

Economics, Ideology and Cohesion in the Third Reich: A critique of Goetz Aly's *Hitlers Volksstaat*

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What is at stake in the discussion surrounding Goetz Aly's book, *Hitlers Volksstaat*, is the question of what held the Third Reich together. In his earlier work Aly focussed on the role of elite groups in formulating the genocidal imperialistic projects of the Nazi regime. More clearly than anyone else Aly has linked the Judeocide to the wider programme of population displacement and resettlement. As Aly has presented it, the anti-semitic ideological agenda of the Nazi leadership was coupled to a broader vision of social engineering, which was intended to benefit the broader German population, at least as the Nazi leadership understood it. *Hitlers Volksstaat* continues and extends this promising research agenda, but it does so in an unexpectedly literal minded and in the end deeply problematic fashion.

In *Hitlers Volksstaat* Aly concerns himself not with Himmler's expansive schemes of population displacement and genocide, but with the machinery of financial expropriation that stripped the Jewish population of Europe of its wealth. Aryanization is a theme that has recently attracted a rash of excellent scholarship including most notably Frank Bajohr's work on the great commercial city of Hamburg.² Aly however strikes a rather different note. Contrary to the current preoccupation with personal and local enrichment, Aly stresses what is surely an essential point: the Aryanization of Jewish property in Germany, Austria and the rest of Europe was first and foremost a collective, state-driven act of appropriation. The assets seized from the Jews were not directly appropriated by their new German owners. They were sold, nominally in the name of their former owners. The German purchasers, of course, benefited from bargain basement prices. But the sums accumulated by the German state, 'on behalf' of the former Jewish owners were far more significant. The bulk of these monies were either taxed away or siphoned off by the state through compulsory investment in government bonds. As Aly shows, these funds, even if they were relatively modest compared to total tax revenue, could make a significant contribution to the

² For reading an early English version of the text I wish to thank, as always, Dr Becky

efforts of the Nazi regime to preserve fiscal and monetary stability. Even when Aryanization turned to outright plunder, the primary purpose was never to accumulate useless hordes of gold. As Aly shows, Jewish gold and jewellery were immediately sold off to pay for the costs of the German military occupation and to suck excess liquidity out of the over-heating economy, as in the case of the fabled 'Jewish gold' of Saloniki. The German population as a whole benefited from these exactions. But it did so indirectly, as contributions taken from the victims of the regime reduced the tax burden that had to be levied on the Reich.

These are certainly important points. But as Aly is clearly aware, the expropriation of the property of the affluent but small Jewish population of Western Europe was not significant enough by itself to provide substantial per capita benefits to a German population that in May 1939 numbered in excess of 79 million. In any case, as in his earlier work Aly refuses to detach the Judeocide from its wider historical context. Whereas he has previously placed the Shoah in the context of the wider schemes of genocide directed against the Slav population of Eastern Europe, this time Aly turns his attention to the exploitative occupation regime imposed on Western Europe. As is only to be expected Aly adopts an original and striking perspective on this otherwise familiar topic. His brilliantly lucid account of the importance of Reichskreditkassenscheine, the German currency of occupation, in rigging the terms of trade in Germany's favour is a gift to teachers of economic history everywhere. Similarly illuminating is his stress on the small-scale black marketeering of German soldiers. As Aly shows, in what are surely amongst the most telling passages of the book, this was encouraged from the very top of the Reich by both Hitler and Goering. It takes a historian with Aly's brilliant eye for detail to tease out the political significance of baggage allowances on the Reichsbahn, or the subsidized postal arrangements for the German forces. And he is surely right to stress the importance of these personal shipments of suitcases filled with sausage and parcels of cheese and butter for the maintenance of morale on the German home front.

But as interesting as they may be to the specialist such nuggets are hardly the stuff of major historical revisionism. And Aly is far too ambitious to deliver simply another monograph on the social history of the regime. His thesis is far more wide-ranging. The devil, according to Aly, is in the detail. The regime of exploitation directed first against the Jews and then the rest of the population of occupied Europe was designed to support a generous system of social provision for the German population. And this in turn was essential to sustaining the mass loyalty that underpinned Hitler's regime. The accumulation of small benefits - the marginal reduction in taxes on certain groups in the population, the extension of welfare benefits most notably for the wives of conscripted soldiers, the personal and collective profits of Aryanization and the continental operation of the black market - were not

² F. Bajohr *"Aryanisation" in Hamburg : the economic exclusion of Jews and the confiscation of their property in Nazi Germany* (Engl. Ed. Oxford, 2002).

accidental features of the Nazi regime. They were, Aly claims, the real foundation of consent and cooperation in the Third Reich. They were, in fact, the foundation of a new popular social order in Germany that has lasted to this very day.

