to discourage people from patronizing such establishments, or to pressure local authorities into placing their orders elsewhere. Alarmed at the economic effects of such actions, the government and the Party issued a series of official warnings. Hitler himself issued a declaration at the beginning of October 1933 expressly permitting civil servants to buy goods in Jewish-owned shops and department stores. Yet in 1933's Christmas shopping season, gangs

of stormtroopers were again standing outside Jewish-owned shops in many localities with placards proclaiming anyone who went inside to be a traitor to the German race. Increasing numbers of local markets barred Jewish traders, no Jewish firms were permitted to advertise any more, local authorities broke off all business relations with Jewish-owned companies, and there were further, quite widespread boycott actions again in the spring of 1934. Violence often accompanied such events, ranging from the smashing of Jewish shop windows to a bomb attack on the synagogue in Ahaus, Westphalia. It culminated in a mass demonstration of up to 1,500 inhabitants of the town of Gunzenhausen, in Franconia – a town whose entire population numbered no more than 5,600. Inflamed by a vehemently antisemitic speech from a local Nazi leader, the demonstrators broke into the houses and flats of Jews in the town, and dragged thirty-five people off to the local prison, where one was subsequently found hanged.¹³⁸

German consumers gave little support to boycott actions. Under threat of reprisals if they patronized Jewish shops in their own small town, people in Falkenstein, noted the diarist Victor Klemperer in June 1934, travelled to nearby Auerbach to shop in a Jewish establishment there, where they would not be recognized; the inhabitants of Auerbach in turn visited the Jewish shop in Falkenstein.¹³⁹ Even Hermann Göring was seen as late as 1936 paying a lengthy visit to Bernheimer's carpet store in Munich, which ended with the purchase of two carpets for the impressive sum of 36,000 Reichsmarks. The February sales at Sally Eichengrün's textile house in Munich in the same year were said by the local police to be attracting queues of customers. Both enterprises were Jewish-owned. The following year, the Security Service of the SS complained that – especially in Catholic areas – people were still ignoring the Party's exhortations not to buy from Jewish businesses.¹⁴⁰ Nevertheless, Party activists were not deterred. Many of them were motivated by the personal desire to get rid of business rivals at a time when the consumer economy was in the doldrums.¹⁴¹ Violent boycott campaigns continued throughout 1934 and reached a new high point in the Christmas shopping season. In November, for example, the district Party leadership of Baden-Baden sent the following threatening letter to a Jewish-owned toyshop, informing the owner:

That we will in no way tolerate you, as a non-Aryan toyshop, selling models of SA and SS men. People are already upset by this and complaining to us about it. So we urgently request you to take these SA and SS model figures out of your Jew-shop, otherwise we will not be in any position to guarantee public order and tranquillity.¹⁴²

On 23 and 24 December 1934, Party members in civilian clothing blocked the entrances to Jewish-owned shops and department stores in Frankfurt am Main, and shouted insults at customers, beating up those who persisted in trying to go in. They smashed the shop windows, and when police arrived to arrest them, they became so threatening that the officers had to draw their weapons.¹⁴³ This campaign proved the prelude to a much wider wave of economic terror, in which local Party organizations threatened to withdraw welfare payments from anyone seen entering a Jewish-owned shop. Civil servants and municipal employees in many localities were ordered to stay clear of such establishments. Such actions were particularly common in small-town Pomerania, Hesse and Central Franconia. In Marburg a large group of students entered a Jewish-owned shoe shop, drove out the customers and looted or destroyed the contents. In Büdingen almost all the shop windows of Jewish-owned retailers were smashed in the night of 18–19 April 1935. Similar incidents took place elsewhere. As these actions died down, a new wave of antisemitic attacks on Jewish-owned shops rolled across the country in the summer of 1935, including a total boycott in the centre of Munich on 25 May, carried out mainly by SS men in civilian clothes, some of whom burst into the shops and beat up the assistants. The action only came to an end after the boycotters tried to storm a police station to release one of their number who had been arrested.¹⁴⁴

The reaction of government ministers to these actions was mixed. Foreign Minister von Neurath for example told his colleagues that the antisemitic incidents would have no effect on foreign opinion; stopping them was not going to lead to any improvement in Germany's international position. On the other hand, Economics Minister Hjalmar Schacht declared himself extremely worried about their effect on the economy, including economic relations with other countries. Indeed, when the Party organization in the town of Arnswalde, in Brandenburg, put up a picture of the wife of the local branch manager of the

Reichsbank in a display cabinet as a 'traitor' because she had been seen shopping at a Jewish-owned establishment, Schacht closed the branch in protest. On 18 August 1935 he spoke out in a public address held in Königsberg. 'Lord', he said, 'preserve me from my friends. That is,' he went on, 'from the people who heroically daub shop windows under cover of darkness, branding every German who buys goods in a Jewish shop as a traitor to the people . . .' Nevertheless, Schacht, despite his later claims to the contrary, was not opposed in principle to driving the Jews out of economic life. He believed, as he explained to a group of ministers and senior officials two days later, 'that letting this lawlessness take its course among other things puts a question mark under rearmament. His remarks', the minutes of the meeting reported, 'culminated in the statement that the programme of the NSDAP must be carried out, but only on the basis of legal decrees.' Schacht agreed with the Gestapo and Party representatives that the way forward lay in an orderly, legal restriction of the ability of Jews to engage in business, the public marking of Jewish shops as such, and the exclusion of Jewish businesses from public contracts.¹⁴⁵ Indeed, Schacht shared in full measure the antisemitic prejudices of many bourgeois Germans, remarking as late as 1953 that Jews had brought an 'alien spirit' into German culture in the Weimar Republic, and had been too prominent in many areas of public life.¹⁴⁶ He co-operated fully in the dismissal of Jewish officials from the Reichsbank under the so-called Law for the Re-establishment of a Professional Civil Service and publicly defended the antisemitic laws passed by the regime in the years 1933 and 1935; it was only open violence that he rejected.¹⁴⁷

Yet there were less violent means of putting pressure on Jewish firms, and these were often more effective. The huge size of Nazi organizations like the SA, the Labour Front or indeed the Party itself gave them a great deal of economic power through the placing of bulk orders for constructions, furnishings, flags, uniforms and supplies of all kinds. They used these from the outset to discriminate against Jewish-owned businesses. The shoe industry was a case in point. Under the Third Reich, not surprisingly, it profited enormously from a tremendous rise in demand for jackboots. But these orders went of course to non-Jewish companies. Jewish-owned firms, however, dominated the industry, so that there was an immediate pressure on them to Aryanize. Almost as soon as Hitler became Reich Chancellor, for example, a campaign began

against the Salamander shoe company, which was half Jewish-owned and had contracts with about 2,000 individually owned branches, some 500 of which were also Jewish-owned. Stormtroopers had already burst into some of these shops and closed them down by the end of March 1933, while the Nazi press organized a boycott campaign against the firm itself, accusing it (without any justification) of fleecing its customers and ensuring that it did not receive any bulk orders from Party organizations. Sales began to plummet. Seeing a crisis looming, the Jewish family that owned half of the shares sold its holding for a million Reichsmarks to the non-Jewish family that owned the other half. The company then fired its Jewish employees, removed its Jewish board members, and cancelled its contracts with its Jewish-owned branch stores, 20 per cent of which had already passed into non-Jewish hands in any case by the end of 1934. The press campaign, the boycotts and the closures ceased forthwith, and turnover grew again. Yet there was no evidence in this instance of any overtly ideological antisemitism on the part of the firm's owners or managers; they had simply bowed to the economic realities of the situation imposed on them by local Party and brownshirt organizations.¹⁴⁸

Where economic considerations of a different kind played a role, local and regional Party organizations could urge restraint too. In Hamburg, for example, a port city whose interests did not coincide with the rearmament and autarky priorities of the regime, the local economy was a good deal slower to recover from the Depression than elsewhere. Continuing economic problems, which contributed to a startling 20 per cent 'no' vote in the plebiscite of 19 August 1934 on Hitler's self-appointment as head of state, made Regional Leader Karl Kaufmann particularly sensitive to any disruption of the city's economy. There were over 1,500 Jewish-owned companies in Hamburg, and they mostly lasted a good deal longer than their counterparts in the rest of the Reich. Hamburg's mercantile elite was less than enthusiastic about the antisemitic policies of the regime, and leading institutions such as the Chamber of Commerce refused to provide information about which firms were Jewish and which were not. As late as November 1934 it was still using a Jewish printer to produce its information sheets. Older merchants and businessmen had a traditionally allergic reaction to any interference by the state in the business world, and saw Aryanization as a portent of a larger state

takeover of business.¹⁴⁹ Yet attitudes had changed by 1938. By this time it seemed clear to even the most diehard Hanseatic merchant that the Nazi regime was going to last. Economic recovery had reached a point where the removal of Jewish businesses no longer seemed such a threat to economic stability. Most important of all, growing restrictions on foreign currency dealings in 1936–7 had forced the closure of a substantial number of Jewish-owned import and export companies in the city. A raft of investigative bodies, including the Foreign Currency Search Office (*Devisenfahndungsamt*) established under the aegis of Reinhard Heydrich on 1 August 1936, and a local equivalent, allowed the authorities to take companies into administration if they were suspected of assisting the flight of capital from Germany. Officials working for these bodies forged confessions, invented interrogation records and denounced solicitors acting for Jewish companies to the Gestapo. As a result, 1,314 securing orders were granted against Jewish businessmen in Hamburg between December 1936 and October 1939.¹⁵⁰

Such policies were justified in memoranda and other internal documents in strongly antisemitic language, replete with references to 'Jewish unscrupulousness', 'Jewish black marketeers' and the like. The President of the Hamburg Regional Finance Office described one Jewish suspect in 1936 as a 'parasite upon the people.' While the state played its part in this way, the Regional Economic Consultant of the Nazi Party asserted himself in 1936 as another co-ordinating agent for the Aryanization of Jewish businesses. More than in some other parts of Germany, the Consultant's office took the lead in the process, although it did not in fact have any legal right to do so. It appointed trustees to Jewish firms, and insisted that all remaining Jewish employees be fired. It also set the purchase price for these firms deliberately low, not least by demanding that they be sold without any 'goodwill' being taken into account, since (it was argued) as Jewish firms they had none. The occupants of the office were all young men from an academic background; convinced Nazis with little business experience, such as Dr Gustav Schlotterer (aged twenty-six), Carlo Otte (twenty-four) and Dr Otto Wolff (twenty-five). The economist in charge of the Aryanization Department in Hamburg, Karl Frie, was just nineteen when he joined the Consultant's office. Their ruthlessness, characteristic of the generation that had been born just before the First World War and grown up in the years of inflation,

revolution, political instability and economic depression, brooked no opposition. Soon the Hamburg Chamber of Commerce had abandoned its previous reluctance to go along with the Aryanization programme and was ordering that all purchases of Jewish firms made before 1938 be reinvestigated and refunds made for any goodwill element included.¹⁵¹

What was striking about this process was not so much the way that it was pushed forward by the Party's economic officials, but the extent to which agencies of the state were involved as well; and the latter were, if anything, even more unscrupulous than the former. Here too, as in the legal system, the idea of a 'dual state', in which legal norms were being upheld by the traditional institutions of the 'normative' state and undermined by the new, only quasi-legal apparatus of Hitler's 'prerogative state', must be heavily qualified if not altogether abandoned.¹⁵² A whole range of state offices was involved in driving Jews out of economic life. This was hardly surprising, in a sense, because those civil servants who staffed them had participated in the dismissal of Jews from their own departments in 1933-4. A tax reform on 16 October 1936, for instance, required all tax laws to reflect the National Socialist world-view and to use National Socialist principles in assessing individual cases. The result was that Jewish companies were now frequently faced with new demands for supposedly unpaid back-taxes, as tax regulations were freely interpreted to disadvantage them. This process of Aryanization had thus begun already in 1933; it did not commence simply when, less still because, Schacht was ousted from his position as economic supremo in 1936. Schacht himself signed an order on 26 November 1935 banning Jewish stockbrokers from plying their trade, and he pressed repeatedly for the promulgation of laws restricting Jewish economic activity in the last two months of 1935. The foreign currency restrictions that were so important in the case of Jewish firms in Hamburg were largely Schacht's own doing, and the Reichsbank ordered its branches on 14 October 1936 to inaugurate investigations of foreign currency dealings if others failed to do so.¹⁵³ Aryanization was thus a continuous process, sometimes creeping, sometimes galloping, but always on the go.¹⁵⁴

III

From 1936, the Four-Year Plan undoubtedly accelerated the whole process. Hitler's own memorandum setting up the Plan identified in his usual fashion 'international Jewry' as the hidden force behind the Bolshevik menace and demanded laws making all Jews in Germany financially responsible for any damage caused by any Jew to the German economy, for example by accumulating currency reserves abroad, an offence for which Hitler demanded the death penalty.¹⁵⁵ The foreign currency investigation apparatus which played such a baleful role in Hamburg was a creation of the forerunner of the Plan, Göring's Raw Materials and Currency Staff established in the spring of 1936. Ministerial discussions on further anti-Jewish economic measures continued through 1936, leading to laws passed at the end of the year making the transfer of Jewish-owned funds abroad illegal. A number of prosecutions followed, leading to numerous prison sentences, though not to execution. The mere suspicion that someone was about to transfer funds was enough under these laws to cause their confiscation. It provided the legal pretext for a growing number of expropriations over the following months and years. The powers that accompanied the Plan, notably the rationing of key raw materials, were deliberately used to disadvantage Jewish firms. The government now amended an emergency decree first passed under Heinrich Brüning to prevent the flight of large amounts of capital from Germany by lowering the sum at which the decree became operative from 200,000 Reichsmarks to 50,000 and basing it on the estimated taxable value of the property rather than on the sum it realized on sale. As a consequence, Jews who emigrated were subject in practice to the loss of far more than the 25 per cent tax provided for by the Brüning decree. In 1932-3 this tax had brought in less than a million marks in revenue to the state; by 1935-6 this income had risen to just under 45 million; in 1937-8, more than 80 million; in 1938-9, 342 million. In addition, transfers of capital abroad were subject to a fee of 20 per cent levied by the German Gold Discount Bank, through which the transfers had to be handled; in June 1935 this fee was raised to 68 per cent, in October 1936, 81 per cent, and in June 1938, 90 per cent. Thus Jewish companies and individuals were being systematically plundered not just

by other businesses and by the Nazi Party, but also by the state and its dependent institutions as well.¹⁵⁶

