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Economics, Ideology and Cohesion in the Third Reich:

A critique of Goetz Aly's *Hitlers Volksstaat*

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For: English version of essay for *Dapim Lechecher HaShoah*¹

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 after all 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

¹ For reading an early English version of the text I wish to thank, as always, Dr Becky Conekin. For highly perceptive and quite spontaneous comments on a rather rough "final draft" I am deeply indebted to Dr Lars Fischer.

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

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 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 of course 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 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

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.

irresponsible. Thus Aly characterizes the “ordinary Germans” who are the principal actors of his books.⁴

This is clearly 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 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

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 Durchschnittsverdiender – das waren einschliesslich der Familien etwa 60 Millionen Menschen – allenfalls zehn Prozent. Die besservedienenden Deutschen trugen etwa 20 Prozent, waehrend Auslaender, 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...”

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.

	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

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.

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

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 of course 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. Spoliation, of course, was one of the major indictments levelled at the defendants at Nuremburg 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.

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

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.

¹⁵ 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).

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 been kind enough to observe, 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 dodged.¹⁹ And there is, furthermore,

¹⁶ 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.

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>>.

¹⁸ 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.

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).

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

²⁰ J. Scherner, "Ohne Ruecksicht auf Kosten"? Eine Analyse von Investitionsvertraegen zwischen Staat und Unternehmen im "Dritten 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).

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’ 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

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

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

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

Total Mobilization and Foreign Assistance: Hitler's Germany in Comparative Perspective												
	Total resource mobilization for war, regardless of origin				Resources mobilized domestically				% Mobilized from external sources			
	USA	UK	USSR	Germany	USA	UK	USSR	Germany	USA	UK	USSR	Germany
1938		7		17		2		18		71.4		-5.9
1939	1	16		25	2	8		24	-100.0	50.0		4.0
1940	1	48	20	44	3	31	20	36	-200.0	35.4	0.0	18.2
1941	13	55		56	14	41		44	-7.7	25.5		21.4
1942	36	54	75	69	40	43	66	52	-11.1	20.4	12.0	24.6
1943	47	57	76	76	53	47	58	60	-12.8	17.5	23.7	21.1
1944	47	56	69		54	47	52		-14.9	16.1	24.6	
1945		47			44	36				23.4		

Source: Mark Harrison, 'Resource mobilization for World War II', Economic History Review 2 (1988), 184.

And in comparative terms, the Third Reich hardly appears to have been a “conciliatory dictatorship”. Certainly, Aly’s repeated assertion that the Third Reich was cautious in mobilizing resources by comparison with democratic Britain is not supported by the evidence. As Harrison’s data show, the Third Reich achieved a higher level of domestic resource mobilization than the Western democracies throughout the war. And this is all the more surprising since in terms of macroeconomic productivity, both Germany and the Soviet Union were relatively backward compared to Britain and the US, being burdened by large low-productivity agricultural sectors. And yet, in proportional terms Hitler and Stalin’s dictatorships achieved higher levels of domestic resource mobilization. Our task in analysing the political economy of the Third Reich is not to explain minimal mobilization. No non-Communist regime in history has ever carried out a more draconian redistribution of resources either in war or peace.

Even if we limit ourselves to Aly’s chosen metric, the level of taxation, and take no account of resources raised through borrowing, the balance of evidence is far more ambiguous than Aly suggests. In the early years of the war, the share of government spending financed by domestic tax revenue was actually higher in Germany than in Britain. It was not until 1941-1942, after the crisis of Dunkirk had passed and the Battle of Britain had been won that Churchill’s cabinet got a firm grip on Britain’s war finances.²⁵ By that time of course they could count on the abundance of Lend-Lease to see them through any future emergency. Conversely, it was not until 1943 that the Reich’s tax revenues fell critically short of the needs of war expenditure and as Aly in fact shows, it was not until the end of that year that von Krosigk’s system of ‘silent financing’ finally began to come apart.

Direct comparisons of the per capita tax burden are bedevilled by difficulties in assessing the relative purchasing power of currencies, national incomes and even the appropriate population base. However, the evidence suggests that up to the early 1940s, contrary to the impression created by Aly, the per capita tax burden in the Third Reich was higher than that in Britain, once we allow for differences in income. Indeed, it was amongst the highest in the world.²⁶ The balance certainly shifted over

²⁵ R.S. Sayers, *Financial Policy, 1939-1945* (London, 1956).

