

## CORPORATE FREEDOM OF ACTION IN NAZI GERMANY

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Recently, Christoph Buchheim and his former student Jonas Scherner have advanced a reinterpretation of business-state relations in the Third Reich that has attracted considerable notice. Articulated in a series of essays that appeared in 2006 in several prominent journals, in their respective contributions to a just-published collection of conference papers entitled *German Industry in the Nazi Period*, and in Dr. Scherner's new book, their case incorporates many now established and uncontroversial findings of the existing literature, albeit too often without adequate acknowledgment of who first arrived at these or even an indication that someone has done so.<sup>1</sup> In consequence, although Buchheim and Scherner present several fruitful insights, key parts of their argument merely knock down straw men or already opened doors, while other parts slice and dice the current state of knowledge in a simplistic and misleading fashion.

The central, load-bearing propositions of the Buchheim-Scherner interpretation are as follows:

1. The Nazi state regulated German business in order to achieve autarky and rearmament, but did so quite unsystematically and never established anything resembling a centrally planned economy.
2. Because the Nazi state generally respected private property rights and freedom of contract, the regime rarely forced corporations to serve its objectives, but rather offered an array of inducements, which firms could take or leave without adverse consequences, to get enterprises to meet the regime's production goals.
3. Given this context, private enterprises in Nazi Germany retained much of their autonomy over their investment decisions and production strategies, which continued to reflect managers' estimates of long-term commercial prospects.

The problem with all of these propositions is that they are half-truths. Point one uses the well-known improvisation and lack of central planning that characterized Nazi economics to divert attention from the fact that the interventionist spiral set in motion

<sup>1</sup> Christoph Buchheim, "Unternehmen in Deutschland und NS-Regime 1933-1945: Versuch einer Synthese," *Historische Zeitschrift* 282 (2006):351-90; Jonas Scherner, "Das Verhältnis zwischen NS-Regime und Industrieunternehmen-Zwang oder Kooperation," *Zeitschrift für Unternehmensgeschichte* 51 (2006): 166-90; Christoph Buchheim and Jonas Scherner, "The Role of Private Property in the Nazi Economy: The Case of Industry," *Journal of Economic History* 66 (2006): 390-418; Christoph Buchheim, "Introduction: German Industry in the Nazi Period," in Christoph Buchheim (ed.), *German Industry in the Nazi Period* (Stuttgart, 2008), 11-26; Jonas Scherner, "Investment Contracts Between State Agencies and Industry in the Third Reich," in *ibid.*, 117-31; and Jonas Scherner, *Die Logik der Industriepolitik im Dritten Reich* (Stuttgart, 2008).

by Nazi trade policy in 1933-34 developed by 1938 into a full-blown, comprehensive, and state-mandated rationing and allocation system for every factor of production.<sup>2</sup> That system then became more rigorous during the war and almost airtight from 1942 on. Point two is right that the Nazi regime preferred the carrot to the stick, for both ideological and practical reasons, but quite wrong to deny the intimidating effect of the most spectacular exceptions to this preference: the forced sale of Junkers aircraft in 1933, the conscription of private enterprises to underwrite the formation of the Braunkohle Benzin AG (Brabag) in 1934, and the virtual confiscation of the Salzgitter iron ore fields from German heavy industry in 1937 as part of the establishment of the Hermann-Göring-Werke, not to mention the impact on corporate decision-making of the numerous removals of chief executives during the war, including Paul Reusch of the Gutehoffnungshütte, Willy Messerschmitt and Ernst Heinkel in the aircraft industry, and Franz Josef Bopp at BMW. Point three

is correct that many corporate leaders recurrently imagined—indeed, longed for—an economic future that would resemble the pre-Nazi, free market past and thus tried to sustain their traditional core operations. But Buchheim and Scherner both overstate the limited success that most large firms enjoyed in clinging to business as usual and understate the considerable



**Reichswerke “Hermann Göring,” Linz Division, groundbreaking ceremony in May 1938. Photo: Bundesarchiv.**

extent to which many executives modified their evaluations of commercial prospects along party lines in the key interval of 1937-42.