At the same time, sporadic local boycotts and attacks continued, most notably in the run-up to Christmas, while laws and regulations promulgated from Berlin made life progressively more difficult for Jewish businesses. Increasingly, forced sales were made at well below the market price and under threat of arrest and imprisonment on trumped-up charges that had nothing to do with the conduct of the business itself. In the town of Suhl, for example, Regional Party Leader Fritz Sauckel arrested the Jewish owner of the arms manufacturing company Simson and put him in prison in 1935 after he had refused to sell his company at a knockdown price; citing Hitler's explicit authorization, he then transferred ownership to a specially created foundation, in the alleged interests of national defence. Supposed debts were given as the reason for denying the owner compensation of any kind.¹⁵⁷ By 1 January 1936, many Jewish bankers had been squeezed out of business, or decided that enough was enough and closed down in order to emigrate. About a quarter of Germany's 1,300 private bankers had given up banking; the great majority of the 300 private banks closed had been Jewish-owned.¹⁵⁸ Only a few major banks, like M. M. Warburg of Hamburg, clung on stubbornly until 1938, not least out of a sense of duty to the Jewish community and to the company tradition.¹⁵⁹ Banking was in no way exceptional. A quarter of all Jewish enterprises of all kinds had been Aryanized or closed down by this point.¹⁶⁰ By July 1938, only 9,000 Jewish-owned shops were left in Germany out of an estimated 50,000 in existence in 1933. At the beginning of the Third Reich there had been about 100,000 Jewish-owned firms in Germany all told; by July 1938 about 70 per cent of these had been Aryanized or closed down.¹⁶¹ Regulations of various kinds put even the humblest Jewish private enterprises out of business. In the summer of 1936, for instance, the introduction of an official registration system for rag-and-bone men led to between 2,000 and 3,000 Jewish dealers being banned from carrying out this trade.¹⁶²

Aryanization had been more or less continuous since 1933 in most localities. In Marburg, for example, eleven out of the town's sixty-four Jewish-owned businesses had already been Aryanized or gone into liquidation in 1933; seven in 1934; eight in 1935; nine in 1936; six in 1937;

and five in the first three quarters of 1938. In Göttingen, fifty-four of the ninety-eight Jewish-owned businesses operating in the town in 1933 had been Aryanized or gone into liquidation by the beginning of 1938.¹⁶³ At this point, it was clear to everyone involved that the final stage was now commencing. To expedite matters, Göring and the Interior Ministry issued a decree on 26 April 1938 forcing every Jew or non-Jewish spouse of a Jew to declare all assets held at home and abroad over the value of 5,000 Reichsmarks, following this up with internal discussions on the ultimate exclusion of the Jews from the economy altogether. Further orders barred Jews from acting as auctioneers, from possessing or selling arms, and – a particularly serious blow – from signing legal contracts. By this time, pressures on Jewish-owned companies had become well-nigh irresistible. Since the autumn of 1937, local authorities had been ordering the erection of signs outside Jewish businesses designating them publicly as such – a clear invitation to harassment, boycott and attack. There were nearly 800 Aryanizations in January–October 1938, including 340 factories and twenty-two private banks. The pace was now increasing. In February 1938 there were still 1,680 independent Jewish tradesmen in Munich, for example; by 4 October this number had fallen to 666, and two-thirds of these were in possession of a foreign passport. The final removal of the Jews from the German economy was clearly within sight, and many German businesses and individuals were ready to reap the rewards.¹⁶⁴

DIVISION OF THE SPOILS

I

On 16 April 1938, a Munich businessman who had been working as an expert consultant in Aryanization cases wrote a strongly worded letter to the local Chamber of Commerce and Industry. He was, he noted, a 'National Socialist, member of the SA, and admirer of Hitler'. Nevertheless, he went on, he was

so disgusted by the brutal . . . and extortionate methods employed against the Jews that, from now on, I refuse to be involved in any way with Aryanizations, even though this means losing a handsome consultancy fee . . . As an experienced, honest, and upstanding businessman, I [can] no longer stand idly by and countenance the way many Aryan businessmen, entrepreneurs and the like . . . are shamelessly attempting to grab up Jewish shops and factories etc. as cheaply as possible and for a ludicrous price. These people are like vultures, swarming down with bleary eyes, their tongues hanging out with greed, to feed upon the Jewish carcass.¹⁶⁵

Aryanization did indeed offer many opportunities to non-Jewish businesses and businessmen to enrich themselves. Many eagerly grasped them. At the very least, when Jewish businesses went into liquidation, non-Jewish businesses in the same branch of the economy could congratulate themselves on losing some of the competition. This was true at all levels. In January 1939, for instance, 2,000 shops were said to be standing empty in Hamburg as a result of the Aryanization process, a fact singled out for favourable mention by the leader of the Nazi Traders' Association in the city. Since the majority of Jewish business enterprises were small-scale, it was predominantly modest-sized non-Jewish enter-

prises that benefited from their closure. Indeed, to a degree the regime actually tried to ensure that this was so, as when Jewish chain stores in Hamburg like Bottina shoes or Feidler's stocking shops were broken up and the individual shops sold off separately.¹⁶⁶

To be sure, this was not widely recognized at the time. Particular resentment was caused among small shopkeepers by the regime's failure to keep its promise to close down the department stores and break up the big chains. 'Department stores,' complained one in 1938, 'whether they are Jewish or Aryan, are still firms that compete unfairly against small businesses.'¹⁶⁷ A Berlin businessman, writing to the exiled Social Democratic leadership while on a trip outside Germany in 1939, claimed indeed that it was overwhelmingly large companies that were snapping up Jewish businesses. 'This process has led to an enormous concentration of industrial and financial power in every branch of the economy, a power that is wielded without compunction by the leaders of the big concerns.'¹⁶⁸ But large firms initially hesitated before moving in too aggressively. Large-scale Jewish enterprises and conglomerates were less susceptible to local boycotts and attacks than smaller, independent businesses and shops were, and at least in the early years of the Third Reich, the regime was careful not to put too much pressure on them because it needed them for economic recovery and rearmament, and many of them were internationally well known.¹⁶⁹

Thus, Jews remained on the boards of firms such as Mannesmann and I.G. Farben for some time after 1933. The Deutsche Bank still had a Jewish member of the supervisory board as late as July 1938, though he had been abroad since the previous year. Nevertheless, these were exceptions. Most firms bowed earlier to pressure to dismiss Jewish directors, board members and employees. In the Dresdner Bank, internal Aryanization continued a policy of slimming down the workforce begun when the bank took over the Danat Bank in 1931 after it had crashed; the difference now was that it was mainly directed against Jewish employees. The Dresdner Bank was obliged to do this because on 9 May 1933 the Law of 7 April was extended to 'legally recognized public bodies and equivalent institutions and undertakings', which covered a very wide range of institutions indeed. The bank's employees now had to fill out forms detailing their religious and racial background, their war service and other relevant factors. The regulations allowed institutions to

claim 'urgent need' as a reason for retaining employees, so the bank was able to avoid the chaos that would have resulted from mass, simultaneous dismissals; but after 30 June 1934 no more such permits were issued by the Economics Ministry. By the end of the year, all Jews had left the bank's supervisory board; 80 per cent of unprotected Jews had left the bank's service by October 1935, and all remaining Jewish employees were gone a year later. These measures were no doubt welcome to the younger non-Jewish men who worked for the bank since they cleared paths to promotion that would probably have stayed blocked for some time. The seven top managers who were forced to resign in 1933-4 because they were Jewish were replaced by men in their thirties and early forties who might not otherwise have been promoted. Those who took over showed little compassion for those who had left. Only in some instances, such as, notably, I.G. Farben, were Jewish employees transferred to positions in foreign subsidiaries instead of having to lose their livelihoods altogether.¹⁷⁰ Whatever their fate, the removal of Jewish managers from German businesses assisted the rise of a new, young managerial elite that was already beginning to take over from the older generation by the time the war came.¹⁷¹

The Allianz insurance company, whose chief Kurt Schmitt had been Schacht's predecessor as Economics Minister, was another firm that did not actively pursue a policy of dismissal. It treated its two Jewish directors well when they were forced to resign. On the other hand, the firm offered no serious resistance when it came under pressure from the Nazi press and the Reich Supervisory Office for Insurance to dismiss Jewish employees and sever connections with Jewish salespeople and agents. In 1933, for instance, the company extended the contract of its agent Hans Grünebaum, who had worked for its Stuttgart branch since 1929, for five years, then in 1936 extended it again until 1941. However, this attracted hostile comment from the local press and then a threatening letter from the Nazi Party Regional Leader's office. The company riposted by arguing that Jewish agents were needed to deal with Jewish customers. But this cut no ice with the Nazis. Grünebaum's contract was terminated at the beginning of June 1938; the company agreed to pay him his full annual commission of 35,000 Reichsmarks, covering the period to the end of 1939, though how much of this he was able to take with him when he emigrated to America is uncertain. By this time,

government bans on Jews acting as travelling salesmen, estate agents and the like had effectively put an end to this particular kind of business relationship in any case.¹⁷²

In a number of instances, large firms seem to have offered fair prices for Jewish businesses in the early years of the Third Reich, as in the case of the acquisition of the Jewish-owned North German Hop Industry Company by the Henkel Company.¹⁷³ Reflecting this, the Regional Economic Consultants' Offices of the Party frequently sent contracts back even when they had assured themselves that the purchasers had the necessary money, were expert in the area concerned, and were racially and politically acceptable. In southern Westphalia, indeed, the great majority of contracts were referred back for renegotiation because the price offered was considered too high.¹⁷⁴ However, as Aryanization gathered pace, big business, especially where it was relatively recent in origin, began to drop any scruples it might have had to begin with, and to join in the profiteering.¹⁷⁵ As in the case of the Wertheim department stores, it could in some cases be managed internally, with Jewish directors making way for non-Jewish ones; of the 260 large firms that had passed from Jewish into non-Jewish hands by the end of 1936, indeed, relatively few had done so through a takeover by another company.¹⁷⁶ From 1936 onwards, however, given the number of Jewish enterprises now coming onto the market, large firms began to keep a look-out for business opportunities. By 1937 many were seizing them with alacrity. Thus the engineering firm Mannesmann took over the Wolf, Netter and Jacobi company in the metal industry, with a turnover of more than 40 million Reichsmarks in 1936-7; it also participated in a consortium that absorbed the Stern scrap metal company in Essen, which had been forced to sell up after the cancellation of contracts.¹⁷⁷ In some cases, Aryanization offered a way out of economic difficulties brought on by the policies of the regime, particularly in the consumer industries. The Salamander shoe company, for instance, which had Aryanized itself in 1933, came under heavy pressure under the Four-Year Plan to export leather shoes for much-needed foreign currency, and use leather substitutes for the shoes it sold on the home market. Leather itself, however, was strictly rationed as early as 1934. It made sense for Salamander to create a series of vertically integrated combines by buying up Jewish-owned leather companies and tanneries like Mayer and Son in Offenbach,

which it purchased in 1936; working in the opposite direction, the leather processing company of Carl Freudenberg bought up the Jewish-owned shoe firm Tack, which was already suffering from boycotts and attacks by the local Nazis in 1933.¹⁷⁸

By 1937, virtually every large company in Germany was joining in the division of the spoils. A big company like Allianz abandoned any reluctance it had previously felt and participated with increasing cynicism in taking advantage of the plight of Jewish insurance agencies now forced to abandon their businesses. While it was still possible, Allianz also offered mortgage loans to the purchasers of Jewish properties and their assets.¹⁷⁹ Banks in their turn stood to make a good deal of money on commission from such sales; in 1935, for instance, when the Jewish owner of the Aron Works Electricity Company in Berlin, a major manufacturer of radios, finally gave in after several spells in a concentration camp and agreed to sell his company to Siemens-Schuckert and another company, the Deutsche Bank made 188,000 Reichsmarks on the transaction. Soon the major banks were competing with each other for this lucrative business. The Deutsche Bank charged a commission of 2 per cent for brokering such transfers, and between 1937 and 1940 made several million Reichsmarks in this way.¹⁸⁰ In a similar way, the Commerzbank acted as an agent for purchasers of Jewish businesses, acting out of commercial logic when it refused new loans to the latter. No help or advice was offered to Jewish vendors; on the contrary, since it was competing in an obviously growing market against other banks doing the same thing, at a time when its freedom to invest in industry or foreign trade was becoming increasingly restricted, the Commerzbank actively sought out companies from which it could gain a commission on such transactions. By 1938, Aryanization actions had become an integral part of the everyday business of the big banks.¹⁸¹

Direct participation in the Aryanization of Jewish-owned businesses brought far greater rewards. The chain-store empire of Helmut Horten, for example, was largely built up through the process of Aryanization.¹⁸² Of course, some purchases – perhaps a fifth of such transactions altogether – were carried out by personal friends or sympathizers of Jewish businesspeople who persuaded them to buy their enterprises for inflated prices (to disguise the banned inclusion of goodwill) or for sums including secret bonuses, or, where this was not possible, to hold them

in trust until the Third Reich came to an end, whenever that would be. Paying a fair price under the Third Reich, particularly in the later 1930s, and thereby maintaining basic business ethics, was in effect a criminal offence; indeed, to get round the rules and regulations governing Aryanization by this time, some sympathetic businessmen even gave the Jewish vendors secret and illegal monthly payments not mentioned in the transfer documents, or, in one case, smuggled Swiss watches and gold chains to Amsterdam to be collected by the Jewish vendor when he emigrated. Others, like the Degussa chemical company, acting more from commercial logic than from moral principle, kept the Jewish bosses of the Aryanized firms in office for some time because they valued their expertise and their contacts in the business.¹⁸³

