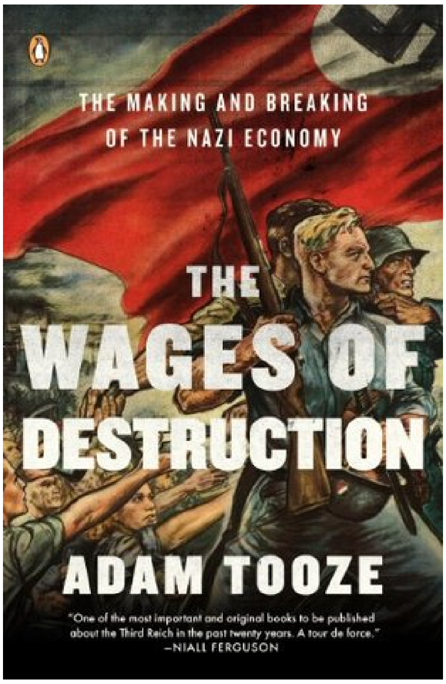

The Wages of Destruction: The Making and Breaking of the Nazi Economy

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In this groundbreaking new history, Adam Tooze provides the clearest picture to date of the Nazi war machine and its undoing. There was no aspect of Nazi power untouched by economics?it was Hitler?s obsession and the reason the Nazis came to power in the first place. The Second World War was fought, in Hitler?s view, to create a European empire strong enough to take on the United States. But as *The Wages of Destruction* makes clear, Hitler?s armies were never powerful enough to beat either Britain or the Soviet Union?and Hitler never had a serious plan as to how he might defeat the United States. *The Wages of Destruction* is an eye-opening and controversial account that will challenge conventional interpretations of the period and will find an enthusiastic readership among fans of Ian Kershaw and Richard Evans.

The Wages of Destruction: The Making and Breaking of the Nazi Economy Details

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From Reader Review The Wages of Destruction: The Making and Breaking of the Nazi Economy for online ebook

Randy Mcdonald says

Tooze provides abundant evidence for his argument that Germany in the 1920s and 1930s, far from being a uniquely advanced economy full of V-2s and Volkswagens, actually lagged behind its competitors. The vast Fordist demi-continent of the United States was for many Germans, an obvious competitor and model, but so were Britain and France, with their vast empires, their high wages, and their relatively abundant agricultural land. Germany, in Tooze's convincing depiction, was a country with an economy that saw little to no net growth over the two decades that followed the First World War, with an urban working class that could barely afford to sustain itself and a peasantry forced to subsist on overcrowded land and little prospect of this changing. One response to the interwar conundrum--the respone, Tooze notes, that West Germany took after the Second World War--would have been for Germany to try to integrate itself into an integrated world and European economy, but the unsettled and unsettling tone of politics in interwar Europe kept that from being fulfilled. Alexander Harrowell pointed out that the Nazis responded by wanting to "shake the structure until it fell down; the economic history of the 30s in Germany is one of continuous foreign exchange crises, mitigated by a succession of increasingly inconsistent expedients." Indeed, "[b]y 1939, the Reichsbank was reduced to commissioning secret studies to estimate the mark’s exchange rate; the economists who carried them out concluded that the concept was now meaningless in the light of dozens of mutually incompatible side-deals with Germany’s trading partners."

The German economy fared worse in the Second World War. Nazi Germany's economic policy-making, rather than advancing beyond sustained inconsistently, devolved to the point of the wholesale pillage of conquered and satellite states. The sort of willing pan-European collaboration that could have made a difference, Tooze points out, was short-circuited not only by Nazi Germany's inability to treat other polities as its equals but by the economical unsustainability of a Europe deprived of extra-European trade. In the end, it all came crashing down.

Tooze's economic history is gripping, not only because it's an economic history that presents compelling arguments but because of its insights into Nazism. As the debate over at J. Bradford Delong's blog suggests, the long-standing debate as to whether the Holocaust and other Nazi atrocities were planned by the Nazis in advance (intentionalism) or came about as an epiphenomenon of other Nazi policies (functionalism) seems to have been settled in favour of the intentionalists: An interwar Germany without Nazism might well have gone to war against most of Europe with the aim of securing economic hegemony, but without Nazism's influence on German policy-making (Heather Pringle's The Master Plan, among other books, provides an overview of some of Nazism's inherent irrationality) it seems quite unlikely whether a Nazi-less Germany would ever have come up with such manifestly counterproductive schemes as liquidating the populations of eastern Europe. Too, as Harrowell points out, images of the Americans' settlement of the west of their country and Britain's empire featured prominently as models for Germany's feature imperium, suggesting that Hannah Arendt was quite right to identify intimate links between 19th century European imperialisms and 20th century European wars and genocides. (Mamdami also seems to have been wrong to argue in his *When Victims Become Killers* that the Nazi Germany did not perceive itself to be a colonizing power in eastern Europe.)

Compelling, well-written, innovative, certainly a classic, *The Wages of Destruction* must be read by anyone interested in the economics of Nazism and interwar Europe. Tooze deserves a thank-you.

Stefan says

The Wages of Destruction is a brilliant, fascinating exploration of Nazi Germany's economy. Adam Tooze does an excellent job at writing about the personalities and issues of the Germany's economy, and logically dispels a variety of myths cultivated by prior historians. Tooze did a superb job at objectively describing the realities around the Holocaust, the German "war machine", slave labor, the relationship between the Nazi party and commerical/industrial companies, and how the problem of low amounts of food impacted all policy within the regime. This is not a light, easy, or basic history, the reader should have either a serious interest in economic history or the history of Nazi Germany to consider reading this book. This book also requires the reader to have an established grasp of the history being covered, and also deals with many complex charts, figures, and explanations. Overall, a magnificent book that applies top-notch academic study to the important (but often overlooked) subject of economics and economy in the Third Reich.