In essence, Buchheim and Scherner have brought “the voluntarist turn” in historical writing about the Third Reich to the field of business-state relations in that era. This trend, ably described and critiqued by Neil Gregor, refers to the gathering interpretive tendency to stress the willing, freely chosen participation of Germans in the policies of the Nazi government.<sup>3</sup> In stressing, on the one hand, the

2 An exhaustive case study of how this occurred is Ralf Banken, *Edelmetallmangel und Grossraubwirtschaft* (Berlin, 2009).

regime's deference to private property and freedom of contract, and on the other hand, the corporate sector's assessment of Nazi initiatives according to such conventionally capitalist decision-making criteria as concern for relative market shares and near- and long-term profitability, Buchheim and Scherner present a picture of a relatively normal capitalist economic setting in which negotiations between business and government proceeded on a fairly familiar and equal basis and corporations possessed only mildly circumscribed freedom of action. On the whole, then, Buchheim and Scherner maintain that businessmen's decisions were unconstrained products of their own desires, calculations, and priorities. In so far as firms made common cause with the Nazi regime, they did so largely of their own volition.

This reinterpretation deviates sharply from the rather more nuanced consensus view that developed among scholars of business in the Nazi regime over the past thirty years.<sup>4</sup> That view sees the Nazi economy as a hybrid of market mechanisms and state directives, a mix of incentives and instructions, rewards and reprisals, opportunities and obstructions. In this "carrot-and-stick" or "Skinner Box" economy, corporations' micro-economic decisions were increasingly channeled in directions the regime desired by the interaction of government funding and state-guaranteed profit margins for producing certain goods, on the one hand, and steadily tightening official controls, stiff penalties for their violation, the possibility of government compulsion, and the danger that refusal to cooperate could open opportunities to competitors, on the other. In other words, the Third Reich both bridled and spurred the profit motive. A complex, somewhat jury-rigged repertoire of positive and negative reinforcements influenced the production and investment decisions of most enterprises, and these became increasingly conditioned by the regime's macroeconomic priorities with each passing year. Buchheim and Scherner, in effect, seek to strip away one side of this story as superfluous. In their account, neither fear nor force played an appreciable part in limiting the freedom of businesses to determine their outputs under Nazism; indeed, macroeconomics seldom had much influence either.

This new depiction of corporate freedom of action in the Third Reich strikes me as an analytical step backwards. Whatever utility Buchheim and Scherner's interpretation may have as an account of decision-making in relatively small-scale enterprises, it seriously misstates the thinking and situation of German big business under Nazism. Considerations of space prevent me from delineating all

3 Neil Gregor, "Nazism—A Political Religion? Rethinking the Voluntarist Turn," in Neil Gregor (ed.), *Nazism, War and Genocide: Essays in Honour of Jeremy Noakes* (Exeter, 2005), 1-21.

4 See the very able summary of the literature in Werner Plumpe, "Unternehmen im Nationalsozialismus. Eine Zwischenbilanz," in Werner Abelshauser, Jan-Otmar Hesse, and Werner Plumpe (eds.), *Wirtschaftsordnung, Staat und Unternehmen: Neue Forschungen zur Wirtschaftsgeschichte des Nationalsozialismus* (Essen, 2003), 243-66; and the essays in Francis R. Nicosia and Jonathan Huener (eds.), *Business and Industry in Nazi Germany* (New York, 2004).

my objections and the evidence for them here, so I will concentrate my remarks on two telling *absences* from Buchheim and Scherner's story that weaken it decisively.

First, like the voluntarist turn in general, their account virtually ignores the political context in Nazi Germany, which was marked by constant and open threats to any person or entity that did not serve the national interest as the regime defined it, along with considerable room for arbitrary punishment. One should not forget, for example, that the resistance of heavy industry to the seizure of its ore fields in



Hermann Göring (left), with Hitler, May 1939. Photo: Bundesarchiv.