A far larger proportion of buyers – perhaps 40 per cent – made no attempt to circumvent the regulations. They paid the minimal price that had become customary, taking advantage of the devaluation of inventory and stocks to get themselves a bargain. There is every indication that they regarded these transactions as entirely legitimate; indeed, after the war, many of them reacted with outrage when faced with demands for compensation to the former Jewish owners of the businesses they had taken over in this way. A third category, also about 40 per cent, and including many active Nazi Party members, encouraged Aryanization and drove down the price as hard as they could. In Hamburg, for instance, business rivals campaigned against the Beiersdorf company, which made Nivea hand cream, by paying for advertisements in the local press and issuing stickers notifying customers that ‘Whoever buys Nivea articles is helping to support a Jewish company’.¹⁸⁴ Some did not scruple to use threats and blackmail, or to bring in the Gestapo. A characteristic incident occurred in the summer of 1935, in the town of Fürstenwalde, when the Jewish owner of a shop agreed after lengthy negotiations to sell it to a non-Jewish purchaser who had repeatedly attempted to beat the price down. As he took the money from the purchaser during the final meeting in his lawyer’s offices, the door opened and two Gestapo officers came in and declared the money confiscated on the basis of a law covering the property of ‘enemies of the state’. Seizing it from the Jewish vendor, they arrested him for resisting authority, while the purchaser banned him and his family from returning to their business and to their home above the shop, although the contract allowed them to do so.¹⁸⁵

Foreign-owned businesses were also active in the Aryanization of their workforces. Concerned about their status under an obviously nationalistic regime, some of them moved particularly quickly to divest themselves of their Jewish employees when the Nazis seized power in 1933. The managing director of Olex, the German subsidiary of what subsequently became British Petroleum, fired its Jewish employees, or limited their contracts, as early as the late spring of 1933. Later on the same year, the Swiss chemical company Geigy sought official certification as an Aryan concern so that it could continue selling dyes to the Nazi Party to make 'symbols of the national movement'.¹⁸⁶ Major foreign-owned firms, like the car manufacturer Opel, a subsidiary of General Motors, and the German branch of the Ford Motor Corporation, went along with the Aryanization policy and rid themselves of Jewish employees. Both these companies also allowed their factories to be converted to war production, although of course foreign currency restrictions did not permit them to export their profits to their headquarters in the USA. There was little point, therefore, given these restrictions, in foreign-owned companies joining the scramble to take over Jewish businesses.¹⁸⁷

That scramble degenerated all too easily in the hands of some of those involved into a morass of blackmail, extortion, corruption and plunder. True, Göring, in his capacity as head of the Four-Year Plan, and Hess, the Leader's Deputy, had ordered that Aryanization had to be carried out legally and that Party office-holders were not to obtain any financial advantage from the process, an order repeated by other senior Nazis such as Heinrich Himmler and the Regional Leader of Baden, Robert Wagner. But it was already clear from the frequency and insistence of such warnings that Party officers were all too prepared to exploit the expropriation of Jewish businesses to their own personal gain. Middle- and lower-ranking Nazi activists were simply not prepared to let the despised organs of the state and the law get in the way of the struggle against the Jews, and frequently regarded the plunder they stood to make as a just reward for the sacrifices they had endured in the 'time of struggle' under the Weimar Republic. In any case, they reasoned, Jewish-owned property and funds had been stolen from the German race. The mass, nationwide and largely uncoordinated violence that underpinned the Nazi seizure of power in the first half of 1933 provided the context for brownshirts to purloin gold and jewellery from Jewish houses and flats,

on occasion torturing the owners until they got the keys to the safe. It was not uncommon for arrested Jews to be released on provision of a large amount of 'bail' money, which disappeared immediately into the pockets of the SA or SS men who had taken them into custody. Party officials in Breslau who had threatened Jews with violence if they did not pay up were first arrested for obtaining money with menaces, then amnestied as the state prosecutor excused their action as 'excessive National Socialist zeal'.¹⁸⁸

After the 'Night of the Long Knives' at the end of June 1934, such actions more or less ceased, although a few more did occur in the summer of the following year. The Aryanization of Jewish businesses, however, especially where it was driven forward by the Party's Regional Economic Consultants' offices, provided opportunities for gain on a much larger scale. In Thuringia, for instance, the Party's Regional Economic Adviser took a 10 per cent commission on the purchase price of Aryanization actions, in order, he said, to cover office costs; in the end he was able to bank more than a million Reichsmarks from this procedure, opening a special Party account from which funds were then disbursed to favoured Party members to buy further Jewish businesses when they came up for sale. Thus 'Party Comrade Ulrich Klug' was provided with a 'loan' of 75,000 Reichsmarks to help him buy a cement works, while 'Party Comrade Ignaz Idinger' was supplied with 5,000 Reichsmarks for the Aryanization of the Hotel Blum in Oberhof. Similar practices could be found in other regions too. The money was never expected to be repaid. Senior Nazi Party officials could enrich themselves very substantially by such means. The Regional Leader of the Party in Hamburg, Karl Kaufmann, demanded 'Aryanization contributions' from vendors and purchasers alike, using them for example to buy up all the shares of the Siegfried Kroch Company, a chemicals factory. The Regional Educational Leader of the Party in Württemberg-Hohenzollern managed to buy a slate quarry in Metzingen which increased his annual income tenfold.¹⁸⁹

On a smaller scale, many humble Party activists were able to get the money from Aryanization actions to buy up lottery concessions, tobacco stalls and the like. Given the official ban on direct profiteering, it was not surprising that close relatives of leading local Party officials got in on the act instead, as with Gerhard Fiehler, who bought a Jewish shoe

and leather goods shop for himself through the good offices of his brother, the Mayor of Munich. In many such instances it was clear that the family of the Nazi official in question was acting in concert. Such actions, circumventing the law rather than openly flouting it, shaded off into clearly criminal activities when Nazi Party officials obtained money from Jews by deception through fraudulent offers of help or protection, or took bribes to help them get round the financial regulations that made emigration so hard. Businessmen who wanted to be well placed to buy up Jewish firms on the cheap were even more generous in their bribes. 'To do business under the Nazis', an Aachen estate agent who had profited considerably from the Aryanization of Jewish property told an American agent, 'you had to have a friend in every government office, but it was too dangerous to bribe openly. You had to work it indirectly.' Inviting the key Party functionary out for an expensive meal with fine wines, or buying rounds of drinks in the pubs and bars frequented by the local party elite, were his favoured methods. 'It cost me plenty of money,' he admitted, 'but in the end I made his acquaintance.'¹⁹⁰

II

Aryanization was only one part of a vast and rapidly growing system of plunder, expropriation and embezzlement under the Third Reich. It started at the very top, with Hitler himself. To begin with, when Hindenburg died, Hitler was able to lay his hands on the President's official funds. Expenditure from these had previously been subject to internal audit in the Finance Ministry and the ultimate approval of the Reichstag, as had also been the case with the Reich Chancellor's personal budget. With the effective emasculation of the Reichstag and the removal of any element of critical investigation of government actions by the press and the mass media, not to mention the overwhelming personality cult that surrounded Hitler himself, a cult that brooked no criticism of the Leader in any respect, the way was now open for the expenditure of these funds for any purpose Hitler desired. Despite some misgivings in the higher ranks of the civil service, Hitler now began to dole out money to all and sundry with increasing liberality. Aware of this, leading Nazis now began to suggest to the Chancellor objects deserving of his largesse. Already in

the autumn of 1933, at the suggestion of the Reich Interior Minister and one of his officials, Hitler had granted from the Reich Chancellor's funds a monthly pension of 300 Reichsmarks to seventeen individuals who were designated as 'racist and antisemitic precursors' of the Nazi movement. The writer Richard Ungewitter, from Stuttgart, author of numerous books with titles such as *From Serving the Jews to Freedom* and *The Undermining of the Race by Jews*, was included on the list along with other, similar individuals. By 1936 Hitler's generosity in this manner had extended to people who had been imprisoned in the Weimar Republic for treasonable activities of one kind and another. Over a hundred men and women received pensions of between 50 and 500 Reichsmarks a month for their special services to the Party. By issuing such grants, Hitler made it clear he was compensating racist and antisemitic propagandists and Party activists for the sacrifices they had made before the seizure of power, thus underlining the self-image of the brownshirts and the 'old fighters' as selfless martyrs in a great cause and binding them to the new regime in a symbolic as well as a material sense.¹⁹¹

Nor did Hitler neglect the army, whose regimental headquarters were the frequent recipients of presents of oil paintings with military themes donated by the Leader. Moreover, from July 1937 onwards, Hitler's official funds were used to pay out 100,000 Reichsmarks a year 'for officers of the armed forces to go on rest cures'. Keeping the armed forces happy was certainly an important matter, particularly in the wake of the assassination of General von Schleicher during the 'Night of the Long Knives', and Hitler also paid out considerable sums of money to increase the pensions of retired officers such as Vice-Admiral von Reuter, who had ordered the sinking of the surrendered German fleet at Scapa Flow on 21 June 1919. August von Mackensen, by the mid-1930s the last surviving Field-Marshal of the Kaiser's army, and thus a significant symbolic figure for the army, received a large tax-free gift of a landed estate in the Prenzlau district, together with 350,000 Reichsmarks to cover the costs of renovation. As a monarchist, Mackensen felt it necessary to write to the former Kaiser Wilhelm II in exile excusing himself for accepting the gift, since in his view only the Kaiser himself was actually entitled to make such donations. Predictably, the ex-Kaiser was not amused, and regarded the Field-Marshal from this point on as a traitor to his cause. Hitler made generous subventions to a number of

other aristocratic landowners to help them with their debts and keep them conspiring with the ex-Kaiser.¹⁹²

In order to facilitate such generosity, the funds allocated in the state budget for Hitler's personal disposal increased steadily until they reached the astonishing sum of 24 million Reichsmarks in 1942.¹⁹³ Hitler could add to these sums the royalties derived from sales of *My Struggle*, purchased in bulk by Nazi Party organizations and a virtually compulsory item on the ordinary citizen's bookshelf. These amounted to 1.2 million Reichsmarks in 1933 alone. From 1937 Hitler also claimed royalties on the use of his portrait on postage stamps, something Hindenburg had never done; one cheque alone handed over by the Minister of Posts was for 50 million Reichsmarks, as Speer, who was present on the occasion, reported later. The annual Adolf Hitler Donation of German Business added a further sum, along with fees and royalties paid every time one of Hitler's speeches was published in the papers. Hitler also received considerable sums from legacies left to him in the wills of the grateful Nazi dead. When all this was taken into account, it was clear that Hitler had little use for the modest salary of 45,000 Reichsmarks he earned as Reich Chancellor, or for the annual expense allowance of 18,000 Reichsmarks; early on in his Chancellorship, therefore, he publicly renounced both salary and allowance in a propagandistic gesture designed to advertise the spirit of selfless dedication in which he ruled the country. Nevertheless, when the Munich tax office reminded him in 1934 that he had never paid any income tax and now owed them more than 400,000 Reichsmarks in arrears, pressure was brought to bear on the tactless officials and before long they had agreed to write off the whole sum and destroy all the files on Hitler's tax affairs into the bargain. A grateful Hitler granted the head of the tax office, Ludwig Mirre, a pay supplement of 2,000 Reichsmarks a year for this service, free of tax.¹⁹⁴

Hitler's personal position as the Third Reich's charismatic Leader, effectively above and beyond the law, gave not only him but also others immunity from the normal rules of financial probity. His immediate subordinates owed their position not to any elected body but to Hitler alone; they were accountable to no one but him. The same personal relationships replicated themselves all the way down the political scale, right to the bottom. The result was inevitably a vast and growing network of corruption, as patronage, nepotism, bribery and favours, bought, sold

and given, quickly assumed a key role in binding the whole system together. After 1933, the continued loyalty of the Party faithful was purchased by a huge system of personal favours. For the hundreds of thousands of Nazi Party activists who were without employment, this meant in the first place giving them a job. Already in July 1933 Rudolf Hess promised employment to all those who had joined the Party before 30 January 1933. In October the same year, the Reich Office for Unemployment Insurance and Jobs in Berlin centralized the campaign to provide jobs for everyone with a Party membership number under 300,000, all those who had held a position of responsibility in the Party for over a year and anyone who had been in the SA, the SS or the Steel Helmets before 30 January 1933. This caused some resentment, since the Party membership had already passed the number 300,000 at the end of 1930, so many who had joined since were ineligible. In practice, however, these regulations counted for little, as anyone with a claim to be an old Nazi was likely to be included, while ambitious Nazis who already had jobs used the scheme to get better ones. By 1937 the Reich Postal Service had given jobs to more than 30,000 'deserving National Socialists', while only 369 out of 2,023 Nazis who had been given permanent and well-paid state employment in the Ministry of War by the end of 1935 had actually been previously without a job.