Gwern says

A fascinating account of the economic transformation of Germany under the Nazis, the repression & distortion of the German economy, the strategic confusion & ignorance of their best options revealed by shifting armament priorities (such as the underemphasis on tanks & overemphasis on surface ships), the difficulties imposed by exchange rates, how often Germany teetered on the brink of disaster, and how Hitler's constant focus on the danger of the American juggernaut guided his grand strategy; Nazi Germany's militarization based on debt induced competing arms races / instability an the country quickly (and only temporarily) became the deadliest shark in the European waters, which had to desperately keep swimming forward & taking insane gambles if it was not to choke to death on its own accumulated wastes & bad decisions, in the hopes that it could eat all its enemies before they woke up & ate it, and while the shark got a reprieve in Austria and then the freak victory in France, it eventually hit a wall in Russia and died after thrashing around for a while.

Tooze's account of WWII explains many otherwise baffling points for me, such as the focus on futuristic weapons or why Nazi Germany sought an alliance with Japan even at the cost of declaring war on the USA & striking FDR's shackles, why it invaded the USSR with less than an ultimate effort, and the economic consequences of its conquests (predictable to anyone who's read Tainter's *The Collapse of Complex Societies*). Particularly surprising is Tooze's description of how impoverished Germany was in comparison to rival countries (despite the gleaming technology and Blitzkrieg we associate with Nazi Germany, and the industrial conglomerates like IG Farben with Imperial Germany, most of Germany was still rural & unproductive, and the country abjectly dependent on imports to maintain its agriculture; Tooze includes a very telling anecdote: Ford Motors, when considering a plant in Germany, found that to give its blue-collar American workers their accustomed lifestyle would require expenses 4x that of normal blue-collar German workers; and horses will feature repeatedly throughout). Tooze also does a good job delineating how the Holocaust both exacerbated and helped with the severe labor & resource problems Nazi Germany began facing, and covers how it was a logical outcome of earlier policies: emigration failed because the German balance of payments did not allow for the Jews to leave with anything like their actual wealth, and unsurprisingly many Jews were not so fearful as to emigrate penniless, and starvation in camps was not far from the earlier Wehrmacht plan to make the conquest of the Ukraine pay by simply starving to death 30 million Slavs to free up food harvests. Indeed, given all the constraints and necessary imports in the 1930s and 1940s, one really has to wonder how contemporary Germany can be so wealthy and whether it really is due to labor reforms or thanks to the Euro...

One flaw is that Tooze freely goes from macro to micro, from the overall economy to very small subindustries or benchmarks, and it's easy to get lost. And while the book covers the international finance in enough detail to understand it (and things like why Schacht was the 'dark wizard of international finance'), I don't think he does as good a job as *Lords of Finance*, which should probably be read before *Wages of Destruction* so one understands the international gold standard, and the French and British actions in the inter-war period.

Tripp says

h my, Adam Tooze's Wages of Destruction is quite a book. It an economic history of Nazi Germany and it provides economic reasons for Nazi policy making. This alone should raise interest (or potentially hackles). The discussion of lebensraum is illuminating. Most texts write this off as sheer propaganda or delusion, but Tooze shows that the German economy of the early 20th century was actually quite behind a number of competitors and that the very large agricultural work force was difficult to employ, hence the interest in stealing others land.

Tooze argues that there were other economic choices available to the Germans including taking a classically liberal export oriented approach, but that ideologically and politically this was a non-starter thanks in part to the inward turn of the United States in the early 30s. The Germans saw their future as that of an economic satellite of the United States or as the leader of a united Europe. They chose the later course, to the world's great dismay.

Too often analysis of political choices, at least in American writing, ignores economic influences. If they are identified, it is usually on the basis of nefarious special interests hoping to get their narrow agendas satisfied. It is much more rare to see an analysis of the economic situation facing leaders and how this constrains their behavior. Tooze explores how the balance of payments in Germany greatly influenced its foreign policy throughout the 30s. Today, you can't examine the US-China relationship without looking at the economic aspect. We need more books like Tooze's that examine these things.

The horrors of the Holocaust and the other other German atrocities also have economic underpinings. Most importantly, there was not enough food for everyone in Europe, at least with all the resources going to war making. Couple this with the extreme racism of the regime and the wholesale slaughter of Eastern Europeans and Jews by starvation and then mass murder becomes a policy choice rather than a fit of insanity.

This is a very large book that takes close reading. The subject range is massive, including an assessment of Albert Speer's economic wizardry, technology investments by the German military, relative economic strengths of the various powers and average farm size in 1930s Germany. For many readers it will be too much. For those of whom that is too much, consider picking it up and reading the introduction and the conclusion, which is easy enough. If you think you have read all you need about World War 2, think again.

Mark Saha says

This book is a slog to read but worth the effort in exposing the economic side of Hitler's madness.

Germany was an economic basket case when he took power, and the improvements he appeared to bring to the standard of living were illusory and unsustainable. The conquest of France did nothing to improve Germany's situation, because French industry depended on British coal and raw materials. Germany struggled to provide these for their own industry, so French industrial assets were useless. The gain in France was a one time looting of transportation, etc., and even that was eventually off-set by the cost of occupying much of the country for the rest of the war.

Germany was so bankrupt that to invade Russia in 1941 they had to require the major German corporations to pay estimated tax ten years in advance. This one time economic solution assumed Russia would collapse as did France; it was an unimaginable gamble, because the end of 1941 was an economic abyss.