1937 was broken by Göring's blunt indication that he intended to use the laws against economic sabotage against corporate leaders who opposed him.<sup>5</sup> Naturally, in a system that wished to harness business's energy and expertise, the regime generally displayed flexibility in order to obtain them, usually by offering financing options that reduced the risk of producing what the regime desired, and resorted to the alternatives of seizure or founding state-owned competitors only in highly important instances when Plan A failed, e.g., the Hermann-Göring-Werke and Volkswagen AG. I know of no reputable scholar in the field who has ever put the matter differently. But those scholars also have taken care to note that these resorts to Plan B left an impression on the corporate world, all the more so as government spokesmen repeatedly referred to them as replicable precedents.

Second, Buchheim and Scherner's generalizations rest on selective scrutiny of only one dimension of business-state relations, namely, corporate reactions to projects the Nazi government wanted carried out. An equally important indicator of the nature of business-state relations in the Third Reich, however, concerns projects companies wanted that the state blocked. When business sought to pursue lines of development justified by commercial calculations that were not also national ones, it usually found the authorities to be implacable and effective impediments. Buchheim and Scherner repeatedly imply that the large reserves corporations amassed during the 1930s were at

<sup>5</sup> Gerhard Thomas Mollin, *Montankonzerne und "Drittes Reich"* (Göttingen, 1988), 102-07; Richard Overly, *War and Economy in the Third Reich* (New York, 1994), 104-05.

their free disposal and, thus, that firms could pursue their own development strategies without serious interference. This is simply wrong, as a host of corporate studies have shown in recent years, because of official control over access to raw and building materials, machinery, and labor.<sup>6</sup> Indeed, the very size of these accumulated reserves reflected the constraints to which corporate decisions were subjected. With dividends capped, tax rates on corporate profits rising by 5 percent annually from 20 percent in 1935 to 55 percent in 1942, and interest on capital held in reserves also fixed, understanding what firms were prepared to do at the state's behest is impossible without paying attention to what they were not allowed to do instead.

My first objection essentially concerns the mentality or working assumptions of German corporate executives in the Third Reich. According to Buchheim, such people never took seriously sporadic Nazi threats to nationalize or socialize industry, since the costs to the regime of doing so were bound to outweigh the benefits.<sup>7</sup> Scherner adds the observation that the regime wielded this sort of stick toward business very seldom after the onset of the Four Year Plan in 1936-37.<sup>8</sup> As a result, both authors emphasize, most firms continued to design their production strategies around traditional commercial considerations, including the avoidance of overcapacity and the preservation of mainstay markets, so as to secure their long-term competitiveness. A major problem with this contention is that the rhetorical threat was not sporadic at all, but rather constant, although it rose to several crescendos, notably in 1937-38 and 1940-41. In my book on IG Farben, I cited numerous such examples, including Hitler's public remark in September 1937 that "[i]f private enterprise does not carry through the Four Year Plan, the state will assume full control of business," and State Secretary Brinkmann's warning a conference of insurance and banking executives in October 1938 not to "underestimate the possibility of the state managing wherever business cannot produce to an adequate degree or perform creatively."<sup>9</sup> In my book on Degussa, I quoted Hermann Schlosser, the chairman of that firm's managing board, admonishing his colleagues in July 1940, following the great German victories in the West, to bear in mind that in future:

If, rightly or wrongly, the initiative and tempo of expansion on a private economic basis become viewed as inadequate, then the danger of not only a planned but also a state-imposed system will be strengthened. ... The

6 In addition to the corporate histories cited elsewhere in these notes, see, for example Neil Gregor, *Daimler-Benz in the Third Reich* (New Haven, 1998); Christopher Kobrak, *National Cultures and International Competition: The Experience of Schering AG, 1851-1950* (New York, 2002), esp. 255-95; Werner Abelshauser, "Rüstungsschmiede der Nation? Der Kruppkonzern im Dritten Reich und in der Nachkriegszeit 1933 bis 1953," in Lothar Gall (ed.), *Krupp im 20. Jahrhundert* (Berlin, 2002), 328-74; Raymond Stokes, "From the IG Farben Fusion to the Establishment of BASF AG (1925-1952)," in Werner Abelshauser et al., *German Industry and Global Enterprise. BASF: The History of a Company* (New York, 2004), esp. 273-93; Dirk Hackenholz, *Die elektrochemischen Werke in Bitterfeld 1914-1945* (Münster, 2004), esp. 237-87; and Manfred Overesch, *Bosch in Hildesheim 1937-1945* (Göttingen, 2008).