This system of 'jobs for the boys' was in fact modelled on a long-held practice in Prussia and elsewhere, whereby retiring non-commissioned officers in the army automatically received employment in the state service, notably in the police but also in other branches of the public sector. The application of this principle to members of the SA and the Nazi Party was a different matter, since they were being rewarded as members of a political party, not former servants of the state. Its scale and suddenness were also new. The Nazi Party in Berlin found jobs for 10,000 members by October 1933, while 90 per cent of all white-collar jobs in the public sector went to 'old fighters'. When a candidate for a job was proposed by the local stormtroopers, it was a brave employer who refused, however poor his qualifications might be. Many of those who obtained state employment found that their previous service in the Party, the SA or the SS was counted in calculating their seniority in their new positions, giving them a clear advantage over their colleagues when it came to promotion to the next grade up. Some of these jobs were

obvious sinecures. In July 1933, for instance, the brownshirt Paul Ellerhusen, commandant of the concentration camp in Fuhlsbüttel, and an unqualified clerk who had been unemployed since 1929, was appointed personal secretary to the Reich Commissioner for Hamburg with the title of State Councillor; not long afterwards he was transferred to a better-paid job in the city's Youth Office, though he seldom turned up for work, it was reported, because he was almost permanently drunk.¹⁹⁵

There were many similar cases all over Germany. Municipal utilities, such as gasworks, waterworks and the like, offered ample opportunity for SA men to find employment, often surplus to requirements. An audit of the Hamburg Sickness Fund office found that it had employed 228 more administrators than it actually needed. Thousands of old Party men found comfortable jobs in the transport system; the Hamburg local railways took on over a thousand in 1933-4, though whether they really needed them was another matter. The Hamburg Regional Farmers' Leader Herbert Duncker, for instance, was paid 10,000 Reichsmarks a year as 'agricultural adviser to the Hamburg Electricity Works' without ever once turning up even to see what the job might involve. In this way, public corporations were in effect required to subsidize the Nazi Party and its ancillary organizations. Similar pressures were brought to bear on a wide variety of private enterprises. Meanwhile, laws passed in 1934 and 1938 indemnified Party members against claims for damages as a result of the destruction they had meted out to trade union and other offices in 1933, and allowed them to clear their debts without penalty if they had got into financial difficulties before 1 January 1934.¹⁹⁶ By contrast, former activists in the Communist or Social Democratic Party found their attempts to get a job repeatedly rebuffed, until the demand for labour in the arms industry became so insistent that their previous political activity could conveniently be forgotten. The experience of Willi Erbach, a skilled engineering worker who had been a member of the Reichsbanner, the paramilitary wing of the Social Democrats, cannot have been unusual: sacked for his political activities in 1933, he did not find a job again until three years later, in 1936, when the labour exchange suddenly assigned him to the Krupp factory in Essen. Meanwhile, less skilled workers found getting a job easy enough if they were members of the Nazi Party.¹⁹⁷

The opportunities for self-aggrandizement went all the way down the

scale, right down to the ordinary brownshirts who helped themselves to the cash-boxes, the furniture, the bed-linen and the equipment they found in the trade union premises they raided on 2 May 1933, and in the homes of the men and women they arrested. Not untypical was the case of the leader of the Munich Student Union, Friedrich Oskar Stäbel, victor in a bout of in-fighting that resulted in his appointment as head of the national German Students' Union in September 1933. Stäbel celebrated his climb to the top by using student union fees for personal expenditure, clothes, cars and the like, and to finance and equip a marching band for his own entertainment. The local student union in Berlin spent its members' contributions on the purchase of no fewer than seven automobiles for the personal use of its officers.¹⁹⁸ The quantity of money and property flowing into the Party from early 1933 onwards was so vast that few proved able to resist the temptation to squirrel some of it away for themselves. The Party Treasury did not take kindly to embezzlement from its own funds, and between 1 January 1934 and 31 December 1941 it brought no fewer than 10,887 prosecutions for misappropriation of Party funds before the courts; they involved ancillary organizations of the Party as well as the Party itself. The auditing of accounts and the control of finances in general were almost bound to be chaotic in a situation like that of 1933, when the Nazi Party and its myriad subordinate groups were growing almost exponentially. It was hardly surprising that among the 1.6 million people who joined the Party in the first few months of 1933 there were many who hoped to make their fortune by doing so.¹⁹⁹

III

With such money flowing into their accounts, it was small wonder that Nazi officials at every level of the hierarchy were soon enjoying a lifestyle they had not even dreamed of before 1933. This included the men at the very top. Reich Propaganda Minister Joseph Goebbels, for instance, had declared an annual income of no more than 619 Reichsmarks to the tax authorities in 1932. Within a few years, however, he was earning 300,000 Reichsmarks a year in fees for his weekly leading articles for the Nazi magazine *The Reich*, a sum that was out of all proportion to

standard journalistic rates and represented in practice a huge annual bribe from the magazine's publisher Max Amann. For his part, Goebbels wrote off 20 per cent of his earnings as business expenses, although in fact he had none. With this money, The Propaganda Minister bought among other things a villa on the Berlin island of Schwanenwerder, which its previous owner, the Jewish physician Charlotte Herz, had been forced to sell. In 1936 the city of Berlin placed another property at his lifelong disposal, on Lake Constance: he then spent 2.2 million Reichsmarks on extending and refurbishing it. In 1938 he sold the Schwanenwerder property to the industrialist Alfred Ludwig, who then let it to him rent-free. Yet Goebbels counted in popular opinion as one of the less corrupt of the Nazi leaders, as did Albert Speer, whose architectural fees, augmented by the usual Christmas presents from the Labour Front Leader Robert Ley and the tax concessions commonly made to leading Nazis, made him a millionaire already before the war.²⁰⁰

Most notorious of all was Hermann Göring, whose hunting lodge Carinhall was extended and refurbished at a cost of more than 15 million Reichsmarks in taxpayers' money. The upkeep and administration of these palatial premises cost not far short of half a million marks, again paid for by the taxpayer; and beyond this, Göring also owned another hunting lodge in East Prussia, a villa in Berlin, a chalet on the Obersalzberg, a castle, Burg Veldenstein, and five further hunting lodges, not to mention a private train whose coaches accommodated ten automobiles and a working bakery, while Göring's private quarters on the train, taking up two whole carriages, cost the state 1.32 million Reichsmarks in 1937 even before the extravagantly luxurious furnishings and fittings had been installed. In the same year, the Reich Association of Automobile Manufacturers donated to him a yacht worth three-quarters of a million Reichsmarks for his personal use. In all these locations Göring displayed a large and ever-growing collection of artworks, though his real chance for building it up would not come until the war. Like the other leading Nazis, he also managed to conceal much of his income from the tax authorities and obtain massive concessions on the rest; tax evasion was made easier by a ruling in 1939 that the tax affairs of Reich Ministers and Nazi Party Reich Leaders were to be dealt with exclusively by the finance offices of Berlin Central and Munich North, where they could be sure of a sympathetic handling.²⁰¹

Such conspicuous consumption was not just a mark of the personal corruption that affects every dictatorship, but also expressed a widespread desire among the higher Nazi officials to demonstrate symbolically that they were the new masters of Germany. Hunting became a favourite pastime of many Regional Leaders, who bought themselves hunting grounds even where they had shown no previous interest in this most aristocratic of pastimes. Faced with the need to keep up with his colleagues in this respect as in others, the Regional Leader of Hamburg, Karl Kaufmann, was unable to do very much initially, since his urban fiefdom had no hunting land. With the creation of Greater Hamburg in 1937, however, the incorporation of a wooded area to the north of the city gave him the chance; he immediately declared it a nature reserve, stocked it with game, enclosed it from the public with eleven kilometres of fencing, and then leased it from the city for his own use. In a similar way, most of the leading Nazis followed Hitler's example and purchased Old Masters and new works from the Great German Art exhibition to put on the walls of their grandiose villas and hunting lodges, not because they were particularly fond of art, but because this was an obvious symbol of their status in the Nazi hierarchy.²⁰²

Not surprisingly, corruption allied itself to theft and extortion when Nazi leaders and their underlings came into contact with the helpless and the powerless. The hatred that Nazi activists felt for Jews, Communists, 'Marxists' and other 'enemies of the Reich' gave them free rein to plunder them at will. In the course of the violent seizure of power in 1933, brownshirt gangs enrolled as auxiliary police carried out 'house-searches' that were little more than pretexts for robbery. In the concentration camps, officers and commanders treated the workshops staffed by inmates as their personal possessions, taking furniture for their quarters, pictures and paintings for their walls, and so on. The commandant of the concentration camp at Lichtenburg had inmates make new bindings for his books, shoes and boots for himself and his family, letterboxes and ironing-boards for his household, and much more besides. Lower camp officials forced inmates to steal asparagus and strawberries for them from the camp vegetable garden, they 'organized' food for themselves from the camp kitchen, and embezzled money from the camp canteen. Theft of personal possessions and money brought into the camps by those unfortunate enough to be sent to them was the rule,

not the exception. In 1938 the commandant of Buchenwald, Karl Koch, confiscated no less than 200,000 Reichsmarks' worth of goods and currency from Jews brought into the camp, dividing some of it amongst his subordinates but depositing most of the money in his personal account.²⁰³

If anyone at a relatively senior level was prosecuted for such offences then it was more likely to be as a result of carelessness than of any sense of rectitude on the part of his superiors. When Robert Schöpwinkel, a senior official of the Reich Association of German Hoteliers and Innkeepers, was tried and sentenced with his two most senior officials for embezzling 100,000 Reichsmarks, this was mainly because their corruption had become so notorious in the trade that the innkeeper of the Rheinhotel Dreesen, in Bad Godesberg, where Hitler frequently stayed, approached the Leader and told him that if nothing was done to bring Schöpwinkel to book, the whole innkeeping trade in the Rhineland would become disaffected from the regime.²⁰⁴ A few court cases such as this enabled the leaders of the regime to portray themselves as resolute in the combating of corruption, unlike their predecessors under the Weimar Republic. In fact, corruption of this kind was more often concealed from the media. It was encouraged by the lack of any press or public control over the government and the Party, by the personal nature of power in the regime, and by the general distaste of the Nazis for formal administrative structures and rules. In the depressed economic climate of the early and mid-1930s, power seemed a quick way to riches, and there were few in any position of responsibility in the Nazi Party who could resist the temptation to take it. Rumours and stories about corruption spread rapidly amongst the population. In September 1934 Victor Klemperer recorded a conversation with a Hitler Youth member, the son of a friend, who described how Group Leaders embezzled the members' contributions for excursions and used them to buy luxuries as expensive as motorbikes for themselves. All this was common knowledge, he said.²⁰⁵

The morass of corruption into which the economy rapidly sank after 1933 was the source of a good deal of bitter humour amongst the population. The definition of a 'reactionary' was said to be 'someone who has a well-paid post that a Nazi likes the look of'. Göring's taste for uniforms and titles was a particular butt of popular humour. A 'Gör' was popularly said to be 'the quantity of tin that one man can carry on

his chest'. On a visit to Rome to negotiate with the Vatican, Göring wired back to Hitler: 'Mission accomplished. Pope unfrocked. Tiara and pontifical vestments are perfect fit.' At night, according to another joke, Göring's wife woke up to find her naked husband standing next to the bed waving his marshal's baton around. What was he up to, she asked. 'I am promoting my underpants to overpants,' came the reply. Jokes about corruption even made it onto the stage: in 1934 the cabarettist Wilhelm Finck, doing a stand-up comic routine at Berlin's *Catacomb*, posed holding up his right arm in the Nazi salute while a tailor measured him for a new suit. 'What sort of jacket should it be?' asked the tailor: 'With chevrons and stripes?' 'You mean', said Finck, 'a straitjacket?' 'How would you like your pockets?' 'Wide open, in the current fashion,' came Finck's reply. Not long afterwards, the cabaret was closed down on Goebbels's orders and Finck taken off to a concentration camp. Hitler was usually exempt from jibes about corruption, whether public or private. Complaints about corruption were directed against his subordinates, above all the 'little Hitlers' who ruled the roost in the regions. A typical joke had the Goebbels children invited to tea in turn to the houses of Göring, Ley and other leading Party figures. After each visit they came home raving about the wonderful cream cakes, treats and other goodies they had been given. After a visit to Hitler, however, in which they had only been given malt coffee and tiny cakes, they asked: 'Daddy, isn't the Leader in the Party?'²⁰⁶

Yet alongside such humour was a widespread feeling that the Nazi regime had achieved a good deal in the economic sphere by 1939. After all, the economy had recovered from the Depression faster than its counterparts in other countries. Germany's foreign debt had been stabilized, interest rates had fallen to half their 1932 level, the stock exchange had recovered from the Depression, the gross national product had risen by 81 per cent over the same period, and industrial investment and output had once more attained the levels they had enjoyed in 1928. The two greatest economic bugbears of the Weimar years, inflation and unemployment, had been conquered.²⁰⁷ All this had been achieved by a growing state direction of the economy which by 1939 had reached unprecedented proportions. Whatever the propaganda messages about the battle for work might claim, Nazi economic policy was driven by the overwhelming desire on the part of Hitler and the leadership, backed up

by the armed forces, to prepare for war. Up to the latter part of 1936, this was conducted in a way that aroused few objections from business; when the Four-Year Plan began to come into effect, however, the drive for rearmament began to outpace the economy's ability to supply it, and business began to chafe under a rapidly tightening net of restrictions and controls. More ominously, private enterprise started to be outflanked by state-run enterprises founded and funded by a regime increasingly impatient with the priority accorded by capitalism to profit. Yet none of this, whatever critics suspected, represented a return to the allegedly socialist principles espoused by the Nazis in their early days. Those principles had long been left behind, and in reality they were never socialist anyway. The Third Reich was never going to create total state ownership and centralized planning along the lines of Stalin's Russia. The Darwinian principles that animated the regime dictated that competition between companies and individuals would remain the guiding principle of the economy, just as competition between different agencies of state and Party were the guiding principles of politics and administration.²⁰⁸