The failed Barbarossa invasion of 1941 consumed so much of Germany's oil reserves that, Hitler was informed, for the remainder of the war they could not make full simultaneous use of all three branches of the armed forces. The priority was given to land forces, while reduced fuel for training helped set the Luftwaffe on its death spiral.

German currency had lost so much value that for the remainder of the war the German "economy" became increasingly dependent on slave labor, loot from seized territories and, of course, seized wealth from Jews everywhere.

Most everyone in Germany after Versailles wanted to restore Germany to its former greatness, but most rational people saw the impossibility of achieving this. Hitler believed sheer power of will could overcome any obstacle, and persuaded many to embrace this delusion. There were many assassination attempts against him even before the war by rational patriots, but incredibly he survived them all.

Ari says

This is a history of the German economy, from the late 1920s through 1945. I learned quite a lot, and in particular learned that some things I thought I knew, weren't so.

There is a widespread belief that the Nazis weren't at "full war production" until 1942. I now am persuaded that that is basically false, and that Nazi Germany mobilized a remarkably high share of the economy for military purposes, starting as early as 1934. There was still significant civilian production early in the war, but this wasn't due to a "guns and butter" strategy. Germany entered the war with no foreign exchange, and lousy credit. If the Germans wanted to buy things from neutrals -- and they desperately needed to, particularly iron ore from Sweden and oil from Romania-- they had to export something in exchange.

There is a notion that the Nazi enthusiasm for wonder-weapons was silly. It wasn't. The Nazis understood that they were going to be badly out-produced by the United States, so a decisive technical edge was their only real hope . This in turn meant betting that cutting-edge systems like the Panther tank, the Me-210 and 262 aircraft and so forth would work and would work in time, without a lot of testing. The overall strategy was sensible as far as it went, but in fact the gamble didn't pay off -- weapons development is hard to rush.

There is a very widespread view that strategic bombing was unworkable. Tooze thinks that if the RAF had just concentrated on the Ruhr in 1944, instead of diverting resources to longer-range raids on Berlin, that they could have brought Germany to a halt. The German economy ran on Ruhr coal, and if the allies had kept the pressure on that key choke point, there would have been very considerable disruption.

There is a notion that Hitler started the war prematurely, in 1939, even though Germany was really planning on war several years later. In fact, 1939 was the "optimal" year to start the war. In 1938, Germany wasn't ready, with minimal weapons and ammunition on hand. Senior army leaders were considering mutiny during the Munich crisis. By 1939, the army was much better prepared. But waiting wouldn't have helped -- with western mobilization in full swing, the balance of power was trending against Germany. Under peacetime conditions, Germany could not feasibly increase military spending, while Britain and France (and the US!) were rapidly increasing their spending. For Hitler, it was the fall of 1939 or never.

In Tooze's account, the Nazi regime kept taking existential gambles -- first, that they could attack Poland without a decisive allied thrust in the West, next that they could outmaneuver the allies in May of 1940, next that they could somehow knock Britain out of the war in 1940-41 by air or sea, and finally that they could crush the Red Army within two hundred miles of the frontier. The first few gambles paid off, the last two didn't.

Tooze draws attention to something I hadn't focused on adequately. The invasion of France was an incredible gamble that paid off, but the myth of blitzkrieg has distorted our impression of what happened. The allies were outmaneuvered and outfought, but the Germans didn't have a decisive advantage in tanks or aircraft. The key thing the Germans had was more tactical initiative and a nervier leadership. But it was a close-run thing, and if the Allies had noticed the German troop movements through the Ardennes, and responded properly, things would have turned out very differently.

The author has a habit of making broad statements like "armaments production was up 20% from date X to date Y". This in turn is based on some index of armaments, but it wasn't clear in the main text what this index was or if we should worry about its validity. Alas I no longer have my copy and can't check the footnotes, but this is an important enough methodological point that it deserved discussion in the main text.

Pieter says

As an economist I enjoyed the reading of this book from the very first page to page 676. The subject is highly undervalued by authors writing about WW II. The reader starts to understand the importance, not only of military strategy and political persuasion. Romans, Napoleon and the military leaders during WW I appreciated economic power and its ability to crush the enemy in the long run. Not on the battlefield but in the factory and in the office.

The history starts with Gustav Stresemann, a German politician trying to tie Germany's fate to the United States. Given Hitler's point of view explained in his Second Book, it should be no wonder that the latter radically opposed Stresemann's strategy.

In a nutshell, Hitler his political goal was to make Germany indepedent from foreign interest. For this particular reason, the country should extend its borders to pre-WW I levels. Recall that in most cases this would just lead to the return of Germans living in a hostile environment (France, Poland, Czech Republic,...) back into the Reich. Eventually, England ("divide and conquer" the continent) and France (revanchisme) would be willing to revive the mortal era, hoped to be faded away since 1918. Ils voulaient mourir pour Danzig. Soviet Union and United States could await the bloody outcome of this European civil war (the latter only to be dragged in as from 1941), only to gain world power since 1945. Stalin was even willing to join Hitler to fuel the conflict.

The author rightly states that middleweight Germany was boxing its way up against old time heavyweights like Britain (navy, empire), Russia (natural resources) and the still sleeping giant USA. Germany needed resources (Lebensraum) and allies. Daniel Yergin (The Prize) pointed at oil. But also iron, human capital and resources, rubber and many more. Gradually governmental institutions would take over industrial companies and align its strategy with Hitler's will. As I read the book, the conflict was inherent to excalate to world war dimensions as a total war required input of all available economic resources, also slave labour (Slavs, jews,...). If one of both parties wanted to finally destroy the counterparty, it needed all within its power to make this happen. No courtoisie anymore! At the same time, Mr Tooze demystifies Speer his impact on the war economy, but reveals the hope that was still there in Berlin to win the war wit new technological weapons. In May 1945, it became clear that Germany and the entire European continent had put all their efforts in winning a war that seemed impossible to win after all. Was there any alternative for Germany to regain its hegemony as continental power without fighting a war? From bleeding dry (WW I) to bleeding almost to death (WW II)...