Placed in their proper context, many of Aly's points are illuminating. Even his suggestion of the deep continuities between the welfare state of the Third Reich and the acclaimed social order of postwar Germany is worthy of further investigation. But he chooses to make his case in an extraordinarily contentious not to say sensationalist manner and it is the wider thrust of his argument that has provoked dissent from the majority of his reviewers, including the author of this piece.³

I

Motivating Aly's argument is a psychogram of the German population in its own way no less crude than expounded by Daniel J. Goldhagen in *Hitler's Willing Executioners*. The 'ordinary' German population, Aly insists, were neither anti-semites nor ideological Nazis. They were bought. And in his newspaper articles accompanying the book Aly has elaborated further on this view. According to Aly, the "archetype of the German compatriot in the 20th century" is a grotesque figure: "Without stature, or much of a brain", an individual who can hardly afford proper shoes, but who nevertheless keeps one foot firmly planted in a well-polished jack boot, susceptible to any ideology of salvation, endlessly mercenary and consistently irresponsible. Thus Aly characterizes the "ordinary Germans" who are the principal actors of his books.⁴

This is a shocking caricature. And, not surprisingly, Aly produces no serious qualitative evidence to support it. Instead, he attempts to bolster his case indirectly, by means of a statistical calculation. It would after all add credibility to his claim that the loyalty of the mass of the German population had been bought, if he were able to show that the Nazi regime did actually engage in large-scale redistribution and shrank from imposing any serious burden on the German population. And Aly certainly does produce startling statistics. So rapacious was the Nazi regime, Aly argues, that ordinary Germans bore virtually none of the costs of Hitler's military adventures. "In relation to the on-going costs of the war, Germans on low and middle incomes – families included, roughly 60 million people – paid at most 10 percent. Better-off Germans bore roughly 20 percent, whereas, foreigners, forced labourers and Jews were required to contribute roughly 70 percent of the funds consumed every day by the German war effort."⁵ If this were true, it

³ My critical review in the *TAZ* 12.3.2005 was the first in a series, which have now been well summarized by Alfred C. Mierzejewski on H-German 15.9.2005. Characteristically, after Aly's first reply (*TAZ* 15.3.2005), to which I responded in *TAZ* 16.3.2005, he has failed to engage with his now very numerous critics.

⁴ In this passage I paraphrase Aly's free-flowing prose. However, the incredulous reader can confirm that this indeed an accurate summary of G. Aly's reply to his critics in *Zeit* 15/05.

⁵ G. Aly, *Hitlers Volksstaat*, 326. Bezogen auf die laufenden Kriegskosten des Reiches bezahlten die deutschen Klein- und Durchschnittsverdiener – das waren einschliesslich der

would indeed throw dramatically new light on the history of Third Reich. Even without any further evidence on popular perceptions of the regime, we would have to take very seriously the claim that the Third Reich saw the advent of a new kind of national socialism. As Aly puts it “On this basis of this double - racially- and class-conscious act of expropriation, the mass of the German population was kept in good spirits until deep into the second half of the war.”⁶

On top of this distinction between ideological and crudely materialistic motivation, Aly adds a second dichotomy, encapsulated in his polemical rewording of Max Horkheimer’s famous pronouncement: “He who wishes not to speak of capitalism, should hold his peace about fascism”.⁷ Aly rephrases this as: “He who wishes not to speak of the advantages for millions of ordinary Germans, should hold his peace about National Socialism and the Holocaust.”⁸ The aim would seem to be to set up a distinction between explanations based on the private profit of the capitalist elite, as opposed to Aly’s more demotic approach. And this is driven home in press comments in which Aly has mocked the continued public fascination with the particular responsibility of large capitalists. ‘Invoking the names of Dresdner Bank, Allianz, Generali, Daimler-Benz, Deutsche Bank, Krupp, IG Farben or Thyssen may serve to veil the real historical background of Aryanization in a cloak of anti-capitalism, but it cannot provide a remotely satisfactory explanation’⁹.