7 Buchheim, *HZ* 282 (2006): 366.

8 Scherner, *ZfU* 51 (2006): 189-90.

9 Peter Hayes, *Industry and Ideology: IG Farben in the Nazi Era* (New York, 1987), 171-72.



10 Peter Hayes, *From Co-operation to Complicity: Degussa in the Third Reich* (New York, 2004), 195 [translated as *Die Degussa im Dritten Reich* (Munich, 2004), 211].

tendency expressed by the Hermann-Göring-Werke will be reinforced yet again if business does not exploit its chances sufficiently.<sup>10</sup>

In a similar vein, Gerald Feldman's book on Allianz amply documents the unnerving effect on that firm's executives of recurrent rounds of



**Hermann Schlosser, chairman of Degussa's managing board (Vorstandsvorsitzender), 1939-1959 (suspended 1945-49). Photo: Evonik Industries AG, Konzernarchiv Frankfurt.**

11 Gerald Feldman, *Allianz and the German Insurance Business, 1933-1945* (New York, 2001), 150-89, 304-44; Ludolf Herbst and Thomas Weihe (eds.), *Die Commerzbank und die Juden 1933-1945* (Munich, 2004), 186.

12 Henry Ashby Turner, Jr., *General Motors and the Nazis* (New Haven, 2005), 44, 90-99.

agitation in Nazi circles in favor of a public takeover of the insurance industry. Moreover, the first published volume by the research team working on the Commerzbank under the Nazi regime records a speech by Kurt Lange, the vice-president of the Reichsbank in January 1941 that cataloged the alleged insufficiencies of joint stock banks in carrying out government policy and pointedly reminded their managers that the best antidote to possible nationalization would be a "proper attitude ... to the National Socialist economic program."<sup>11</sup> Henry Turner's book on Opel AG quotes its managers in mid-1936 reporting to General Motors, the U.S. parent company, that Opel faced "a veiled threat of confiscation," and then shows that the U.S. managers withdrew from the firm's board in the fall of 1939 and assented to producing components for German bombers only in order to stave off a government-authorized takeover by Junkers aircraft.<sup>12</sup> None of these

numerous remarks appears to have made an impression on Buchheim or Scherner. Neither scholar's analysis so much as alludes to any of them or to the numerous documented comments by German industrialists, especially in the period 1937-42, that they had to prove what private enterprise could accomplish, lest the state resort to different devices.

In my book on IG Farben, I also excerpted another highly pertinent document that apparently also failed to arrest Buchheim's or Scherner's attention. The unsigned memorandum records a meeting that occurred on 20 October 1938, in the middle of a clash between the government and the principal producers of coal in the Ruhr over the volume and distribution of their output. Present were four high-ranking executives of Preussag, the Gutehoffnungshütte, and

Otto Wolff's Neuenkircher Eisenwerk, along with Ernst Poensgen, the chairman of the Vereinigte Stahlwerke, Albert Pietzsch, the president of the Reichswirtschaftskammer, and Wilhelm Zangen, the chairman of Mannesmann, who also headed the Reichsgruppe Industrie. The principal item on the agenda was a discussion of a recent meeting between Zangen and Hermann Göring at which the latter had demanded that German industry increase its export proceeds in the coming year by one billion Reichsmark so that the Reich would have sufficient foreign exchange to pay for materials vital to Germany's preparation for war. Here is how Zangen summarized Göring's viewpoint:

He assumes that German business has grasped the seriousness of the situation as well as he. If, nonetheless, his goal is not reached, then he will have no alternative to appointing a State Commissioner to direct the economy and equipping him with all powers, including to seize specific sectors of business that in his judgment cannot do what the state must demand of them.