²⁶ On this tricky topic see A. Tooze, ‘How to Pay for Hitler’s War. Taxation in the Third Reich in comparative perspective’, available in draft from the author.

the course of the war. But it was not until the latter stages, as Allied victory became obviously inevitable, that Britain and America's greater taxing capacities made themselves dramatically felt. This though is as much a reflection of the shifting military balance as it is an effect of underlying differences in political regime. Furthermore, assuming that all three regimes were interested primarily in preserving a certain absolute minimum of consumption, rather than a percentage of prewar income, the underlying differences in national income per capita – 30 % greater in Britain and 100 % greater in the United States – made it easier for the British and American populations to bear proportionally higher taxes. There is certainly no evidence by the later stages of the war to suggest that the rations of food or coal were any less stringent in Germany than they were in Britain.²⁷

Whichever metric one uses, to speak in generalized terms of the Third Reich as a 'conciliatory dictatorship', lacking the political will to extract resources from its population, is to fly in the face of the facts. What the Third Reich was unable to do, increasingly dramatically after 1942, was to find a financially sound way of paying for the exorbitant costs of a global war against overwhelming odds. But if this was 'failure', it was 'failure' only in a strictly relative sense.

III

A senior American academic with whom I discussed the early stages of this controversy remarked somewhat flippantly: "Dissatisfied Germans pillaging their way across Europe. Surely, that sounds about right." Though it is not true that the Third Reich managed to transfer as much as 70 percent of the costs of the German war effort to the non-German population of Europe, or that the Third Reich provided its citizens with a particularly progressive welfare state. There can be no doubt that Hitler's Germans did pillage on an unprecedented scale. And it is certainly true that the Third Reich made expansive social promises to its population. There is no doubt therefore that there are good reasons for exploring the territory that Aly has marked out so contentiously in *Hitlers Volksstaat*. Despite the failings of Aly's analysis, it is well worth considering the potential for a popular materialist interpretation of the Third Reich. We must ask, however, whether Aly's simplistic conceptual schema is really suitable for an investigation of this kind.

²⁷ See W.F. Werner, '*Bleib uebrig!*': *deutsche Arbeiter in der nationalsozialistischen Kriegswirtschaft* (Duesseldorf, 1983).

A number of reviewers have commented on Aly's reductive materialism, his refusal to take ideology seriously and his willingness even to downplay coercion as a factor explaining the regime's durability.²⁸ Hans Ulrich Wehler, has been particularly scathing in this respect, which is hardly surprising given the prominence he gave in the most recent volume of the *Gesellschaftsgeschichte* to charisma as a key term of analysis.²⁹ As far as I am aware, Michael Burleigh has not so far commented on Aly's most recent book. However, his own attempt to recast the history of the Third Reich in terms of political religion whilst almost completely ignoring economic factors might be taken as the polar opposite of Aly's view.³⁰

However, whereas Aly's version is clearly crude, the mistake surely is even to accept the sharp distinction between the 'material' and the 'ideological', implied by the positions taken both by Aly and his German critics. Rather than arguing in dichotomous terms about the primacy of material or ideological factors, we would surely do better to learn from two generations of work in cultural studies and cultural history, which fundamentally subvert this distinction.³¹ In attempting to understand the way in which the Third Reich appealed to the German population we should be moving towards a mode of analysis in which material and ideological motivations are not juxtaposed, but are seen as inseparably intertwined. Let us take for example the remilitarization of German society that was in every sense the dominant social intervention of the Third Reich, certainly insofar as the vast majority of the German population was concerned. How does this complex process fit within the dichotomy of material benefit v. ideology? Building a military force is obviously a 'material project' involving the expenditure of billions of Reichsmark and the transformation of bodies and physical space. But it no less obviously has profound and all pervasive ideological effects, ranging from the most overt forms of indoctrination to subtler redefinitions of the gender hierarchy and the dividing line between the public and the private. Nor is the dichotomy around which Aly and his German critics have tended to polarize the debate any more helpful in seeking to grasp consumer culture or the complex ideology of *Kraft durch Freude*, which made holiday excursions into

²⁸ See the excellent review by S. Gerhardt, 'Verzerrte Perspektive' in *Junge Welt* 6.5.2005.

²⁹ Wehler, Hans-Ulrich, Engstirniger Materialismus, in *Der Spiegel* 14/2005.

³⁰ M. Burleigh, *The Third Reich. A New History* (London, 2000).