What Hitler wanted to ensure, however, was that firms competed to fulfil the overall policy aims laid down by himself. Yet those aims were fundamentally contradictory. On the one hand, autarky was designed to prepare Germany for a lengthy war; on the other hand, rearmament was pursued with a headlong abandon that paid scant regard to the dictates of national self-sufficiency. Measured by its own aims, the Nazi regime had only succeeded partially at most by the summer of 1939. Its preparations for a large-scale war were inadequate, its armaments programme incomplete; drastic shortages of raw materials meant that targets for the construction of tanks, ships, planes and weapons of war were not remotely being met; and the situation was exacerbated by Hitler's own inability to set stable and rational priorities within the rearmament programme. The answer was plunder. The corruption, extortion, expropriation and downright robbery that became the hallmarks of the regime and its masters and servants at every level in the course of the Aryanization programme put plunder at the heart of the Nazi attitude towards the property and livelihood of peoples they regarded as non-Aryan. The enormous stresses and strains built up in the German economy between 1933 and 1939 could, Hitler himself explicitly argued on several occasions, ultimately only be resolved by the conquest of living-space in

the east. The 'old fighters' of the Party had been rewarded for their sacrifices during the 'years of struggle' under the Weimar Republic with money, jobs, property and income after the seizure of power. Now, writ large, the same principle was applied to the German economy and the economies of the rest of Europe: sacrifices were demanded of the German people in the build-up to war, but once war came, they would be rewarded with a vast new domain in Eastern Europe that would deliver wealth on an unprecedented scale, supply the nation with food for the foreseeable future, and solve all Germany's economic problems at a stroke.²⁰⁹

Meanwhile, the German people had to make the sacrifices. The regime bent all its efforts towards building up production while keeping the lid firmly on consumption. Shortages of fat, butter and other consumables, not to mention luxury items such as imported fruit, had become a standard part of daily life by 1939. People were constantly exhorted to make contributions to savings schemes of one kind and another. Savings were directed into government bonds, loan certificates and tax credits, so that the vast bulk of them became available for spending on arms. People were remorselessly exhorted to save, save, rather than spend, spend, spend. Compulsory pension schemes were introduced for the self-employed that forced them to invest funds in insurance companies which the government could then draw upon to help finance rearmament. At the same time, government departments and the military often delayed paying contractors for well over a year, thus extracting from them what was in effect a kind of hidden loan. In many small and medium-sized enterprises engaged on arms production or arms-related projects, this created cash-flow problems so serious that they were sometimes unable to pay their workers' wages on time.²¹⁰ The regime justified all this with its customary rhetoric of sacrifice for the greater good of the German racial community. But did people accept the reality of that community? Did the Third Reich, as the Nazis had promised, sweep away the class antagonisms and hostilities that had rendered Weimar democracy unworkable and unite all Germans in a rebirth of national unity and struggle for the common cause? On the fulfilling of this promise a great deal of the regime's popularity and success would surely depend.

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305. Wilhelm Vosskamp, 'Kontinuität und Diskontinuität: Zur deutschen Literaturwissenschaft im Dritten Reich', in Lundgreen (ed.), *Wissenschaft*, 140-62.

306. Höpfner, *Die Universität Bonn*, 34-8, 146-217. See more generally the essays in Lehmann and Oexle (eds.), *Nationalsozialismus*.

307. Michael H. Kater, *Doctors under Hitler* (Chapel Hill, 1989), 111-20.

308. *Ibid.*, 22-5, 120-21.

309. *Ibid.*, 120-26, 147. Höpfner, *Die Universität Bonn*, 271-330. According to Kater, 17 per cent of doctors in Germany in 1933 were Jewish, and the proportion of university teachers of medicine was undoubtedly higher (Kater, *Doctors*, 139).

310. Klemperer, *I Shall Bear Witness*, 35 (9 October 1933).

311. Kater, *Doctors*, 172-3.

312. Robert N. Proctor, *The Nazi War on Cancer* (Princeton, N.J., 1999), 4, 198-203.

313. *Ibid.*, 6-7.

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Chapter 4. PROSPERITY AND PLUNDER

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5. Spotts, *Hitler*, 393–4; Ludolf Herbst, *Das nationalsozialistische Deutschland 1933–1945: Die Entfesselung der Gewalt: Rassismus und Krieg* (Frankfurt am Main, 1996), 97–8; Hans-Joachim Winkler, *Legenden um Hitler* (Berlin, 1963), 7–14; Dan P. Silverman, *Hitler's Economy: Nazi Work Creation Programs 1933–1936* (Cambridge, Mass., 1998), 147–57.
6. Richard J. Overy, 'Cars, Roads, and Economic Recovery in Germany, 1932–1938', *Economic History Review*, 2nd series, 28 (1975), 466–83, reprinted in idem, *War and Economy in the Third Reich* (Oxford, 1994), 68–89.
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9. Gerhard Kroll, *Von der Weltwirtschaftskrise zur Staatskonjunktur* (Berlin, 1958), 462, 505; also Harry Niemann and Armin Hermann (eds.), *Die Entwicklung der Motorisierung im Deutschen Reich und den Nachfolgestaaten* (Stuttgart, 1995).
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13. Heinz Wehner, 'Die Rolle des faschistischen Verkehrswesens in der ersten Periode des zweiten Weltkrieges', *Bulletin des Arbeitskreises Zweiter Weltkrieg*, 2 (1966), 37–61, at 41–2, cited in Hans-Erich Volkmann, 'The National Socialist Economy in Preparation for War', in Militärgeschichtliches Forschungsamt (ed.), *Germany and the Second World War* (10 vols., Oxford, 1990– [1979–]), I: *The Build-up of German Aggression* (Oxford, 1990), 157–372, at 228–9.
14. Klaus Hildebrand, 'Die Deutsche Reichsbahn in der nationalsozialistischen Diktatur 1933–1945', in Lothar Gall and Manfred Pohl (eds.), *Die Eisenbahn in Deutschland. Von den Anfängen bis zur Gegenwart* (Munich, 1999), 165–243, at 176–7; see also Stefan Arold, *Die technische Entwicklung und rüstungswirtschaftliche Bedeutung des Lokomotivbaus der Deutschen Reichsbahn im Dritten Reich (1933–1945)* (Stuttgart, 1997). Hitler's characteristic conceptual gigantism even made itself felt here, with his proposal to create new, bigger railways on a broader gauge than the existing one (*ibid.*, 97).
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16. Hans Mommsen and Manfred Grieger, *Das Volkswagenwerk und seine Arbeiter im Dritten Reich* (Düsseldorf, 1996), 52–113; for the Strength Through Joy organization, see below, 465–75.
17. Behnken (ed.), *Deutschland-Berichte*, VI (1939), 488.
18. Shelley Baranowski, *Strength Through Joy: Consumerism and Mass Tourism*

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19. Karl Lärmer, *Autobahnbau in Deutschland 1933 bis 1945: Zu den Hintergründen* (Berlin, 1975), 54–7; Silverman, *Hitler's Economy*, 261.
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 21. Domarus (ed.), *Hitler*, I. 234.
 22. Willi A. Boelcke, *Die deutsche Wirtschaft 1930–1945: Interna des Reichswirtschaftsministeriums* (Düsseldorf, 1983), 13–29.
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 25. Herbst, *Das nationalsozialistische Deutschland*, 95–6; Schneider, *Unterm Hakenkreuz*, 256–62.
 26. Overy, 'Unemployment', 63–5; *Weekly Report of the German Institute for Business Research*, vol. 7, no. 17 (3 May 1934), 77–82.
 27. Extract from the Law translated in Noakes and Pridham (eds.), *Nazism*, II. 257; Pine, *Nazi Family Policy*, 17.
 28. Helen L. Boak, 'The State as an Employer of Women in the Weimar Republic', in William Robert Lee and Eve Rosenhaft (eds.), *The State and Social Change in Germany, 1880–1980* (Oxford, 1990), 61–98; more generally, Renate Bridenthal and Claudia Koonz, 'Beyond Kinder, Küche, Kirche: Weimar Women in Politics and Work', in Renate Bridenthal *et al.* (eds.), *When Biology Became Destiny: Women in Weimar and Nazi Germany* (New York, 1984), 33–65.
 29. Julia Sneeringer, *Winning Women's Votes: Propaganda and Politics in Weimar Germany* (Chapel Hill, N.C., 2002).
 30. *Frankfurter Zeitung*, 9 September 1934, quoted in Noakes and Pridham (eds.), *Nazism*, II. 255–6.
 31. Goebbels, *Michael*, 41 (1934 edn), quoted in Mosse (ed.), *Nazi Culture*, 41.
 32. Engelbert Huber, *Das ist Nationalsozialismus* (Stuttgart, 1933), 121–2, quoted in Mosse (ed.), *Nazi Culture*, 47.
 33. Clifford Kirkpatrick, *Women in Nazi Germany* (London, 1939), 121.
 34. Helgard Kramer, 'Frankfurt's Working Women: Scapegoats or Winners of the Great Depression?', in Richard J. Evans and Dick Geary (eds.), *The German*

Unemployed: Experiences and Consequences of Mass Unemployment from the Weimar Republic to the Third Reich (London, 1987), 108–41.

35. Herbst, *Das nationalsozialistische Deutschland*, 89–91; Kershaw, *The 'Hitler Myth'*, 59–64.

36. Werner Abelshauser, 'Kriegswirtschaft und Wirtschaftswunder. Deutschlands wirtschaftliche Mobilisierung für den Zweiten Weltkrieg und die Folgen für die Nachkriegszeit', *VfZg* 47 (1999), 503–38; English version, at greater length, in idem, 'Germany: Guns, Butter, and Economic Miracles', in Mark Harrison (ed.), *The Economics of World War II: Six Great Powers in International Comparison* (Cambridge, 1998), 122–76.

37. Harold James, 'Innovation and Conservatism in Economic Recovery: The Alleged "Nazi Recovery" of the 1930s', in Childers and Caplan (eds.), *Reevaluating the Third Reich*, 114–38; Peter Marschalck, *Bevölkerungsgeschichte Deutschlands im 19. und 20. Jahrhundert* (Frankfurt am Main, 1984), 67–71, 148.

38. Silverman, *Hitler's Economy*, 244, and 359 n. 68, criticizing the statistics provided by Overy, 'Unemployment', 65; however, the Weimar Republic figures were not that impressive either: see also Dan P. Silverman, 'A Pledge Unredeemed: The Housing Crisis in Weimar Germany', *Central European History*, 3 (March 1970), 112–39, at 119–20. See also Blaich, *Wirtschaft*, 15–21.

39. 'Germany's Economic Recovery', *The Economist*, 10 August 1935, 271–2.

40. Willi Hemmer, *Die 'unsichtbaren' Arbeitslosen. Statistische Methoden – Soziale Tatsachen* (Zeulenroda, 1935), 189; also Christoph Buchheim, 'Zur Natur des Wirtschaftsaufschwungs in der NS-Zeit', in idem *et al.* (eds.), *Zerrissene Zwischenkriegszeit: Wirtschaftshistorische Beiträge: Knut Borchardt zum 65. Geburtstag* (Baden-Baden, 1994), 97–119, at 105–7.

41. Birgit Wulff, 'The Third Reich and the Unemployed: National Socialist Work-creation Schemes in Hamburg, 1933–4', in Evans and Geary (eds.), *The German Unemployed*, 281–302; Timothy W. Mason, *Social Policy in the Third Reich: The Working Class and the 'National Community'* (Providence, R.I., 1993 [1977]), 109–28; Fritz Petrick, 'Eine Untersuchung zur Beseitigung der Arbeitslosigkeit unter der deutschen Jugend in den Jahren von 1933 bis 1935', *Jahrbuch für Wirtschaftsgeschichte* (1967), 287–300; Claudia Brunner, *Arbeitslosigkeit im NS-Staat: Das Beispiel München* (Pfaffenweiler, 1997), 337–40.

42. Birgit Wulff, *Arbeitslosigkeit und Arbeitsbeschaffungsmassnahmen in Hamburg 1933–1939: Eine Untersuchung zur nationalsozialistischen Wirtschafts- und Sozialpolitik* (Frankfurt am Main, 1987), esp. 269–82; details of other areas in Behnken (ed.), *Deutschland-Berichte*, I (1934), 123–9, 214–25.