If we follow Aly’s own stark rhetoric, his book can therefore be positioned in a 2 by 2 matrix of analytical options (materialist v. ideological, popular v. elite), in which Aly occupies the top right hand corner. It is a measure of the unsettling originality of his work that, whereas it is possible to think of a variety of authors who subscribe to each of the other three positions, Aly may be the first to stake out the territory in the top right hand corner, combining a materialist approach with an emphasis on popular, rather than elite, support for the regime.

Familien etwa 60 Millionen Menschen – allenfalls zehn Prozent. Die besserdienenden Deutschen trugen etwa 20 Prozent, während Ausländer, Zwangsarbeiter und Juden run 70 Prozent der Gelder aufzubringen hatten, die der Krieg auf deutscher Seite taeglich verschlang.

⁶ And this criminal flip side of their privilege Auf dem Boden einer solchen deoppelten, rassen- wie klassenbewusst organisierten Vorteilsnahme liessen ich die Masse der Deutschen bis weit in die zweite Kriegshaelfte hinein bei Laune halten.

⁷ M. Horkheimer, ‘Die Juden und Europa’ (1939). Wer aber vom Kapitalismus nicht reden will, sollte auch vom Faschismus schweigen...”

⁸ G. Aly, *Hitlers Volksstaat*, 362. Wer von den Vorteilen fuer die Millionen einfacher Deutscher nicht reden will, der sollte vom Nationalsozialismus und vom Holocaust schweigen”..

⁹ G. Aly, Rede zur Verleihung des Heinrich-Mann-Preisse der Akademie der Kuenste 2002 available 16/06.2004 <http://www.perlentaucher.de/artikel/395.html>. Mit den Firmennamen Dresdner Bank, Allianz, Generali, Daimler-Benz, Deutsche Bank, Krupp, IG-Farben oder Thyssen laesst sich der geschichtliche Hintergrund der sogenannten ‘Entjudung’ antikapitalistische verschleiern, aber nicht auch nur entfernt erklaren.

	Elite dominated	Popular
Materialistic	Fascism as instrument of capital	Aly Volksstaat
Idealistic	Totalitarian elite	Political religion (Burleigh) / Willing Executioners (Goldhagen)

II

Not that there are not strands in the literature of the last couple of decades that have pointed in the direction of *Hitlers Volksstaat*. In the 1980s Rainer Zitelmann gained notoriety by identifying a programme of top down social modernization at the heart of Hitler's thinking.¹⁰ Karl Heinz Roth has long been pushing in the same direction.¹¹ In a less contentious fashion Michael Prinz and Marie Luise Recker have highlighted the expansive promises of postwar social largesse and egalitarianism made by the regime.¹² And in collaboration with Susanne Heim, Aly himself has explored the visions of social transformation by means of conquest and genocide that motivated key elements of the Nazi leadership.¹³ At the same time, work by social and labour historians over the last two decades has substantially modified the view of German workers as victims of the regime.¹⁴ To date, however, nobody has gone as far as Aly in claiming that the benefits provided to workers were sufficient by themselves to explain mass support for the regime. At the other end of the social hierarchy, Aly's dismissal of conspiratorial Marxist theories of fascism is fully in tune with the backlash by liberal and conservative business historians against earlier accounts which saw big capitalists as the string pullers behind Hitler's regime, stressing instead the independence of Hitler's political movement and the coercive control that his regime established over the private economy.¹⁵ Again, however, nobody has gone as far as to claim that the regime actually favoured the working-class. Spoilation, of course, was one of the major indictments levelled at the defendants at Nuremberg and the last couple of decades have produced an enormous literature on the political economy of occupation and collaboration. But Aly's claim that as much as 70 percent of Germany's war costs were born by the regime's victims is certainly dramatically new.

¹⁰ R. Zitelmann, *Hitler Selbstverstaendnis eines Revolutionaers* (Stuttgart, 1987).

¹¹ K.H Roth, *Intelligenz und Sozialpolitik im "Dritten Reich"* (Munich, 1993).

¹² M.-L. Recker, *Nationalsozialistische Sozialpolitik im Zweiten Weltkrieg* (Munich, 1985) and M. Prinz, *Vom neuen Mittelstand zum Volksgenossen* (Munich, 1986).

¹³ G. Aly and S. Heim *Vordenker der Vernichtung* (Hamburg, 1991). Aly has so far been oddly silent about the relationship between this earlier work and *Hitlers Volksstaat*.

¹⁴ For an overview see H.-U. Wehler, *Deutsche Gesellschaftsgeschichte 1914-1949* (Munich, 2003), 731-741.