The author of the memo, who appears to have been Poensgen, goes on to say at the end of the six-page document:

I, too, am of the opinion that we are in the highest state of excitation at present and that, if we give the state cause to call our performance unsatisfactory, an expropriation will not be avoidable ... I can certainly vividly imagine that in such a case the socialization of the mines would be ordered and conducted from on high ... Business, especially the mining industry, never has been in such danger as today."<sup>13</sup>

These are not the words of corporate executives who confidently discounted the regime's determination to get its way.

Buchheim and Scherner's contention that the regime's rhetorical bullying of private enterprise had no impact on its leaders because it was never acted upon is demonstrably false. Paul Walter was appointed in 1939 as Reich Commissar for Coal, in which capacity he had authority to dictate output and distribution. His incompetence soon proved as powerful an inducement for industry leaders to work with the regime as the threat of socialization had, and he was elbowed aside two years later by the leader of the Hermann-

13 Klöckner-Archiv, Bestand Peter Klöckner, Kleiner Kreis, Bd. 1, Aktennotiz über die am 20. Oktober 1938 um 11½ Uhr im Büro des Herrn Dr. Ernst Poensgen unter dessen Vorsitz stattgefundene Besprechung in einem kleinen Kreise, 20.x.38, no signature.

Göring-Werke, Paul Pleiger.<sup>14</sup> But the point remains that the regime actuated its threat and in a fashion that industrialists had reason to dread seeing repeated. Besides, even without such a counter-example, the Buchheim/Scherner claim would not be credible. To say that industrialists could and did disregard recurrent Nazi threats to dispossess them because these ceased to be carried out after 1938 is like saying that the non-use of the nuclear option after the attacks on Hiroshima and Nagasaki means that no one was or should have been concerned about the bomb during the Cold War. Well, maybe in retrospect.

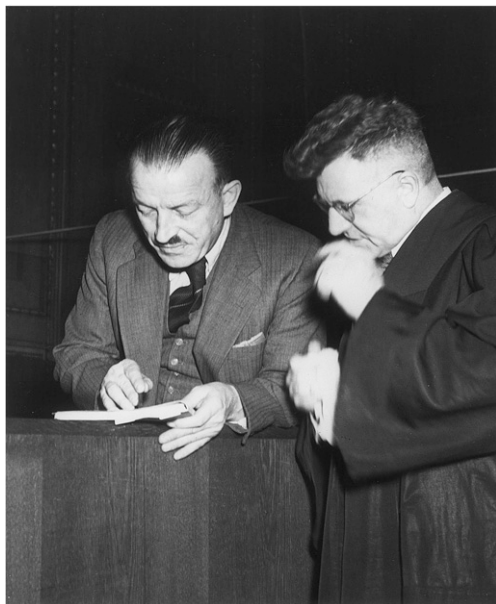
Moreover, in so far as the Nazi state turned away from the blunt-instrument forms of coercion on which Buchheim and Scherner fixate, it did so because it no longer needed them as much after 1938. Examples had been made, fear inspired, and the lessons internalized, on both sides of the business-state divide. Consider the following progression: Until 1937, the prototypical worst case of what awaited companies that did not cooperate with the regime's objectives was the compulsory formation of Brabag; after 1937, it was the establishment

of the Hermann-Göring-Werke on the basis of ore fields that were, in effect, confiscated; and beginning in 1941, it was the creation of the Kontinentale Öl AG as a public-private partnership to exploit the oil resources of conquered Eastern Europe, but one in which state representatives held controlling positions on both the supervisory board and the administrative committee, and the government owned sufficient multi-vote shares to ensure its virtually perpetual dominance of policy. In the first case, industrial opposition was broken by decree, as Hjalmar Schacht used his power to compel recalcitrant enterprises to fund the new firm; in the second case, the simple expedient of threatening the leaders of resistant firms with legal charges was enough to dissolve resistance; and in the third, all the corporate parties just fell in line

and paid in their allotted share of the operating capital in order to get a piece of the economic action in occupied territories.

Finally, in this connection, one has to emphasize that, when corporate executives factored the possibility of coercion by the Nazi

<sup>14</sup> John Gillingham, *Industry and Politics in the Third Reich* (London, 1985), 62-64, 114.