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44. Christoph Buchheim, 'Die Wirtschaftsentwicklung im Dritten Reich – mehr

- Desaster als Wunder. Eine Erwiderung auf Werner Abelshausen', *VfZ* 49 (2001), 653–4; at greater length in idem, 'Zur Natur'.
45. 'Germany's Economic Recovery', *The Economist*, 10 August 1935, 271–2, and 17 August 1935, 316–17; *Weekly Report of the German Institute for Business Research*, vol. 8, no. 22/23 (8 June 1935), 45–7; *ibid.*, 32/33 (22 August 1935), 64–6; 'Unemployment in Germany', *The Economist*, 31 August 1935, 421.
46. Karl-Heinz Minuth (ed.), *Akten der Reichskanzlei: Die Regierung Hitler, 1933–1934*, I. 49–51; also in Blaich, *Wirtschaft*, 55–6 (Ministerbesprechung vom 8. 2. 1933).
47. Volkmann, 'The National Socialist Economy', 221–2; Dietmar Petzina, 'Hauptprobleme der deutschen Wirtschaftspolitik 1932/33', *VfZg* 15 (1967), 18–55, at 40; Günther Gereke, *Ich war königlich-preussischer Landrat* (Berlin, 1970), 157–8.
48. Spotts, *Hitler*, 393–4.
49. Domarus (ed.), *Hitler*, I. 250–51.
50. Blaich, *Wirtschaft*, 15–26.
51. Neil Gregor, *Daimler-Benz in the Third Reich* (London, 1998), 54; Fritz Blaich, 'Why Did the Pioneer Fall Behind? Motorization in Germany between the Wars', in Theo Barker (ed.), *The Economic and Social Effects of the Spread of Motor Vehicles: An International Centenary Tribute* (London, 1988), 148–64; Behnken (ed.), *Deutschland-Berichte*, VI (1939), 480–85; Mommsen and Grieger, *Das Volkswagenwerk*, 179–202 (figures on 197).
52. Volkmann, 'The National Socialist Economy', 228–9.
53. Robert J. O'Neill, *The German Army and the Nazi Party, 1933–1939* (London, 1968 [1966]), 65–6, citing the unpublished memoirs of Field-Marshal von Weichs.
54. 'Sitzung des Ausschusses der Reichsregierung für Arbeitsbeschaffung vom 9. 2. 1933, in Minuth (ed.), *Akten der Reichskanzlei: Die Regierung Hitler, 1933–1934*, I. 58–69, and Blaich, *Wirtschaft*, 56–8. The dissimulation did not long escape the notice of foreign observers. By 1935 a British correspondent was noting of a report issued by the Reich Bureau of Statistics: "Work-creation" expenditure, it is expressly shown in the new report, *includes* rearmament expenditure' (*The Economist*, 10 August 1935, 280; italics in original).
55. Volkmann, 'The National Socialist Economy', 223–4; Michael Geyer, *Deutsche Rüstungspolitik 1860–1980* (Frankfurt am Main, 1984), 139–40; idem, 'Das Zweite Rüstungsprogramm (1930–1934): Eine Dokumentation', *Militär-geschichtliche Mitteilungen*, 17 (1975), 125–72, at 134 and 158; see also Boelcke, *Die deutsche Wirtschaft*, 29–33.
56. Volkmann, 'The National Socialist Economy', 228–34; also Peter Kirchberg, 'Typisierung in der Kraftfahrzeugindustrie und der Generalbevollmächtigte für das Kraftfahrwesen', *Jahrbuch für Wirtschaftsgeschichte* (1969), 117–42; see also Edward L. Homze, *Arming the Luftwaffe: The Reich Air Ministry and the German Aircraft Industry, 1919–1939* (Lincoln, Nebr., 1976). Some of the literature in

this area underestimates the extent of rearmament from the beginning of the Third Reich and the state's role in driving it forward, and neglects the military imperative behind many apparently civil measures of job creation: see for example Overy, 'Cars, Roads and Economic Recovery'; idem, 'Hitler's War Plans and the German Economy, 1933-1939', in idem, *War and Economy*, 177-204; Michael Wolffsohn, 'Arbeitsbeschaffung und Rüstung im nationalsozialistischen Deutschland 1933', *Militärgeschichtliche Mitteilungen*, 22 (1978), 9-22; or Burton H. Klein, *Germany's Economic Preparations for War* (Cambridge, Mass., 1959); for critical comments, see Barkai, *Nazi Economics*, 217-24, and Berenice A. Carroll, *Design for Total War: Arms and Economics in the Third Reich* (The Hague, 1968). The primacy of rearmament was stressed already by Sauer, *Die Mobilmachung*, 140-64.

57. Wilhelm Deist, 'The Rearmament of the Wehrmacht', in *Militärgeschichtliches Forschungsamt* (ed.), *Germany*, I. 373-540, at 487.

58. *Ibid.*, 456-7; O'Neill, *The German Army*, 134-5.

59. Boelcke, *Die deutsche Wirtschaft*, 171.

60. Volkmann, 'The National Socialist Economy', 234-8; Hans Luther, *Vor dem Abgrund 1930-1933: Reichsbankpräsident in Krisenzeiten* (Frankfurt am Main, 1964), especially the final chapter, 302-8.

61. Hjalmar Schacht, *My First Seventy-Six Years: The Autobiography of Hjalmar Schacht* (London, 1955), 10-154.

62. *Ibid.*, 155-306.

63. Volkmann, 'The National Socialist Economy', 234-41; see also Willi A. Boelcke, *Die Kosten von Hitlers Krieg: Kriegsfinanzierung und finanzielles Kriegserbe in Deutschland 1933-1948* (Paderborn, 1985); Fischer, *Deutsche Wirtschaftspolitik*, 66-71; Dietmar Petzina, *Die deutsche Wirtschaft in der Zwischenkriegszeit* (Wiesbaden, 1977), 117-24.

64. Volkmann, 'The National Socialist Economy', 173-200; Blauch, *Wirtschaft*, 28.

65. Gustavo Corni and Horst Gies, *Brot, Butter, Kanonen. Die Ernährungswirtschaft in Deutschland unter der Diktatur Hitlers* (Berlin, 1997), 75-250, is now the most thorough account of the Reich Food Estate. See also Horst Gies, 'Der Reichsnährstand: Organ berufsständischer Selbstverwaltung oder Instrument staatlicher Wirtschaftslenkung?', *Zeitschrift für Agrargeschichte und Agrarsoziologie*, 21 (1973), 216-33; and idem, 'Die Rolle des Reichsnährstandes im Nationalsozialistischen Herrschaftssystem', in Gerhard Hirschfeld and Lothar Kettenacker (eds.), *The 'Führer State': Myth and Reality: Studies on the Structure and Politics of the Third Reich* (Stuttgart, 1981), 270-304.

66. Horst Gies, 'Aufgaben und Probleme der nationalsozialistischen Ernährungswirtschaft 1933-1939', *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, 22 (1979), 466-99.

67. Blauch, *Wirtschaft*, 27; Volkmann, 'The National Socialist Economy', 245-72.

68. Blauch, *Wirtschaft*, 23-4, 27; Volkmann, 'The National Socialist Economy', 258-62; Michael Krüger-Charlé, 'Carl Goerdelers Versuche der Durchsetzung

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69. Gies, 'Die Rolle'; see also idem, 'Der Reichsnährstand'; idem, 'Revolution oder Kontinuität? Die personelle Struktur des Reichsnährstandes', in Günther Franz (ed.), *Bauernschaft und Bauernstand 1500–1970: Büdinger Vorträge 1911–1972* (Limburg, 1975), 323–30; John E. Farquharson, *The Plough and the Swastika: The NSDAP and Agriculture in Germany 1928–45* (London, 1976), 161–82.
70. Gies, 'Die Rolle'; Jürgen von Krudener, 'Zielkonflikte in der nationalsozialistischen Agrarpolitik: Ein Beitrag zur Diskussion des Leistungsproblems in zentral-gelenkten Wirtschaftssystemen', *Zeitschrift für Wirtschafts- und Sozialwissenschaften*, 94 (1974), 335–61; Behnken (ed.), *Deutschland-Berichte*, V (1938), 488–98; Gustavo Corni, *Hitler and the Peasants: Agrarian Policy of the Third Reich, 1930–1939* (Princeton, N.J., 1990 [1989]), 245–68; Beatrix Herlemann, 'Der Bauer klebt am Hergebrachten': *Bäuerliche Verhaltensweisen unterm Nationalsozialismus auf dem Gebiet des heutigen Landes Niedersachsen* (Hanover, 1993), 74–7 and 145–53; Farquharson, *The Plough*, 71–106.
71. See Corni, *Hitler and the Peasants*, 220–44; Farquharson, *The Plough*, 183–202; Herlemann, 'Der Bauer', 154–71.
72. Volkmann, 'The National Socialist Economy', 293–300, 350–54.
73. John H. Farquharson, *The Plough*, 169–70; for a good example of the successful transition to autarky in one area, see John Perkins, 'Nazi Autarchic Aspirations and the Beet-Sugar Industry, 1933–39', *European History Quarterly*, 20 (1990), 497–518; more generally, see Corni, *Hitler and the Peasants* 156–83.
74. Behnken (ed.), *Deutschland-Berichte* VI (1939), 624–42; for a thorough account of food production and market regulation, see Corni and Gies, *Brot*, 251–395.
75. The view of Peter Temin, *Lessons from the Great Depression* (Cambridge, Mass., 1989), 109–11, that the economy of the Third Reich was a socialist economy because it was steered by the state, which intervened continually and also devoted substantial resources to welfare projects, does not persuade; on these criteria almost all modern economies could be classified as socialist (Buchheim, 'Zur Natur', 99–100).
76. For the background to this, see Peter Hayes, *Industry and Ideology: IG Farben in the Nazi Era* (New York, 1987), 36–47, 114–20.
77. Homze, *Arming the Luftwaffe*, 192–3.
78. Dieter Swatek, *Unternehmenskonzentration als Ergebnis und Mittel nationalsozialistischer Wirtschaftspolitik* (Berlin, 1972); Ingeborg Esenwein-Rothe, *Die Wirtschaftsverbände von 1933 bis 1945* (Berlin, 1965).
79. For Hugenberg's tenure of the Ministry, see Boelcke, *Die deutsche Wirtschaft*, 47–65.
80. Gerald D. Feldman, *Allianz and the German Insurance Business, 1933–1945* (Cambridge, 2001), 1–50.

81. *Ibid.*, 51–78.
82. *Ibid.*, 78–105; Boelcke, *Die deutsche Wirtschaft*, 65–76.
83. Volkmann, ‘The National Socialist Economy’, 204–15; Noakes and Pridham, *Nazism*, II. 72–8.
84. Volkmann, ‘The National Socialist Economy’, 242–4; ‘The Balance of Trade in Germany’, Supplement to the *Weekly Report of the German Institute for Business Research* (Berlin, 11 April 1934).
85. ‘The Transfer Problem and Germany’s Foreign Exchange Reserves’, *Weekly Report of the German Institute for Business Research*, 7 (Berlin, 6 June 1934); ‘German Foreign Exchange Control and Foreign Trade’, Supplement to the *Weekly Report of the German Institute for Business Research* (Berlin, 31 October 1934); Herbst, *Das nationalsozialistische Deutschland*, 160–62.
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87. ‘The German Moratorium’, *The Economist*, 23 June 1934, 1,378–9; more generally on Schacht’s first period in office, see Boelcke, *Die deutsche Wirtschaft*, 77–82.
88. Volkmann, ‘The National Socialist Economy’, 245–7, citing a memorandum of 3 May 1935 by Schacht.
89. Blaich, *Wirtschaft*, 27; Boelcke, *Die deutsche Wirtschaft*, 100–117.
90. Volkmann, ‘The National Socialist Economy’, 262–72; Fischer, *Deutsche Wirtschaftspolitik*, 71–6.
91. The Four-Year Plan memorandum is reprinted in Blaich, *Wirtschaft*, 60–67, and Wilhelm Treue (ed.), ‘Hitlers Denkschrift zum Vierjahresplan 1936’, *VfZ* 3 (1955), 184–210, and translated in full in Noakes and Pridham (eds.), *Nazism*, II. 86–93. See also Arthur Schweitzer, ‘Der ursprüngliche Vierjahresplan’, *Jahrbücher für Nationalökonomie und Statistik*, 160 (1956), 348–96; and Dietmar Petzina, *Autarkiepolitik im Dritten Reich: Der nationalsozialistische Vierjahresplan (1936–42)* (Stuttgart, 1968).
92. Schacht, *My First Seventy-Six Years*, 362–77 (apologetic in tendency, with many omissions and misleading claims).
93. Friedrich Hossbach, *Zwischen Wehrmacht und Hitler 1934–1938* (Göttingen, 1965 [1949]), 217–20, and Hermann Gackenholz, ‘Reichskanzlei 5. November 1937: Bemerkungen über “Politik und Kriegführung” im Dritten Reich’, in Richard Dietrich and Gerhard Oestreich (ed.), *Forschungen zu Staat und Verfassung: Festgabe für Fritz Hartung* (Berlin, 1958), 459–84.
94. Hossbach, *Zwischen Wehrmacht und Hitler*, 186; Walter Bussmann, ‘Zur Entstehung und Überlieferung der “Hossbach-Niederschrift”’, *VfZ* 16 (1968), 373–84; Bradley F. Smith, ‘Die Überlieferung der Hossbach-Niederschrift im Lichte neuer Quellen’, *VfZ* 38 (1990), 329–36; Jonathan Wright and Paul Stafford, ‘Hitler, Britain and the Hossbach Memorandum’, *Militärgeschichtliche Mitteilungen*, 42 (1987), 77–123. These studies make it clear that the scepticism

- about the document's authenticity expressed by Alan J. P. Taylor, *The Origins of the Second World War* (London, 1964 [1961]), 21–2 and 131–4, is unjustified.
95. Schacht, *My First Seventy-Six Years*, 362–77 (to be treated with the usual caution); Noakes and Pridham (eds.), *Nazism*, II, 95–8, 357–8.
96. Blauch, *Wirtschaft*, 26, 83, 91–4; Schacht, *My First Seventy-Six Years*, 386–94. Budgetary balances in Albrecht Ritschl, *Deutschlands Krise und Konjunktur 1924–1934: Binnenkonjunktur, Auslandsverschuldung und Reparationsproblem zwischen Dawes-Plan und Transfersperre* (Berlin, 2002), table A9; national income figures in *ibid.*, table A12.
97. O'Neill, *The German Army*, 63–6, citing the unpublished memoirs of Field-Marshal von Weichs; Schacht, *My First Seventy-Six Years*, 395–414; more generally, Volkmann, 'The National Socialist Economy', 273–86.
98. *Ibid.*, 300–309, 356; Fischer, *Deutsche Wirtschaftspolitik*, 77–82; Petzina, *Die deutsche Wirtschaft*, 124–39. For the 'organizational jungle', see Hans Kehrl, *Krisenmanager im Dritten Reich. 6 Jahre Frieden – 6 Jahre Krieg: Erinnerungen* (Düsseldorf, 1973), 74–86, 98–117. On the failure of planning and the inability of the regime to collect and process adequate statistics, see J. Adam Tooze, *Statistics and the German State, 1900–1945: The Making of Modern Economic Knowledge* (Cambridge, 2001), 215–45.
99. Volkmann, 'The National Socialist Economy', 309–15.
100. *Ibid.*, 354–72.
101. Wilhelm Deist, 'The Rearmament of the Wehrmacht', 374–540, at 456–504; Homze, *Arming the Luftwaffe*; Michael Salewski, *Die deutsche Seekriegsleitung 1935–1945* (3 vols., Frankfurt am Main, 1970–75); Jost Dülffer, *Weimar, Hitler und die Marine: Reichspolitik und Flottenbau 1920–1939* (Düsseldorf, 1973); Lutz Budrass, *Flugzeugindustrie und Luftrüstung in Deutschland 1918–1945* (Düsseldorf, 1998) is the most recent comprehensive study.
102. Volkmann, 'The National Socialist Economy', 300–309.
103. Richard J. Overy, 'The German Pre-war Production Plans: November 1936–April 1939', *English Historical Review*, 90 (1975), 778–97.
104. Behnken (ed.), *Deutschland-Berichte*, VI (1939), 614–24.
105. 'Schreiben des Stellvertreters des Führers, Entscheidung, dass Frauen weder Richter noch Anwalt werden sollen, 24 August 1936', reprinted as document 108 in Ursula von Gersdorff, *Frauen im Kriegsdienst 1914–1945* (Stuttgart, 1969), 282.
106. Matthew Stibbe, *Women in the Third Reich* (London, 2003), 84–91; Tim Mason, 'Women in Germany, 1925–1940: Family, Welfare and Work', in *idem*, *Nazism, Fascism and the Working Class* (Cambridge, 1995), 131–211 (essay originally published in *History Workshop Journal*, 1 (1976), 74–133, and 2 (1976), 5–32); Dörte Winkler, *Frauenarbeit im 'Dritten Reich'* (Hamburg, 1977); Annemarie Tröger, 'The Creation of a Female Assembly-Line Proletariat', in Bridenthal *et al.* (eds.), *When Biology Became Destiny*, 237–70; Carola Sachse, *Industrial Housewives: Women's Social Work in the Factories of Nazi*

Germany (London, 1987); Stephenson, *Women in Nazi Society*, 75–115 (statistics of doctors on 166).