³¹ See for instance the explorations of the fascination exerted by the car and the aeroplane by W. Sachs, *For Love of the Automobile* (Berkeley, 1992) and P. Fritzsche, *A Nation of Fliers. German Aviation and the Popular Imagination* (Cambridge Mass, 1992).

symbols of national unity.³² Nor can one make sense of the mechanisms of exclusion and marginalization that preceded the Holocaust in these terms, since creating physical and personal separation between “Jews” and “Aryans” was clearly crucial in reinforcing the ideological onslaught of Streicher, Goebbels et al.

And if the dichotomy between material and ideological dimensions of power is problematic, Aly’s second distinction between elite and popular models of the Nazi dictatorship – Friedrich Flick versus ‘ordinary Germans’ - is no less unhelpful. Somewhat surprisingly, it has gone generally unremarked in the German discussion that Aly’s rewriting of Horkheimer’s famous aphorism involves an intellectual slight of hand. Whereas Aly juxtaposes the everyday benefits derived by ‘ordinary Germans’ to the profits of big capitalists, we should remind ourselves that Horkheimer spoke not of ‘capital’ but of ‘capitalism’, a term that, of course, embraces both the likes of Friedrich Flick and the ‘ordinary Germans’ that he employed. Whilst the stress placed by the Frankfurt school in the 1930s and 1940s on the decisive role of capitalist elites in Hitler’s regime was at least one thread, some would say the last thread, which continued to connect them to more “orthodox” Marxist interpretations, they were far from blind to the ‘everyday benefits’ for ordinary Germans. The ‘function’ of fascism, as they saw it, was not simply to raise profits, but to sustain the entire capitalist system. And this was achieved not primarily by lowering wages or raising taxes, but by abolishing liberal freedoms and closing the door on any residual hope of real emancipation.

And Aly’s conceptual schema is not merely crude. It is also ahistorical. After all, if we are to interpret the Third Reich as a regime driven by the desire for self enrichment on the part of the German masses, and if we accept that the German ruling class were suffering a crisis of hegemony, we must start by explaining why the mass of the German population were in the kind of frame of mind that made them susceptible to the rhetoric of *Volksgemeinschaft*. On this most basic point, Aly offers only trans-historical generalization and moral condemnation, but no explanation. The Germans were small-minded and egotistical and if we take Aly at face value, they remain so today.

On this score, Adolf Hitler himself, had rather more interesting things to say. In his *Second Book*, dictated in the early summer of 1928, Hitler offered an interesting

³² S. Baranowski, *Strength through joy* (2004).

diagnosis of the popular unease in Germany, rooted in the uneven development of capitalism itself: Like that other Western European revolutionary of the 1920s Antonio Gramsci, Hitler highlighted the destabilizing effect that the rise of America was having in both Europe's internal and external affairs.³³

"The European today", Hitler wrote "dreams of a standard of living, which he derives as much from Europe's possibilities as from the real conditions of America. Due to modern technology and the communication it makes possible, the international relations amongst peoples have become so easy and so close that Europeans, even without being fully conscious of it, apply as the yardstick for their lives, the conditions of American life, whilst forgetting that the relationship of surface area to the population of the American continent is vastly superior ...".³⁴

For Hitler, therefore, what impelled the restlessness of the German population, what created the growing disparity between material aspirations and reality, what fuelled his search for Lebensraum was not some peculiar German stupidity - "Hirnlosigkeit" (brainlessness) to paraphrase Aly - but the dramatic ascent of American economic power and the effects of the global revolution in communications. If we are to investigate the sources of the popular mobilization and the crisis of ruling class hegemony to which Aly has so polemically addressed our attention, we could do worse, surely, than to take up this suggestion and to start by revisiting the phenomenon of Americanism that both Hitler and Gramsci clearly considered crucial to understanding Europe's situation in the aftermath of World War I.³⁵

IV

Given the deep flaws in Aly's book, the media spectacle surrounding its publication cannot but evoke uncomfortable resonances of other recent episodes. Is it too harsh to say that Aly's book belongs in the recurring genre of Holocaust sensationalism? Certainly, a number of reviewers have been struck by the similarities

³³ A. Gramsci, *Selections from the Prison Notebooks* (New York, 1971), 279-318.

³⁴ *Zweites Buch*, 58. Der heutige Europaer traemt von einem Lebensstandard, den er ebenensoehr aus den Moeglichkeiten Europas wie den tatsaechlichen Verhaeltnissen Amerikas ableitet. Die internationalen Beziehungen der Voelker sind durch die moderne Technik und den durch sie ermoeglichten Verkehr so leicht und innig geworden, dass der Europaer, als Massstab fuer sein eigenes Leben, ohne sich dessen oft bewusst zu werden, die Verhaeltnisse des amerikanischen Lebens anlegt, dabei aber vergisst, dass das Verhaeltnis der Volkszahl zur Grundflaeche des amerikanischen Kontinents ein unendlich guenstigeres ist ..."