Aaron Arnold says

For all its horrors, World War 2 is undeniably a really cool war to look at from a military perspective. However, anyone who plays the Could Germany Have Won game (or even a few rounds of Axis & Allies) is confronted sooner or later by the fact that a lot of Germany's military decisions seem a bit... eccentric, to put it mildly. Taking over Austria, yes; seizing the Sudetenland, sure; closing off the Polish Corridor, of course; but why go to war barely 6 years after taking power, way before your own rearmament timetable is done? Why fight Britain and France first off, when you don't even want their land? Why open up another front with Russia when Britain hasn't been beaten yet? In fact, why start a war at all with the countries around you, when every single one has an economy that's at least a match for your own? The traditional answer for questions like these is that Hitler simply wasn't a very good military commander, but while this is perfectly true, Tooze looks deeply into the economic background of Nazi Germany and finds that a lot of the wackier-seeming choices the Nazi leadership made do make a bit more sense given the economic options available to them, and even some of the more appalling facets of the Holocaust were driven as much by industrial considerations as by ideology. Tooze's decision to look at the war from an economic viewpoint is very refreshing, and allows him to bust a truly impressive number of myths, most notably for me the idea that Germany had any chance at all to win the war.

Though it's hard to appreciate now, Germany in the 1930s was not a very rich or developed country at all. The deprivation of World War 1, followed by Weimar hyperinflation, followed by Great Depression deflation, all overlaid on the fact that Germany had been a single unified country for barely a half-century, meant that though individual German firms were very competitive and productive, as a whole Germany was quite backwards in many ways (one graph on page 146 shows Germany in 1933 as having only 70% the income per capita as it had before 1914). The single goal of the Nazi Party was to transform Germany from the hemmed-in, middle-weight power it was into a true competitor to Britain, with its world empire, and America, with its continental resources. This primarily meant acquiring land, and Tooze assembles masses of agricultural statistics to show that the goal of Lebensraum, which strikes the modern reader as a bit weird (21st century Germany is much denser than even the most claustrophobic nightmares of Nazi planners), made a lot more sense in what was almost literally a peasant society in many regions. Expanding to the east would also have the benefit of allowing Germany to gather enough resources to be closer to self-sufficiency, a major concern for a country almost totally lacking in vital strategic materials like oil or steel. Removing the need to import important resources would have reduced the need to acquire foreign currency through export, as well as lessening the tension between production for domestic use and production for rearmament.

The beginning sections outlined Germany's struggles to emerge from the Great Depression with both a strong military and a robust consumer economy. They got fairly technical (it helps to know basic macroeconomic concepts like current account deficits, currency revaluation, or the relationships between deficit spending, taxation, and inflation), but they were necessary to understand why Germany chose to start the war in 1939, even though their own plans showed that they weren't ready. Putting yourself in the shoes of a Nazi economic planner, once you've taken the goal of Germany conquering all of Europe as a given, now you just have to figure out some way to implement it, and it would seem that waiting until you have a strong advantage would be the most prudent course. Unfortunately for Germany, despite their massive military spending at the expense of the civilian economy (much touted public works like the autobahn or the Volkswagen made surprisingly negligible contributions to Germany's recovery from the Depression), and even after years of treaty-defying rearmament, they were barely at parity with Britain or France. The reason for war beginning in 1939 was simply that waiting would have put Germany farther and farther behind those two powers, who were also beginning to accelerate their own military preparations.

Germany's stunning victory over Britain and France was both good and bad for them. Good, in that Germany at a stroke disabled the entire military of one of its enemies and most of the military of another. Bad, in that in a real way they were no closer to victory. Over the course of the war, though Germany helped itself to French tanks and military hardware, in an absolute sense captured French industry did not contribute very much materially to Germany's war effort, and Germany found itself in the position of having to expend its own resources on administering conquered territories. Tooze didn't use this metaphor, but I found myself reminded of a sort of military Ponzi scheme, where Germany kept having to conquer new territories to make up for the losses incurred in acquiring its last conquests. To make matters worse, different military initiatives required completely different production, so Nazi war planners found themselves jumping from priority to priority as targets shifted. There's a fascinating graph on page 148 of armament production from September 1939 to November 1941 that shows the sudden production surges and reversals, as well as the overwhelming focus on aircraft and ammunition. I had never realized that tanks were such a small percentage of the overall military budget, but as Tooze points out, aircraft gave by far the biggest bang for the buck.

Speaking of production shifts, I had always been under the impression that German war production had been dominated by political hacks, but Tooze makes a fairly convincing case that, aside from a few ill-advised late-stage "experiments" like the V2 rocket and the Type XXI U-boat, Germany's war economy ran about as well as could be expected, second only to the Soviet war economy, which he should definitely write another book about. More myths busted: that German women did not participate in the economy to the degree that their counterparts did for ideological reasons (false, German women were actually more involved), or that Germany did not have a total war economy until late in the war, also for ideological/propaganda reasons (false, Germany had been gradually letting its military cannibalize the civilian economy since day 1 of Nazi rule), or that people like Speer were miracle workers (false, production surges Speer took credit for were often statistical illusions or were due to other people). The main problem for German planners was that there was simply not enough of everything to go around; a precious resource like steel could be used for a gun, ammo for that gun, a railroad to transport that ammo, or a million other things, and there were just too many needs. By the end of the war Germany was being outproduced at least 4:1 in every single category, and even if every battle had been a crushing victory they still wouldn't have been able to last.