As a number of reviewers have noted Aly clearly must be aware of this literature and its nuances and complexities.¹⁶ But any systematic discussion is lacking either from the footnotes or the bibliography of *Hitlers Volksstaat*. Instead, Aly performs a kind of intellectual Jiu-Jitsu, using the momentum of the historiography to unbalance and overturn it. The culmination of this process are his claims that the Third Reich actually engaged in progressive redistribution of income and that the exactions from the occupied territories and the Jews were sufficient to spare the ordinary German population from bearing virtually any of the costs of the war.

The problem is that this is plainly wrong. And wrong not in the sense of debatable or contentious, but wrong in the sense that it is contrary to all empirical evidence and to any known body of economic theory. Aly has attempted to fob off criticism on economic grounds as a mere matter of accounting, claiming that our differences are matters of technical form rather than substance. But, as Mark Spoerer has observed, this is either an admission of ignorance on Aly's part, or a smokescreen to hide his embarrassment.¹⁷ There are certainly a number of intellectually justifiable methodologies for analysing the impact of government policy on the income distribution and estimating the economic costs of a war. But the methods employed by Aly are not amongst them.

Aly's attempt to demonstrate the redistributive effect of fiscal policy in the Third Reich is rendered meaningless by his failure to consider the underlying development of income shares. It is certainly true, as he says, that business taxation rose more rapidly than tax on wages and salaries. But since business profits were soaring in large part as a result of government spending, this is hardly surprising. Once one allows for the underlying dynamics of income shares, which vastly outweighed the impact of taxation, there is no reason to doubt the well-established picture, which is that income was redistributed sharply away from the working population and in favour of capital in the course of the 1930s.¹⁸ Certainly Hitler's economic recovery brought benefits for the entire population. But owners of capital were disproportionately favoured. The business histories of the 1980s and 1990s may have established that Hitler's government cannot in any simple sense be interpreted as an instrument of capitalism. However, thanks to the work of Mark Spoerer, the fact of a profit surge under the Third Reich cannot be

¹⁶ The key texts were H.A. Turner, *German Big Business and the Rise of Hitler* (Oxford, 1985), P. Hayes, *Industry and Ideology. IG Farben and the Nazi Era* (Cambridge, 1987) and G. Mollin, *Montankonzerne und "Drittes Reich"* (Goettingen, 1988).

¹⁷ M. Spoerer, Rezension zu: Aly, Goetz: *Hitlers Volksstaat Frankfurt am Main 2005*. In *H-Soz-u-Kult*, 26.05.2005, <<http://hsozkult.geschichte.hu-berlin.de/rezensionen/2005-2-143>>. Wehler, Hans-Ulrich, Engstirniger Materialismus, in *Der Spiegel* 14/2005.

¹⁸ M. Spoerer, Rezension zu: Aly, Goetz: *Hitlers Volksstaat Frankfurt am Main 2005*. In *H-Soz-u-Kult*, 26.05.2005, <<http://hsozkult.geschichte.hu-berlin.de/rezensionen/2005-2-143>>.

¹⁹ M.Y. Sweezy *The Structure of the Nazi Economy* (Cambridge, 1941), 207-220. R. Hachtmann, *Industriearbeit im "Dritten Reich"* (Goettingen 1989), R. Dumke, 'Income inequality and industrialization in Germany, 1850-1913' in Y.S. Brenner et al eds *Income distribution in historical perspective* (Cambridge, 1991), 125-135.

dodged.¹⁹ And there is, furthermore, good reason to believe that the liberal consensus of the 1980s and 1990s may have been rather one-sided in its emphasis on the coercive aspects of the regime's relations with German business. Recent studies by Jonas Scherner and Christoph Buchheim suggest that coercion was far from the norm and that on the whole the industrial politics of the Third Reich rested on a mutually profitable partnership between the public authorities and the business community.²⁰ Aly's bluster to the contrary, therefore, there is still plenty we need to know about Friedrich Flick and his colleagues.