107. Lore Kleiber, ‘“Wo ihr seid, da soll die Sonne scheinen!” – Der Frauenarbeitsdienst am Ende der Weimarer Republik und im Nationalsozialismus’, in Frauengruppe Faschismusforschung (ed.), *Mutterkreuz*, 188–214; Jill Stephenson, ‘Women’s Labor Service in Nazi Germany’, *Central European History*, 15 (1982), 241–65; Stefan Bajohr, ‘Weiblicher Arbeitsdienst im “Dritten Reich”. Ein Konflikt zwischen Ideologie und Ökonomie’, *VfZ* 28 (1980), 331–57.

108. Maschmann, *Account Rendered*, 31–6.

109. Elizabeth D. Heineman, *What Difference Does a Husband Make? Women and Marital Status in Nazi and Postwar Germany* (London, 1999), 40–41, also for the following details.

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111. Timothy W. Mason, ‘The Legacy of 1918 for National Socialism’, in Anthony Nicholls and Erich Matthias (eds.), *German Democracy and the Triumph of Hitler: Essays in Recent German History* (London, 1971), 215–39.

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117. Timothy Mason, ‘The Primacy of Politics – Politics and Economics in National Socialist Germany’, in Stuart J. Woolf (ed.), *The Nature of Fascism* (London, 1968), 165–95.

118. Alan S. Milward, ‘Fascism and the Economy’, in Walter Laqueur (ed.),

Fascism: A Reader's Guide: Analyses, Interpretations, Bibliography (New York, 1976), 409–53.

119. Fritz Thyssen's ghost-written memoir, *I Paid Hitler* (London, 1941), is unreliable; see Henry Ashby Turner, Jr, 'Fritz Thyssen, und "I Paid Hitler"', *VfZ* 19 (1971), 225–44; see also Horst A. Wessel, *Thyssen & Co., Mülheim an der Ruhr: Die Geschichte einer Familie und ihrer Unternehmung* (Stuttgart, 1991), 48, 171.

120. Richard J. Overy, 'Heavy Industry in the Third Reich: The Reichswerke Crisis', in idem, *War and Economy in the Third Reich*, 93–118 (first published in *European History Quarterly*, 15 (1985), 313–39).

121. Richard J. Overy, '"Primacy Always Belongs to Politics": Gustav Krupp and the Third Reich', in idem, *War and Economy in the Third Reich*, 119–43, at 119–25.

122. Felix Somary, *The Raven of Zürich: The Memoirs of Felix Somary* (London, 1986), 175; more generally, Overy, '"Primacy"', 126–34; Henry Ashby Turner, Jr, *German Big Business and the Rise of Hitler* (New York, 1985), 338–9.

123. Overy, '"Primacy"', 135–43; Lothar Gall, *Krupp: Der Aufstieg eines Industriemperiums* (Berlin, 2000); William Manchester, *The Arms of Krupp 1587–1968* (New York, 1970 [1968]), 499–511, 645–7, 743.

124. Hayes, *Industry and Ideology*, 125–211.

125. *Ibid.*, 158–9, 180–83; Raymond G. Stokes, 'From the IG Farben Fusion to the Establishment of BASF AG (1925–1952)', in Werner Abelshausen *et al.*, *German Industry and Global Enterprise. BASF: The History of a Company* (Cambridge, 2004), 206–361, at 262–3, 273–89. Gottfried Plumpe, *Die I.G. Farbenindustrie AG. Wirtschaft, Technik und Politik 1904–1945* (Berlin, 1990), largely follows Hayes, though in some respects it is less critical: see Peter Hayes, 'Zur umstrittenen Geschichte der I.G. Farbenindustrie AG', *Geschichte und Gesellschaft*, 18 (1992), 405–17; Plumpe's riposte does not convince: see Gottfried Plumpe, 'Antwort auf Peter Hayes', *Geschichte und Gesellschaft*, 18 (1992), 526–32.

126. Harold James, 'Die Deutsche Bank und die Diktatur 1933–1945', in Lothar Gall *et al.*, *Die Deutsche Bank 1870–1995* (Munich, 1993), 315–408; see also Harold James, *The Nazi Dictatorship and the Deutsche Bank* (Cambridge, 2004).

127. Details in Behnken (ed.), *Deutschland-Berichte*, VI (1939), 511–16.

128. *Ibid.*, 611–13.

129. Simone Ladwig-Winters, 'The Attack on Berlin Department Stores (*Warenhäuser*) after 1933', in David Bankier (ed.), *Probing the Depths of German Antisemitism: German Society and the Persecution of the Jews, 1933–1941* (Jerusalem, 2000), 246–67, at 246–50; eadem, *Wertheim – Ein Warenhausunternehmen und seine Eigentümer: Ein Beispiel der Entwicklung der Berliner Warenhäuser bis zur 'Arisierung'* (Münster, 1997); Klaus Strohmeyer, *Warenhäuser: Geschichte, Blüte und Untergang in Warenmeer* (Berlin, 1980); Heidrun Homburg, 'Warenhausunternehmen und ihre Gründer in Frankreich und Deutschland oder: eine diskrete Elite und mancherlei Mythen', *Jahrbuch für Wirtschaftsgeschichte* (1992), 183–

219. Rudolf Lenz, *Karstadt. Ein deutscher Warenhauskonzern 1920-1950* (Stuttgart, 1995); Werner E. Mosse, *The German-Jewish Economic Elite 1820-1935: A Socio-Cultural Profile* (Oxford, 1989), 18-20, 29-31, 70-78, 103-5, 111-13, 140-42; see also Konrad Fuchs, *Ein Konzern aus Sachsen: Das Kaufhaus Schocken als Spiegelbild deutscher Wirtschaft und Politik, 1901 bis 1953* (Stuttgart, 1990).
130. Ladwig-Winters, 'The Attack', 251.
131. Robert J. Gellately, *The Politics of Economic Despair. Shopkeepers and German Politics, 1890-1914* (London, 1974), 141-3.
132. Albrecht Tyrell (ed.), *Führer befiehlt . . . Selbstzeugnisse aus der 'Kampfzeit' der NSDAP: Dokumentation und Analyse* (Düsseldorf, 1969), 24.
133. Translated and reprinted in Noakes and Pridham (eds.), *Nazism*, I. 76.
134. Heinrich Uhlig, *Die Warenhäuser im Dritten Reich* (Cologne, 1956), 78-9, 88-127.
135. Uhlig, *Warenhäuser*, 115-19; Ladwig-Winters, 'The Attack', 255-6; Johannes Ludwig, *Boycott - Enteignung - Mord: Die 'Entjudung' der deutschen Wirtschaft* (Hamburg 1989), 104-27.
136. Ladwig-Winters, 'The Attack', 25-62 (quote on 262). For the Factory Cell Organization, see below, 456-60.
137. Ladwig-Winters, 'The Attack', 263-7; for a good local example of the campaign against department stores, see Franz Fichtl *et al.*, 'Bamberg's Wirtschaft Judenfrei': *Die Verdrängung der jüdischen Geschäftsleute in den Jahren 1933 bis 1939* (Bamberg, 1998), 66-72.
138. Peter Longerich, *Politik der Vernichtung: Eine Gesamtdarstellung der nationalsozialistischen Judenverfolgung* (Munich, 1998), 46-54; Helmut Genschel, *Die Verdrängung der Juden aus der Wirtschaft im Dritten Reich* (Göttingen, 1966), 78-87; Gerhard Kratzsch, *Der Gauwirtschaftsapparat der NSDAP: Menschenführung - 'Arisierung' - Wehrwirtschaft im Gau Westfalen-Süd* (Münster, 1989), 117; Fichtl *et al.*, 'Bamberg's Wirtschaft', 101-10; the best general survey is still Avraham Barkai, *From Boycott to Annihilation: The Economic Struggle of German Jews 1933-1943* (Hanover, N.H., 1989 [1988]).
139. Klemperer, *I Shall Bear Witness*, 65 (13 June 1934).
140. Friedländer, *Nazi Germany*, 234-5.
141. Joachim Meynert, *Was vor der 'Endlösung' geschah. Antisemitische Ausgrenzung und Verfolgung in Minden-Ravensburg, 1933-1945* (Münster, 1988), 82-99.
142. Quoted in Longerich, *Politik*, 55.
143. *Ibid.*
144. *Ibid.*, 55-6, 70-88.
145. All quoted in *ibid.*, 97-8; report and translation in *The Economist*, 24 August 1935, 36-6. For Schacht's claim to have opposed antisemitism, see Schacht, *My First Seventy-Six Years*, 467-8; it was largely swallowed by his first serious biographer, Heinz Pentzlin, *Hjalmar Schacht: Leben und Wirken einer umstrittenen Persönlichkeit* (Berlin, 1980). Boelcke, *Die deutsche Wirtschaft*, 117-28 and

- 210–17, provides a useful introduction to Aryanization, but is too kind to Schacht.
146. Schacht, *My First Seventy-Six Years*, 357.
147. Albert Fischer, 'The Minister of Economics and the Expulsion of the Jews from the German Economy', in Bankier (ed.), *Probing*, 213–25; see also idem, *Hjalmar Schacht und Deutschlands 'Judenfrage': Der 'Wirtschaftsdiktator' und die Vertreibung der Juden aus der deutschen Wirtschaft* (Cologne, 1995).
148. Petra Bräutigam, *Mittelständische Unternehmer im Nationalsozialismus: Wirtschaftliche Entwicklungen und soziale Verhaltensweisen in der Schuh- und Lederindustrie Badens und Württembergs* (Munich, 1997), 167–73, 297–336.
149. Frank Bajohr, 'The "Aryanization" of Jewish Companies and German Society: The Example of Hamburg', in Bankier (ed.), *Probing*, 226–45, at 227–34. For traditional mercantile attitudes, see Richard J. Evans, *Death in Hamburg: Society and Politics in the Cholera Years 1830–1910* (Oxford, 1987), esp. 33–9, 392–4; and Niall Ferguson, *Paper and Iron: Hamburg Business and German Politics in the Era of Inflation 1897–1927* (Cambridge, 1995), 60–64.
150. Bajohr, 'The "Aryanization"', 235–8; more detail in idem, 'Aryanization' in *Hamburg: The Economic Exclusion of Jews and the Confiscation of their Property in Nazi Germany* (New York, 2002 [1997]), chapter 4.
151. Bajohr, 'The "Aryanization"', 234–41; more senior businessmen staffed the equivalent office in the Party Regional headquarters of Southern Westphalia: see Gerhard Kratzsch, 'Die "Entjudung" der mittelständischen Wirtschaft im Regierungsbezirk Arnsberg', in Arno Herzig et al. (eds.), *Verdrängung und Vernichtung der Juden in Westfalen* (Münster, 1994), 91–114, at 97. State offices asserted themselves more vigorously, by contrast, in some other areas: see for example Hans-Joachim Liedner, *Die Judenverfolgung in Mannheim 1933–1945* (Stuttgart, 1971), 114, and Kratzsch, *Der Gauwirtschaftsapparat*, 151 and 180; also Dirk van Laak, 'Die Mitwirkenden bei der "Arisierung". Dargestellt am Beispiel der rheinisch-westfälischen Industrieregion, 1933–1940', in Ursula Büttner (ed.), *Die Deutschen und die Judenverfolgung im Dritten Reich* (Hamburg, 1992), 231–57.
152. Bajohr, 'The "Aryanization"', 237, criticizing Fraenkel, *The Dual State* (see above, 45), and Uwe Dietrich Adam, *Judenpolitik im Dritten Reich* (Düsseldorf, 1972), 359.
153. Fischer, *Hjalmar Schacht*, 187; Longerich, *Politik* 124; Stefan Mehl, *Das Reichsfinanzministerium und die Verfolgung der deutschen Juden, 1933–1943* (Berlin, 1990); Behnken (ed.), *Deutschland-Berichte*, V (1938), 1,291.
154. Fichtl et al., 'Bamberg's Wirtschaft' 63–97, 111–32.
155. Treue (ed.), 'Hitlers Denkschrift', 204, 210.
156. Longerich, *Politik*, 124–6; Bajohr, 'Aryanization', 185–221; Dorothee Mussgnug, *Die Reichsfluchtsteuer 1931–1933* (Berlin, 1993).
157. Hans Nothnagel and Ewald Dähn, *Juden in Suhl: Ein geschichtlicher Überblick* (Konstanz, 1995), 129–31.
158. Albert Fischer, 'Jüdische Privatbanken im "Dritten Reich"', *Scripta Mercatorum. Zeitschrift für Wirtschafts- und Sozialgeschichte*, 28 (1994), 1–54; Chris-

topher Kopper, 'Die "Arisierung" jüdischer Privatbanken im Nationalsozialismus', *Sozialwissenschaftliche Informationen für Unterricht und Studium*, 20 (1991), 11-16.