The most depressing parts of the book were where he discussed slave labor and Germany's economic relationship to its conquests. Here's how the logic went: Germany took basically all of its able-bodied men off the farm, and required huge food imports to avoid the mass starvation of World War 1. Those imports came from territories like Poland and Ukraine, directly at the expense of the Polish and Ukrainians, which meant that the Polish and Ukrainians had a direct incentive to help kill Jews, who were merely extra mouths to feed out of the leftover food. "... By comparison with a German ration of 2,600 calories in early 1940, the 'ration' for the inhabitants of Poland's major cities was set at 609 calories. Jews were provided with 503 calories per day." Of course, German factories also required extra labor for the same reason, and so there was a continuous stream of captive workers coming into concentration camps to be worked on substandard rations until they dropped dead, to be replaced by others. Even with millions of free disposable workers, by the end of the war Germany's economy was on its last legs and could no longer be sustained. While Tooze raised my opinion of the quality of German wartime economic planning, he really brought home what a stupid idea it was to try to conquer all of Europe. While individual military goals made more sense (even still-questionable ones like Barbarossa), from a practical standpoint Germany might as well have been trying to conquer the solar system. After having read this book, I don't think Germany ever could have won, but they could have failed even more spectacularly than they did in real life.

Laurent Franckx says

The saying "The amateurs discuss tactics: the professionals discuss logistics" has been attributed to almost everybody from Napoleon to Darth Vader (no, not really). Whoever the author of this insight was, most professionals would agree with it (full disclosure: I have served as an officer in the Belgian army logistics).
I can therefore only applaud the increasing number of books that discuss the second world war from the perspective of logistics, and, more broadly, the industrial and economic policies of the belligerent parties.
For instance, “Freedom’s Forge” by Arthur Herman tells the extraordinary story of the mobilization of the American industrial potential. Of course, America was generally known to have incredible industrial resources even before the war, and the fact that they were underutilised due to the Great Depression made it much easier to mobilize these resources for military purposes when needed. Still, the truth is that, at the end of 1930s, the US were incredibly ill prepared for war, and that it required an incredible organisational effort to set this right. We know that the US succeeded brilliantly. Interestingly, this was not achieved through a top-down approach: market forces were very much allowed to play a key role in the allocation of resources.
Similarly, “Britain’s war machine” by David Edgerton shows how, contrary to widespread belief, the United Kingdom was an economic superpower, who was able to build on huge accumulated international assets to survive the period in which it was a military underdog (at least on the ground -in the air and on sea, it of course never was), and to build a counter offensive that was really based on the power of machines rather than on the blood of men.
“The wages of destruction” by Adam Tooze, which I review in more detail here, gives the German perspective.
Arguably the central contribution of Tooze's book is the claim that it debunks of the "inefficiency" myth. In short, the "inefficiency" myth claimed that Germany lost the war due to an overly relaxed and chaotic approach to its economic mobilization in the first years of the war, and that it was only when Albert Speer took over the coordination of this mobilization that Germany really realized its full potential, resulting in spectacular increases in its production of military equipment - but too late to turn the tide. This narrative was widely spread by Speer himself (surprise, surprise) and some of his lesser known acolytes, and also uncritically taken over by people such as John Kenneth Galbraith, whose reputation amongst the public as a pundit has never been fundamentally shaken by the fact that he was wrong about almost everything.
Tooze claims, and with some solid statistical facts, that the actual mobilization of resources in Germany was already formidable before the war even started, and that the claims of the war effort on the national economic resources were incomparable to anything that had been done before in documented history. In short, Tooze claims that the weaknesses of the German economy were not the result of the infighting and chaos within the Nazi regime, but were the inevitable results of structural weaknesses of the German economy. This is of course completely inconsistent with the view we have nowadays of Germany as an economic superpower, but Tooze illustrates that, in the 1920s and 1930s, it was only in some specific sectors that Germany was an advanced economy.
I suppose that Tooze's book will not be the final say on this highly controversial issue, and I do not feel qualified to arbiter on this controversy. I will limit myself here to some important points that I have learned myself.
If we want to grasp the economics of Nazism, it is important first to understand the fundamental problem of the German economy in the 1920s and 1930s: its structural struggle with its balance of payment (yes, the world was a different place then). German industry and agriculture was highly dependent on the imports of natural resources, but, as the result of the repair payments imposed by the Treaty of Versailles, Germany suffered structurally from a lack of foreign currency reserves. It thus faced the classical dilemma of countries with current account problems combined with a high external debt denominated in a foreign currency: devaluation would improve the competitive position of its export industries, but the domestic weight of its external debt would become even more unbearable.