Given the outrageousness of his claims, Aly's analytical failure in relation to the question of war finance is even more stark. Aly's claim that only 10 percent of the costs of the war fell on the ordinary German population reflects what might be politely described as a pre-Keynesian view of war finance. Aly's starting point is the common sense view that the costs of the war to the German population can be measured in terms of the amount of tax they paid. It is by comparing tax revenue during the war with a notional peace-time baseline that Aly arrives at his peculiar conclusions. According to Aly's logic, money raised by means such as borrowing does not count towards the immediate costs of the war, because repayment of the borrowed funds was postponed until afterwards. As he put it in the course of our exchange in the TAZ: "the credits taken up on the German capital market for the purposes of the war" allowed the regime to "postpone" inflicting the "real burden" on the German population, with the intention that these debts "should be imposed as soon as possible on the enslaved populations" of Europe.²¹ The taking up of credit itself therefore imposes, as far as Aly is concerned, no real burden on the German population, only their repayment, which will be transferred to the conquered territories.

John Maynard Keynes pointed out the fallacy of this kind of thinking in his famous pamphlet on *How to Pay for the War* first published in 1940.²² But as Reich's Finance Minister von Krosigk made clear, the economics of war finance were well understood in Germany as well: "The common argument that taxes burden the present whereas debts are carried by future generations, is false. The goods required by the fighting forces can only be provided from stocks accumulated in the past or from goods produced in the present. The burden cannot be transferred to the future."²³ Aly's idea that the 'real burden'

¹⁹ M. Spoerer, *Von Scheingewinn zum Ruestungsboom* (Stuttgart, 1996). Recently confirmed even for the disadvantaged textiles sector by G. Hoeschle, *Die deutsche Textilindustrie zwischen 1933 und 1939* (Stuttgart, 2004).

²⁰ J. Scherner, "'Ohne Ruecksicht auf Kosten'? Eine Analyse von Investitionsvertraegen zwischen Staat und Unternehmen im "Drittten Reich"', *Jahrbuch fuer Wirtschaftsgeschichte* 2004, 167-188. C. Buchheim and J. Scherner, 'Anmerkungen zum Wirtschaftssystem des "Dritten Reichs"', in W. Abelshauser, J.-O. Hesse, W. Plumpe eds *Wirtschaftsordnung, Staat und Unternehmen* (Essen, 2003), 81-97.

²¹ G. Aly, 'Nicht falsch, sondern anders gerechnet' TAZ 15.3.2005.

²² J.M. Keynes, *How to Pay for the War* (London, 1940).

²³ Schwerin von Krosigk, in *Bilanz des Zweiten Weltkrieges* (Oldenburg, 1953), 323. Das oft ins Feld gefuehrte Argument, dass bei Steuern die Gegenwart, bei Schulden die Zukunft die Last trage, ist falsch. Der Gueterbedarf des kaempfenden Heeres kann nur aus

of the war could somehow be 'postponed' until a later date, is logically and practically impossible. The costs of a war cannot be postponed. Wars, like any other economic activity, have to be 'paid for' out of current national income. The state can of course borrow from its citizens, but under conditions of full employment, such as those prevailing in Germany from the late 1930s, any large scale increase in state activity, however it is financed, must be at the expense of other economic activity. The same labour and raw materials cannot be used twice. Nor can future labour or machine capacity be mortgaged to any large degree. Military spending must be "paid for" in real terms through cuts to non-military public services and a reduction in consumption and civilian investment. By means of political pronouncements and contractual obligations one can attempt to ease the pain by providing the promise of compensation at a future date. But these too are promises only of redistribution between members of a society out of a given level of future national income, not "net" compensation, unless a society can draw on resources from outside. During the war, Germany could certainly reduce the burden on its own population by drawing on contributions from the occupied territories. And in this respect, at least, Aly is completely consistent in counting contributions from foreign governments regardless of how they were financed, whether by taxation or borrowing. Aly's mistake lies in his failure to apply the same approach to Germany's own system of so-called 'silent financing', taking full account of the resources transferred to the state not only through taxation but also by means of repressed consumption and forced saving. The results of such a conventional macroeconomic accounting exercise would however have been quite different from those yielded by Aly's lop-sided arithmetic. They are not the stuff of sensational newspaper headlines. As Mark Harrison showed years ago, although the occupied territories made an important contribution to the German war effort, the vast bulk of Hitler's war effort was supported by domestic resource mobilization. Even in 1942, the high point of the Nazi economic empire, the relative contribution from foreign and domestic sources resources was the inverse of that claimed by Aly – 25 percent foreign to 75 percent German.²⁴

angesammelten Vorräten (der Vergangenheit) oder neuproduzierte Waren (der Gegenwart) befriedigt werden. Die Last kann nicht auf die Zukunft verlagert werden.

²⁴ Mark Harrison, 'Resource mobilization for World War II', *Economic History Review* (1988), 184.