159. See Christopher Kopper, 'Privates Bankwesen im Nationalsozialismus. Das Bankhaus M. M. Warburg & Co.', in Werner Plumpe and Christian Kleinschmidt (eds.), *Unternehmen zwischen Markt und Macht: Aspekte deutscher Unternehmens- und Industriegeschichte im 20. Jahrhundert* (Essen, 1992), 61-73; and A. Joshua Sherman, 'A Jewish Bank during the Schacht Era: M. M. Warburg & Co., 1933-1938', in Arnold Paucker (ed.), *The Jews in Nazi Germany 1933-1943* (Tübingen, 1986), 167-72.

160. Barkai, *From Boycott*, 70.

161. Longerich, *Politik*, 126-7; Avraham Barkai, 'The Fateful Year 1938: The Continuation and Acceleration of Plunder', in Walter H. Pehle (ed.), *November 1938: From 'Reichskristallnacht' to Genocide* (New York, 1991 [1988]), 95-122, at 97-9. Figures apply to the *Altreich*.

162. Genschel, *Die Verdrängung*, 126; see more generally Günter Plum, 'Wirtschaft und Erwerbsleben', in Wolfgang Benz (ed.), *Die Juden in Deutschland 1933-1945: Leben unter nationalsozialistischer Herrschaft* (Munich, 1988), 268-313, at 292-304; for a local study, see Meynert, *Was vor der 'Endlösung' geschah*, 156-77.

163. Longerich, *Politik*, 128; Barbara Händler-Lachmann and Thomas Werther, *Vergessene Geschäfte, verlorene Geschichte: Jüdisches Wirtschaftsleben in Marburg und seine Vernichtung im Nationalsozialismus* (Marburg, 1992); Axel Bruns-Wüstefeld, *Lohnende Geschäfte. Die 'Entjudung' der Wirtschaft am Beispiel Göttingens* (Hanover, 1997); also Benigna Schönhagen, *Tübingen unterm Hakenkreuz: Eine Universitätsstadt in der Zeit des Nationalsozialismus* (Tübingen, 1991).

164. Barkai, 'The Fateful Year', 97-113; Longerich, *Politik*, 126-30, 159-61, 165-9. Unless otherwise noted, these statistics include only the *Altreich*; the 1938 Aryanization statistics also include Austria. Further details in Plum, 'Wirtschaft', 304-13. See also more generally Peter Hayes and Irmtrud Wojak (eds.), '*Arisierung*' im Nationalsozialismus: *Volksgemeinschaft, Raub und Gedächtnis* (Frankfurt am Main, 2000). Among many other useful local studies, see also in particular Dirk van Laak, "'Wenn einer ein Herz im Leibe hat, der lässt sich von einem deutschen Arzt behandeln' - Die "Entjudung" der Essener Wirtschaft von 1933 bis 1941', in Alte Synagoge (ed.), *Entrechtung und Selbsthilfe: Zur Geschichte der Juden in Essen unter dem Nationalsozialismus* (Essen, 1994), 12-30.

165. Barkai, 'The Fateful Year', citing Peter Hanke, *Zur Geschichte der Juden in München zwischen 1933 und 1945* (Munich, 1967), 154-5.

166. Avraham Barkai, 'Die deutschen Unternehmer und die Judenpolitik im "Dritten Reich"', *Geschichte und Gesellschaft*, 15 (1989), 227-47. Bajohr, 'The "Aryanization"', 241-2; for a local study revealing the huge range of different types and sizes of enterprise involved, see Angelika Baumann and Andreas Heusler

- (eds.), *München 'arisiert': Entrechtung und Enteignung der Juden in der NS-Zeit* (Munich, 2004).
167. Behnken (ed.), *Deutschland-Berichte*, V (1938), 750.
168. Ibid., VI (1939), 599; echoed in Genschel, *Die Verdrängung*, 213.
169. Harold James, *The Deutsche Bank and the Nazi Economic War against the Jews: The Expropriation of Jewish-owned Property* (Cambridge, 2001), 36–48.
170. Dieter Ziegler, 'Die Verdrängung der Juden aus der Dresdner Bank 1933–1938', *VfZ* 47 (1999), 187–216; Stokes, 'From the IG Farben Fusion', 291–2. For banks, see more generally Christopher Kopper, *Zwischen Marktwirtschaft und Dirigismus: Bankenpolitik im 'Dritten Reich' 1933–1939* (Bonn, 1995).
171. Paul Erker, *Industriellen in der NS-Zeit: Anpassungsbereitschaft und Eigeninteresse von Unternehmern in der Rüstungs- und Kriegswirtschaft 1936–1945* (Passau, 1993), 7–14.
172. Feldman, *Allianz*, 125–39.
173. Friedländer, *Nazi Germany*, 234–6.
174. Kratzsch, *Der Gauwirtschaftsapparat*, 217–18, 506.
175. James, *The Deutsche Bank*, 36–48.
176. Barkai, *From Boycott*, 75.
177. Behnken (ed.), *Deutschland-Berichte*, V (1938), 176–9.
178. Bräutigam, *Mittelständische Unternehmer*, 332–6; for the Tack shoe business, see Ludwig, *Boycott*, 128–53.
179. Feldman, *Allianz*, 147–9.
180. James, *The Deutsche Bank*, 49–50; Peter Hayes, 'Big Business and "Aryanization" in Germany 1933–1939', *Jahrbuch für Antisemitismusforschung* 3 (1994), 254–81, at 267. I.G. Farben seems to have played little or no part in such acquisitions: see Stokes, 'From the IG Farben Fusion', 291.
181. Bernhard Lorentz, 'Die Commerzbank und die "Arisierung" im Altreich. Ein Vergleich der Netzwerkstrukturen und Handlungsspielräume von Grossbanken in der NS-Zeit', *VfZ* 50 (2002), 237–68; Ludolf Herbst and Thomas Weihe (eds.), *Die Commerzbank und die Juden 1933–1945* (Munich, 2004).
182. Ludwig, *Boycott*, 154–74.
183. Bajohr, 'The "Aryanization"', 242–5; Peter Hayes, 'Fritz Roessler and Nazism: The Observations of a German Industrialist, 1930–37', *Central European History*, 20 (1987), 58–83; at greater length, see also now Peter Hayes, *From Cooperation to Complicity. Degussa in the Third Reich* (New York, 2005).
184. Frank Bajohr and Joachim Szodrzynski, "'Keine jüdische Hautcreme mehr benutzen.'" Die antisemitische Kampagne gegen die Hamburger Firma Beiersdorf', in Arno Herzig (ed.), *Die Juden in Hamburg 1590–1990* (Hamburg, 1991), 515–26.
185. Longerich, *Politik*, 127; Bajohr, 'The "Aryanization"', 242–7.
186. Rainer Karlsch and Raymond G. Stokes, *Faktor Öl: Die Geschichte der Mineralölwirtschaft in Deutschland, 1859–1974* (Munich, 2003), 161–3; Lukas

Straumann and Daniel Wildmann, *Schweizer Chemieunternehmen im 'Dritten Reich'* (Zürich, 2001), 68–9.

187. Reinhold Billstein *et al.*, *Working for the Enemy: Ford, General Motors and Forced Labor in Germany during the Second World War* (New York, 2000).

188. Frank Bajohr, *Parvenüs und Profiteure: Korruption in der NS-Zeit* (Frankfurt am Main, 2001), 99–105.

189. *Ibid.*, 104–18; *idem*, 'Gauleiter in Hamburg. Zur Person und Tätigkeit Karl Kaufmanns', *VfZ* 43 (1995), 27–95.

190. Bajohr, *Parvenüs*, 117–21; Saul K. Padover, *Experiment in Germany: The Story of an American Intelligence Officer* (New York, 1946), 57.

191. Gerd R. Ueberschär and Winfried Vogel, *Dienen und Verdienen: Hitlers Geschenke an seine Eliten* (Frankfurt am Main, 1999), 35–55; Bajohr, *Parvenüs*, 17–21.

192. Ueberschär and Vogel, *Dienen und Verdienen*, 55–69.

193. *Ibid.*, 77–8.

194. *Ibid.*, 90–93; Bajohr, *Parvenüs*, 34–6; see also Wulf C. Schwarzwäller, *The Unknown Hitler: His Private Life and Fortune* (Bethesda, Md., 1989 [1986]), and 'Der Nazi-Diktator zahlte nicht mal Steuern', *Die Welt*, 17 December 2004.

195. Bajohr, *Parvenüs*, 21–6. This system inspired the joke that NSDAP stood for 'Na, suchst du auch Pöstchen?' ('So you're also looking for little positions in the state?') (Gamm, *Der Flüsterwitz*, 77).

196. Bajohr, *Parvenüs*, 27–33.

197. Herbert, "'Die guten und die schlechten Zeiten'", interview with Willi Erbach.

198. Steinberg, *Sabers*, 142–4.

199. Bajohr, *Parvenüs*, 49–55.

200. *Ibid.*, 63–8.

201. *Ibid.*, 69–70.

202. *Ibid.*, 71–4.

203. *Ibid.*, 75–94; Behnken (ed.), *Deutschland-Berichte*, IV (1937), 549–53.

204. *Ibid.*, 514–18.

205. Klemperer, *I Shall Bear Witness*, 84–5 (27 September 1934).

206. Grunberger, *A Social History*, 419–25, 468–9; Gamm, *Der Flüsterwitz*, 88, 90; Kershaw, *The 'Hitler Myth'*, 96–104. Finck was subsequently released but was expelled from the Reich Culture Chamber and barred from working, though he made a reappearance in troop entertainment during the war (Grunberger, *A Social History*, 469).

207. Richard J. Overly, 'Germany, "Domestic Crisis", and War in 1939', in *idem*, *War and Economy*, 205–32, at 214–15.

208. Peter Hayes, 'Polycracy and Policy in the Third Reich: The Case of the Economy', in Childers and Caplan (eds.), *Reevaluating*, 190–210. On the remaining room for manoeuvre of businessmen and industrialists in 1939, see Fritz Blaich, 'Die bayerische Industrie 1933–1939. Elemente von Gleichschaltung, Konfor-

mismus und Selbstbehauptung', in Broszat *et al.* (eds.), *Bayern*, II, 237–80.
 209. Tim Mason, 'The Domestic Dynamics of Nazi Conquests: A Response to Critics', in Childers and Caplan (eds.), *Reevaluating the Third Reich*, 161–89.
 210. Benhken (ed.), *Deutschland-Berichte*, VI (1939), 643–9; Overy, "'Domestic Crisis'", 216, table 7.1.

Chapter 5. BUILDING THE PEOPLE'S COMMUNITY

1. Friedrich Reck-Malleczewen, *Diary of a Man in Despair* (London, 1995 [1966]), 36–9, 59, 36, 95, 85–6.
2. *Ibid.*, 63.
3. *Ibid.*, 78.
4. *Ibid.*, 52.
5. *Ibid.*, 84–5.
6. *Ibid.*, 85.
7. Christine Zeile, 'Ein biographischer Essay', in Friedrich Reck, *Tagebuch eines Ver zweifelten* (Frankfurt am Main, 1994), 251–98. Norman Stone, in his Introduction to the English edition, does not question Reck's title (*Diary*, 5–15, at 12); nor does his translator (Translator's Preface, 17–20, at 18). Burleigh, *The Third Reich*, 5, also describes him as an 'aristocrat'; Gellately, *The Gestapo*, 131, calls him a 'noble from southern Germany'. For a detailed dissection of his fantasies, see Alphons Kappeler, *Ein Fall von 'Pseudologia phantastica' in der deutschen Literatur: Fritz Reck-Malleczewen* (2 vols., Göppingen, 1975), I, 5–179.
8. Kappeler, *Ein Fall*, II, 482–92.
9. Heinz Reif, *Adel im 19. und 20. Jahrhundert* (Munich, 1999), 54, 112, 117; Georg H. Kleine, 'Adelsgenossenschaft und Nationalsozialismus', *VfZ* 26 (1978), 100–143; Shelley Baranowski, 'East Elbian Landed Elites and Germany's Turn to Fascism: The *Sonderweg* Controversy Revisited', *European History Quarterly*, 26 (1996), 209–40; Willibald Gutsche and Joachim Petzold, 'Das Verhältnis der Hohenzollern zum Faschismus', *Zeitschrift für Geschichtswissenschaft*, 29 (1981), 917–39; Wolfgang Zollitsch, 'Adel und adlige Machteliten in der Endphase der Weimarer Republik. Standespolitik und agrarische Interessen', in Heinrich August Winkler (ed.), *Die deutsche Staatskrise 1930–1933: Handlungsspielräume und Alternativen* (Munich, 1992), 239–62; Karl Otmar von Aretin, 'Der bayerische Adel von der Monarchie zum Dritten Reich', in Broszat *et al.* (eds.), *Bayern*, III, 513–68, at 525, 542, 554–6. Stephan Malinowski, *Vom König zum Führer. Sozialer Niedergang und politische Radikalisierung im deutschen Adel zwischen Kaiserreich und NS-Staat* (Berlin, 2003), 321–475, provides a comprehensive and readable survey of aristocratic clubs and pressure-groups.
10. Höhne, *The Order*, 142–8; Gutsche and Petzold, 'Das Verhältnis'; Reif, *Adel*, 54; more generally, Martin Broszat and Klaus Schwabe (eds.), *Die deutschen Eliten und der Weg in den Zweiten Weltkrieg* (Munich, 1989).