Faced with this situation, Germany could have chosen the liberal approach of becoming more integrated within the world trade systems, and, at the same time, obtaining a writedown of a part of its external debt. This was effectively the approach tried under the Weimar Republic. The alternative approach was the Nazi approach of going for broke: solving the external balance problem by simply annexing countries where the essential resources could simply be plundered, while risking a new world war at a time where Germany did simply not have the industrial base to fight such a war. Tooze's book describes in detail how this worked out.
Tooze also settles an old discussion about strategic priorities. The first books narrating the second world ward emphasized Hitler's dilettantic approach to military affairs, and his inability to define priorities in the Russian campaign is often given as illustration for this. But the reality is that Germany really needed the natural resources of the Ukraine, the coal of the Donetz basin and the oil of the Caucasus. The decision to give priority to the southern flank of the Eastern front, rather than to taking Moscow, was not a symptom of amateurism, but of unsolvable strategic dilemmas.
One issue that stand out in this whole concept of a war for the conquest of natural resources, is the agricultural problem. The Nazi's obsession with Lebensraum reflected a very really issue with the productivity of German agriculture, and even serious agronomists agreed that a substantial increase in the scale of agricultural activity was required. In the first world war, Germany had come very close to a massive famine, and it was confronted with similar risk in the second world war. The Nazi agronomist Herbert Backe therefore proposed the so-called Hungerplan as a solution. The idea was that, if Germany invaded the Soviet Union, the German army would cut off the inhabitants of the cities from any agricultural supply, and send the surplus production to Germany. this would effectively come down to the deliberate starvation of dozens of millions of people in the Soviet Union. In other words, if the Hungerplan had been executed, it would have been a genocide that would have dwarfed even the Holocaust. Surprisingly, contrary to the Holocaust, the Hungerplan was not kept secret: it was widely disseminated to the lowest levels of the hierarchy, and widely endorsed. It is a bit of a puzzle to me why it has entered collective memory in the same way the Holocaust has. One possible reason is that the Germany army never had the resources to properly implement the plan, and thus, that it was a massive failure according to its own standards.
A final point I would like to make is about macro-economic policy. As I wrote above, the war effort's impact on Germany's economic resources were huge, even before the war. However, the Nazi leadership was desperate to find ways to hide this burden. Thus, up to the end of the war, Hitler refused to raise taxes and mainly sought to mobilize savings through increased loans. It is a basic macro-economic insight that, if aggregate demand increases more quickly than an economy's production capacity, inflation will follow. The Nazis tried to hide the inflationary pressures though a system of price controls that effectively transformed the German economy in a planned economy in all but name. However, just as one cannot avoid the laws of physics, there is no way to avoid basic principles of economics: inflation just showed up in decreasing quality of consumption goods such as clothes.
Well, I will leave it here, and leave it up to the reader to discover this impressive book. Just one caveat: at times (and certainly in the first half), the book is too long (an enumeration of which company chaired which commission should really be relegated to the appendixes, for instance). But the persistent reader will be rewarded by a book which confirms that the final word on one of the defining events of the 20th century has probably not yet been written.

Mike says

Ever since middle school I have been a huge WWII buff. I couldn't get enough of the Manichean clash of good versus evil (with good triumphing naturally). As I grew up I developed a more nuanced view of the war. Neat planes and cool tanks were replaced by the appreciation grand strategy and the details of battles. But as the old saying goes, amateurs talk about tactics, but professional study logisitics. And nothing can get to the heart of logistics more than the study of the industrial economies that supported WWII's massive mechanized forces. Tooze does an amazing job chronicling the German economy from the early Wiemar days though the fall of the Nazi regime. Tooze magnificently lays out the details and relationships within the German economy and how it explains the actions and results of WWII.

It was fascinating to learn about the pre-Nazi German economy. Contrary to common belief, it wasn't hyperinflation 24/7 until Hitler took over. Yes, there was a period with run away inflation, but it was actually gotten under control through a rather nifty financial setup. German leaders knew they could never compete with the empires of Britain and France, so they instead sought to align America's interest with their own. Through a scheme of loans from America, Germany was able to amortize their war reparations to Britain and France who were in turn able to pay back their war debts to America. This cycling of money resulted in a stable and growing global economy, more or less completely alleviating Germany of its reparations burden and keeping everyone invested in this scheme.

Then the depression hit and the US government ceased to provide these funds, the Hoover administration not having a suitable handle on the situation to see how it all tied together. Further, the raising of tariffs and economic barriers stifled German exports, which were essential for maintaining their foriegn currency reserve and for debt servicing. German Economic responses (deflation) led to domestic down turn and unemployment, opening the door for the nationalistic political right in Germany, of which the Nazis were members, to step into power.

And interesting recurring theme in the early Nazi administration was foreign exchange reserves. This is the amount of foreign currency available to the economy. It is needed to purchase imports which were essential for the German economy. Germany was short of several key resources, namely food and petroleum, as well key industrial inputs for heavy industries. However, the Nazi regimes resistance to devaluing their currency in order to stimulate exports in the face of a strengthening Reichsmark was not pursued for two reasons: price impact on citizens which would have to pay more for imported and import dependent goods and the servicing of foreign debt.

The Nazi response, which was to play out again and again over the course of the Nazi regime, was to create government coordinating organizations and subsidies to solve the problem. This would get repeated as the state slowly took over more and more of the economy: price setting, labor registration and allocation by a government body, profit caps for corporations, government bureaucrats setting wages. At times I would have to remind myself this was Nazi Germany, not its ideological foe Soviet Communism massively intervening in the economy.

Another new thing I learned was how Hitler's conception of Lebensraum ("living space"), which drove his conquest of the East, was tied to his view of competition with America. Because America was so large it had a massive domestic market which supported large, highly efficient factories to supply it. Coupled with abundant natural resources to feed these factories a European state simply could not compete economically. However, in Eastern Europe there was plenty of space for colonization and key resources to fuel German industry. With Western Russia and Eastern Europe under Nazi rule, Germany could have the same natural benefits America had. Cleanse it of racial inferior peoples, open it up to big German families, and it could compete economically with America. The intermixing of racial beliefs and economics gave me a new perspective on the conflict.