**Paul Pleiger, head of the Hermann-Göring-Werke, pictured here (left) as a defendant in the Nuremberg Trials, 1948. Photo: Bildarchiv Preussischer Kulturbesitz.**



state into their decisions about whether or not to produce what it requested, their chief worry was not usually or primarily about nationalization or another form of state takeover. It was about the loss of market positions or specialized knowledge to more cooperative competitors or newly created state-supported enterprises. One adverse consequence of recalcitrance is illustrated by IG Farben's experiences with synthetic fibers in the 1930s. Reluctance to expand output as rapidly as the regime wished was met by the formation of five quasi-publicly financed regional synthetic fiber firms to meet the production targets and compete with Farben.<sup>15</sup> Worries about state-sanctioned competition were prominent among the arguments Farben executives made for joining in the Reich's ambitious plans to expand aluminum output in Norway, as in this passage from a letter to the firm's chairman of 23 October 1940:

We consider it quite possible that the Hermann-Göring-Werke will enter the field if Farben does not take the opportunity offered now. If that happens, ... we would once again experience the situation that existed after the World War ... [when] the Lautawerk, the largest foundry, fell to the state, and the combine [i.e., Farben] had to restrict itself to 20% of aluminum production. If another state-owned firm enters this field, our share would be still further reduced. This firm also would be sure to enter the field of magnesium.<sup>16</sup>

Similarly, concern that the state could create an *Auffanggesellschaft* to carry out the Aryanization of Jewish businesses in 1937-38 added to the zeal with which the established joint stock banks stepped up their financing of such transactions. Moreover, in this instance, as in many others involving the prospect of state interference, the animating fears were not just of income lost to another party. Rather, the bankers dreaded either success or failure on the part of such a new entity, since success would vindicate the principle of state enterprise, whereas failure, especially in the form of politically influenced distribution of properties, might wreak economic havoc with businesses that often were former bank customers.<sup>17</sup>

In short, fear of the consequences of the Nazi regime acting without them—whether that fear was of nationalization, the creation or promotion of competitors, the loss of patents and processes, or merely damage to a firm's existing business as a result of governmental ham-handedness often played a demonstrably significant role in restricting corporations' ability to lay down and pursue their

15 Stephan Lindner, *Den Faden verloren* (Munich, 2001), 35; Hayes, *Industry and Ideology*, 145-47; and Scherner, *Logik der Industriepolitik*, 163-84, which relies too heavily on the internally contradictory arguments of Gottfried Plumpe, *Die I.G. Farbenindustrie AG* (Berlin, 1990).

16 Hayes, *Industry and Ideology*, 292.

17 Harold James, *The Deutsche Bank and the Economic War Against the Jews* (New York, 2001), 57-59; Peter Hayes, "The Deutsche Bank and the Holocaust," in Peter Hayes (ed.), *Lessons and Legacies III: Memory, Memorialization, and Denial* (Evanston, 1999), 81-85; and Herbst and Weihe (eds.), *Commerzbank und die Juden*, 106-30.

lines of development autonomously. To put the matter in the most dramatic possible terms, of course both Degussa and IG Farben agreed to work with the state in developing the production of carbon black and synthetic rubber (buna) because the firms expected these products to achieve long-term profitability. But there is not the slightest reason to believe that either enterprise would have done so at the tempo the state demanded or would have bowed to the state's insistence on locating factories for these products at Gleiwitz and Auschwitz, respectively, if the relevant leaders of both firms had not concluded that a negative response would jeopardize monopolies they had acquired through research acumen and built up with the state's assistance. In fact, there is an abundance of evidence to the contrary. Indeed, that evidence powerfully suggests that, with regard to large firms in the chemical industry at least, Buchheim and Scherner's judgment that "the initiative for investment projects normally [came] ... from the enterprises themselves and not from any state planning agency," requires substantial qualification.<sup>18</sup>