³⁵ As for instance in V. de Grazia, *Irresistible Empire* (Cambridge, Mass 2005) and A. Tooze, *Wages of Destruction: The Making and Breaking of the Nazi Economy* (London, 2006).

to the unfortunate Goldhagen affair. Whereas Goldhagen spoke in undifferentiated terms of Germans as eliminationist anti-semites, Aly is no less blanket in his condemnation of Germans as witless unpolitical animals. Indeed, Aly goes further than Goldhagen, since he is unwilling to exempt even the Germans of today from his assault. If one takes his assertions in *Die Zeit* at face value, the aimless search for material salvation continues to this day. But, this also suggests a significant difference between Aly and Goldhagen. Goldhagen, at least, was primarily concerned with contributing to our understanding of the Holocaust, rather than scoring points against the Federal Republic. Aly, by contrast, is overt in his instrumentalization of the atrocious history of the Third Reich for present day polemical purposes.

This is an aspect of the Aly affair brought out with particular force by Michael Wildt in two excellent pieces. As Wildt notes, Aly's history of the Third Reich as welfare state is clearly written with an eye to the atmosphere of discontent that currently surrounds Germany's once-so-successful social market economy.³⁶ As he has also done in other work, Aly does not hesitate to draw a direct lineage between the Third Reich and the welfare state of the Federal Republic.³⁷ And this, in turn, has made the right-wing *Die Welt* into a somewhat unlikely platform for this erstwhile radical.³⁸ As Wildt points out, what is extraordinary about this equation between the benefits supposedly provided by the Third Reich to the ordinary German population and the postwar welfare state, is Aly's failure to recognize the difference between a welfare state project aimed at the achievement of social equality as a basis for liberty and the Nazi regime, in which equality was inseparable from coercive uniformity. Wildt himself then goes on to argue that the acclaim with which Aly's book has been received is indicative of the "crisis of orientation" currently prevailing in the Federal Republic, as it undertakes the painful "reconstruction of its welfare state" and the "redefinition of its political self understanding". Never having come to terms with its own totalitarian temptation in the political extremism of the late 1960s and early 1970s, a segment of the German left now takes flight into an absolute rejection of the welfare state, legitimized by Aly's association of social egalitarianism with National Socialism.³⁹

³⁶ M. Wildt, "Vertrautes Ressentiment", *Die Zeit* 19/2005.

³⁷ See for instance the lines of continuity invoked in G. Aly and K.H. Roth, *Die restlose Erfassung* (Berlin, 1984).

³⁸ See interview with Aly in *Die Welt* 10.3.2005.

³⁹ M. Wildt, 'Alys Volksstaat', *Mittelweg* 36 3/2005.

Rather than engaging in this debate about the current state of Germany, it seems more productive for argument amongst historians to focus on the question raised by Wildt at the beginning of his thought-provoking piece in *Mittelweg*. What after all is the intellectual and academic environment, which generates a book like *Hitlers Volksstaat?* As Wildt notes, Aly despite his considerable scholarly reputation, presents himself, not as a member of the academic community, but as a lone pioneer. He is routinely dismissive of the work of other scholars. Entire swathes of literature go completely ignored. And in responding to his critics, Aly has, as both Wildt and Spoerer remark, done his best to evade substantive argument. Beyond Aly's personal idiosyncracies, this posture, Wildt argues, is reflective of a particular mode of scholarship on the Third Reich, which prioritises archival discovery at the expense of conceptual argument and theory. And as an economic historian one is tempted to say that no branch of social theory has suffered a more dramatic eclipse in the mainstream historiography than economics. It is surely symptomatic that even within the narrow field of economic history, over the last two decades archivally driven business histories have ever more displaced systematic macroeconomic history to the sidelines.

In this sense, *Hitlers Volksstaat* is a profoundly paradoxical contribution. Aly wants to make a case for the importance of economic and financial processes in the understanding of the Third Reich. But his intentions are subverted by the unnecessary crudity of his conceptual schema and the gross errors engendered by his reliance on kitchen sink accounting techniques. Aly may have broken new ground in opening up the hitherto under-utilized files of the Reich's Finance Ministry, but his lack of technical competence combined with his determined self-isolation within the historical community, leave him unable to actually understand the perpetrators he so relentlessly pursues, or to properly situate the fascinating material that he has uncovered.