The last major insight this book provided me was how dependent Germany was on imports. Then, as now, Germany was not self-sufficient in many key areas, especially the armaments sector. It needed to import iron ore, grain, animal feed, metals for the alloying process, rubber, and petroleum. It tried to remedy this through technology, but synthetic rubber and fuel plants (which required a lot of coal) never reached the point of providing all of Germany's needs. Hitler hoped that Ukraine would be the solution to the food problem, but Germany faced food rationing pretty much from the outset of the war. The conquest of the West actually made Germany's situation even worse as the areas conquered, the Low Countries and France, were also importers of these key resources. WWII was as much about Hitler trying to secure resources to match America's natural endowment (and maintain the war machine) as it was to realize radical racial ideologies (though as shown above they often intermingled).

Probably the most important area Tooze illuminated was the economic logic of Hitler's war decisions. He didn't declare war in 1939 because he was gambling, but because there was nothing to be gained by waiting. The western allies had seen Germany's rearmament and responded in kind. Hitler reasoned that the advantage he had in 1939 would only diminish over time. Western allies could squeeze Germany economically (recall they were importers of key resources) and there was only so much the State could do to keep the economy humming. Without delivering full employment Hitler risked being forced from power. Likewise in 1941 Germany needed the resource of Ukraine and western Russia to sustain its economy and war effort or else it too would have crumbled. The economic logic of Hitler's situation compelled aggressive foreign action or to be content with being a second rate world power (Hitler chose the conquest option, no surprisingly).

There were tons of other fascinating insights I learned from this book: the doctrine of blitzkrieg was mostly an accident and not fully implemented until the Russian invasion, how key steel production was to the German war effort and the politics behind steel rations, the Speer armament "miracle" that wasn't, and the tension between the idealized view of the German farmer and the economic reality of them.

This was a stellar, if dense book, about a very fascinating historical subject. If you are looking to really get into the nitty-gritty of German economic policy from the 1920's through WWII you absolute must read this book.

Anna says

A historian friend recommended this epic tome to me. I will admit it took me a little while to get into, mainly because the hardback edition is unwieldy. The writing, however, is anything but. Tooze has an academic yet engaging style, managing a difficult balancing act with abstract economic concepts and horrific war crimes. He also writes with specific aims in mind - to overturn popular conceptions of Blitzkrieg, of working women’s role in the Reich, and of Hitler's economic rationale for risking war in 1939. By the end of the book, I felt I had far better grasp on the economics of Germany in the 1930s and of Western Europe during the Second World War. A fair amount of that new knowledge is absolutely horrifying, which is no more than you expect when reading about the Nazis.

A significant thesis that Tooze emphasises throughout is Germany’s economic weakness. In the 1930s the German economy was underdeveloped relative to Britain and especially America, with a large agricultural sector of low productivity. In particular, Germany had a persistent balance of payments problem, due to dependency on imports of key primary inputs (iron ore, oil, wheat, etc). The ways in which the Nazi government kept this imbalance under some control, before and during the war, were often ingenious yet always temporary. It was a structural problem, exacerbated by rearmament. Tooze demonstrates that as soon as Hitler came to power the whole German economy was reorientated towards preparing for war. The level of intervention used to shape this war economy is quite amazing. I had not realised the range of quota-setting, price-fixing, and export-limiting that took place, on top of the close political relationships between heads of industry and the Reich. One thing that struck me as mysterious, though, was the ambivalent relationship between Nazi economic management and the concept of bureaucracy. It is evident that bureaucratic intervention was the first response to problems. Yet, bureaucracy was also repeatedly blamed for slow production, etc. It’s almost as if there was a constant quest for more perfect, more ideologically pure bureaucracy going on (as well as inevitable political one-upmanship and blameshifting). It seems to have been the older bureaucracies like army procurement that were condemned, whilst in the latter years of the war Speer was given more and more power over economic activity.

In addition to the well-argued points that Tooze advances, the book taught me some memorable facts. For instance, the tank invasion through the Ardennes, ‘called for the German armoured columns to drive for three days and three nights without interruption. To ensure the drivers could go without sleep, the quartermasters of the advanced units stocked up with tens of thousands of doses of Pervitin, the original formulation of the amphetamine now known as ‘speed’, but more familiar in the 1940s as ‘tank chocolate’ (*Panzerschokolade*)’. The theme of Germany pushing its economy and society to the limit in an attempt to win the war quickly is brought home by comments like: ‘By the summer of 1941, the Wehrmacht was already scraping the manpower barrel. Due to the small number of children born during World War I, Germany had no option but to send virtually all its young men into battle. Of those aged between 20 and 30, who were physically fit for military service, 85% were already in the Wehrmacht in the summer of 1941’. Given America’s economic strength and the USSR’s huge population, it is clear to the reader than Germany never had more than the slimmest of opportunities to win the war in Europe. Perhaps more striking is the extent to which various Nazi figures realised this and had serious reservations about Operation Barbarossa, even after the successful conquest of France.

Tooze characterises the Nazi invasion of Russia as, ‘the last great land-grab in the long and bloody history of European colonialism. [...] What was to follow was a gigantic campaign of land clearance and colonisation, which also involved the ‘clearance’ of the vast majority of the Slav population…’ It was invisaged that urban Soviet populations would be sealed off and starved to death. Despite the scale of their invasion, however, the Nazis vastly underestimated the resources and resistance they were up against. In his diary, General Halder said of the Soviets, ‘At the start of the war we reckoned with about 200 enemy divisions. Now we have already counted 360. These divisions are certainly not armed and equipped in our sense, in many cases they have tactically inadequate leadership. But they are there. And when a dozen have been smashed, then the Russian puts up another dozen.’ In fact, Tooze tells us, Halder was wrong and by the end of 1941 the Red Army had 600 divisions! Stalin was certainly willing to throw away the lives of millions of soldiers and civilians, a resource that Russia had in much greater abundance than Germany.