18 Buchheim and Scherner, *JEH* 66 (2006): 398.

19 Hayes, *From Cooperation to Complicity*, 114 [*Degussa im Dritten Reich*, 130]; Buchheim, *HZ* 282 (2006): 357, 362.

As indicated earlier, the second chief reason I think Buchheim and Scherner's argument falls short concerns the one-sidedness of their approach to the phenomenon they analyze. Scholars who have looked at business-state relations through the filter of corporate strategies

that the Nazi state stymied, rather than that of government goals that firms were persuaded to serve or not, present a far less normalized picture of microeconomic decision-making in the Third Reich. This angle of vision has led me to argue that large German firms could and in some cases did lose



IG Farben's buna plant at Auschwitz. Photo: Bundesarchiv.

control over their own mix of outputs to the state and thus become quasi-public or quasi-state entities via a process of indirect socialization, a characterization to which Buchheim takes especially vigorous exception.<sup>19</sup> I will try here to substantiate my position in two ways, the first regarding a particular turning point in the interaction of

the Nazi regime with both Degussa and IG Farben that occurred in 1938-39, and the second concerning a series of products that Degussa considered essential to its future competitiveness and thus sought to expand production of, but could not do so because the regime withheld necessary materials.

The turning point of 1938-39 was a massive liquidity crisis that affected both Degussa and IG Farben because capital expenditures, mostly for new plant pursuant to the autarky and armaments drives, not only outstripped depreciation, but appeared likely to exhaust each enterprise's reserves.<sup>20</sup> The respective chairmen therefore announced belt-tightening strategies that promptly fell well short of achieving their objectives. Why? The answer lies in a far subtler form of state penetration of corporate decision-making than Buchheim and Scherner are willing to acknowledge. Neither Hermann Schmitz of IG Farben nor Ernst Busemann of Degussa could rein in their burgeoning outlays for new installations because several of their division heads had become more attached to expanding their operations with the aid of state support than to their chairman's view of the overall enterprise's financial health. The regime's determined promotion of autarky and armament fragmented corporate interests and created new coalitions between subsets of executives and specific government or military agencies. These alliances could and did break down linear divisions over output strategies between firms and the state and replace them with battles fought out within the firms, battles in which the party, allied with the government's purposes, often prevailed. Degussa's inability from 1938 to 1945 to rein in the expenditures and indebtedness of its wholly owned subsidiary, the Auergesellschaft, because its managers enjoyed the backing of the Defense Ministry for which they produced, is another, longer lasting illustration of this phenomenon.<sup>21</sup> Whether a private enterprise's loss of control over its investment outlays in order to satisfy state-forced demand suffices to justify describing the firm as "quasi-public" or "indirectly socialized," as I did, is for scholars to debate. But the occurrence of that situation, even if documented in only a few cases to date, certainly undercuts Buchheim and Scherner's claim that the Nazi regime left firms "ample scope to devise their own production and investment profiles."<sup>22</sup>

As for Degussa's frustrated expansions, they were, in fact, in the three lines of business development to which the firm assigned *highest commercial priority* in 1939. The first was a new plant to make metallic sodium, one of the firm's traditional core products

20 See Hayes, *Industry and Ideology*, 205-06; and Hayes, *From Cooperation to Complicity*, 134-36 [*Degussa im Dritten Reich*, 150-52].

21 Hayes, *From Cooperation to Complicity*, 128-32, 221-25 [*Degussa im Dritten Reich*, 143-46, 234-39].

22 Buchheim and Scherner, *JEH* 66 (2006): 390.

used in the manufacture of metal hardeners, cyanides, detergents and bleaching agents, tetraethyl lead, synthetic fuel, and synthetic rubber. The second project was a new installation to fabricate another chemical for which Degussa at the time also was the nation's leading producer, namely hydrogen peroxide, which was essential for synthetic fiber-making and textile processing, porous concrete, and several fledgling military applications. The third initiative was a giant new and integrated Central Works, which was intended to bring together many of Degussa's scattered and outmoded factories on one modern site.

Johannes Eckell, a former employee of IG Farben who had become the official in Berlin responsible for the chemical industry, declined to issue building permits and construction material allocations for the first two projects when Degussa requested them in early 1939. He did not relent for three years, until March and September of 1942, respectively, by which dates too little time remained to complete either factory before the end of the war. Degussa concluded that, as a result, it had lost its pre-eminence in sodium production to IG Farben and its leading position in hydrogen peroxide output to the state-established installations and the politically better-positioned firms of Albert Pietzsch, all of which Eckell had favored in his allocations. As for Degussa's planned Central Works, the Nazi regime did permit the firm to expend accumulated capital on the project, but otherwise withheld its support on the grounds that the installation was not vital to the war effort. Thus little happened between Degussa's vote to undertake the project in November 1939 and the end of 1941, and the project was revived in 1942 only by altering the plans to include more output of formaldehyde for military purposes. Although that installation came on line in late 1943, no other part of the factory was finished by the time the Russian army arrived in March 1945.<sup>23</sup>

Of course, the delays in these cases were aggravated by the outbreak of World War II. Nonetheless, the important points are that a government official decided what Degussa could build and when, not the corporations' own executives, and that he first exercised that decision in peacetime, on the basis of the authority over the German economy that the Nazi state already had acquired.

Although both Buchheim and Scherner relentlessly reject the use of the word "compulsion" (*Zwang*) in describing business-state relations under Nazism, the latter author concedes in one passage that firms did have to contend with "state-induced quandaries"

23 Hayes, *From Cooperation to Complicity*, 138-41, 197-204 [*Degussa im Dritten Reich*, 153-55, 213-23].

(*staatlich induzierte Zwangslagen*).<sup>24</sup> Buchheim does not use such language, as far as I can tell, but he provides several examples of the phenomenon.<sup>25</sup> Admissions of this sort go some of the way toward closing the interpretive gap between us. Even so, Buchheim and Scherner's stance remains too literal and stilted. Consider their claim that after 1933 firms could continue producing as before by making sure that their traditional output was exported, since the regime valued the resulting earnings in foreign exchange. This is true enough, as far as their story goes.<sup>26</sup> Unmentioned, however, is the circumstance that exporting was frequently an unattractive way of making a profit in the Third Reich, since the Reichsmark was so over-valued and the export subsidy system so cumbersome that German enterprises generally made more money per unit of output at home than abroad. In other words, yes, opting for export to sustain familiar lines of production sometimes was an available alternative, but it was often not an appealing one, which is one of the reasons that Göring felt he had to threaten heavy industry with a state commissioner in 1938 in order to make it sell more abroad. Moreover, even in this context, the larger point applies: Such freedom of action as remained for firms with regard to what they produced existed at the pleasure of the regime. The war years made this crystal clear, as demonstrated by Hartmut Berghoff's superb book on the Hohner harmonica firm and Michael Schneider's well-researched study of three Chemnitz office machine makers. In 1939-42, the firms they examine managed to keep producing even diminishing quantities of their traditional product lines only by also turning out rising volumes of military goods.<sup>27</sup> In other words, Nazi economic policies structured opportunities and thus corporate executives' choices. Did businessmen retain free will? Of course, they did. Was their autonomy intact? I think not.

In sum, I believe that Buchheim and Scherner wield Occam's Razor as if it were Sweeney Todd's and with, figuratively speaking, correspondingly extreme results. What remains after they have hacked away rather arbitrarily at the existing literature is a depiction of entrepreneurial maneuvering room in Nazi Germany that presents economics in virtual isolation from politics, corporate thinking on the basis of an incomplete analysis of its determinants, and the fluctuating relationship between business and the state as largely static. Revisionism in historical writing is often to the good, but this instance of the practice serves as a reminder that when historians set out to correct the historical record, they should take care not to overdo the job.

24 Scherner, *ZfU* 51 (2006): 186-87.

25 See especially *HZ* 282 (2006): 383-85.

26 Buchheim and Scherner, *JEH* 66 (2006): 395.

27 See Hartmut Berghoff, *Zwischen Kleinstadt und Weltmarkt: Hohner und die Harmonika 1857-1961* (Paderborn, 1997), 465-66, 479-83; and Michael C. Schneider, *Unternehmensstrategien zwischen Weltwirtschaftskrise und Kriegswirtschaft: Chemnitzer Maschinenbauindustrie in der NS-Zeit 1933-45* (Essen, 2005), esp. 235-47.



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