From chapter 14 onwards, genocide becomes a matter of economic planning in the German war economy. The scale and ubiquity of this is distinctly disturbing to read about. I was reminded of The Kindly Ones, one of the most intense, horrifying, and incredible novels I’ve ever read. That provides a fictionalised portrait of the seeming paradox that Tooze analyses: the Nazi economy could not reconcile the priorities of production and destruction. Workers were badly needed to make arms, but Nazi ideology required the death of millions of Jews and others seen as undesirable. Selected concentration camp inmates were murdered through labour, while industrialists complained that they worked too slowly and died too often to be productive. Tooze points out that the balance was struck on the basis of scarce food. Whilst slave labour was needed to make weapons, they also needed to be fed and Germans were always first in line for limited rations. Hunger was constantly employed as a weapon. The massive scale of forced labour used by the Nazis is very difficult to comprehend; their willingness to starve and kill millions is impossible to comprehend. Yet Tooze manages to clearly demonstrate the role of economic policy in enabling and promulgating such horror.

The disaster that consumed Germany at the end of the war is not examined in any great detail. Apart from anything else, during that time of chaos, famine, and refugee crises, normal economic activity was practically impossible. A barter economy prevailed. The reasons for this collapse are, however, made evident by the rest of the book. From 1933 onwards, Germany’s economy was centred on war. By 1943, 60% of Germany’s GDP consisted of war spending. The utter focus of the economy on war production, a reorientation over only a decade, is undoubtedly impressive as well as appalling. Yet this focus could never compensate for the advantages held by the Allies: America’s wealth and industrial capacity, Britain’s colonies, Russia’s population and industrial capacity. Once the war was evidently lost, Speer continued to claim in propaganda that a miracle technology - new tanks, jet aircraft, V2s - would turn the tide. As Tooze makes clear, such innovations were valid technological advances, but irrelevant to the war's final outcome. Lacking coal, steel, and labour, Germany could never have manufactured significant quantities of such weapons sufficiently fast to make a difference. So perhaps the overall message of the book is the momentum not of economics but of geography and demography. When war disrupts trade and emigration, primary resource availability and demography become the tight frame in which an economy operates. Within that fame, political prioritisation can make massive changes to the structure and function of the economy, but cannot transcend those limits.

Chris says

I have found one book that truly is monumental. Adam Tooze’s the Wages of Destruction is an incredible economic history of the Third Reich. Made even more interesting by the fact that the author connects seemingly mundane economics processes and problems with the political policy decision of the Nazi leadership. These economic issues are shown be one of the main driving forces behind Hitler’s conception of the world and the foreign policy decisions that those conception of the world propelled him towards. The section on the holocaust and the German food problem is phenomenal as well as his connection of Hitler’s view of a “world Jewish conspiracy” to the Führer’s economic and foreign policy goals. Additionally, for those interested in the overly moralistic debate on RAF and AAF strategic bombing policy, this book impressively argues against most of the common wisdom. The author even denies the existence of Albert Speer armaments miracle. In opposition to almost every other author I have read Tooze claims that the NAZI economy was actually at full mobilization for most of the war. What surprised me most about this book is that in the areas I am most knowledgeable (the German Army in the east, the operational doctrine of blitzkrieg and operational tactical history of the war) the book cites all the best sources. This one hefty book could actually function as both an economic history and an excellent survey of NAZI foreign policy and goals, a very accurate survey the course of the war, and an excellent explanation for NAZI racial and genocidal policy in the east from the perspective of NAZI racial theories and Economic difficulties. I cannot recommend it enough (the footnotes are phenomenal as well)!

Emmanuel Gustin says

The Wages of Destruction is a brilliant contribution to our understanding of events in the 1930s and 1940s. It destroys many of the myths in which the Nazi regime has been wrapped, and shows that it was neither the miracle of efficiency claimed by apologists for dictatorships, nor the irrational buffoonery projected by some of its critics. Tooze documents how Hitler's government was driven to some of its most desperate actions by economic constraints, and highlights how cold economic logic was combined with extremist ideology to drive some of the worst atrocities in history. As so many large conflicts, the Second World War was decided by economic factors as much as by the force of arms.

Despite its great body of dense text, this is a well-written and quite readable book. I would have liked to see more hard data in the form of tables or graphs, but those that are provided are very illustrative. There are some errors or dubious claims, but probably fewer than could be expected in a book with such a wide scope. If you want to understand the history of Nazi Germany or WWII, this really is essential reading.

Kyle says

As it turns out the way to write real history is by taking things seriously. Slave labor, genocide, hunger plans, making neat entries in logbooks concerning the planned deaths from famine in the early months of your next invasion- these are treated by historians in apocalyptic and sensational ways that safely place what the Nazis did and what they were thinking in some kind of pointless realm beyond understanding. But the leadership of the lumpen Nazi movement didn't suffer from mass insanity and the millions of supporters they eventually gathered in Germany saw real benefits in their program. So what's up?

Tooze knows. Applying utterly basic methods of economic history and simply ignoring decades of scholarship based on grotesque faleshoods like the ones Speer shrieked to keep himself from the gallows at Nuremburg produces the scariest and best account of the Nazi regime's entire history- economic, political, diplomatic, etc. The War in the East turns from a terrifying near-death experience for the entire human race into a gigantic and ridiculous blunder that persisted as long as it did only because of a series of minor miracles. The conquest of France is reduced in stature from a strategic masterstroke into the worlds biggest meth-fueled traffic jam. But these military-history deflations only symbolize the larger picture: the entire Nazi empire was put together on a budget and unraveled as soon as it faced real pressure. Tooze's lesson is the same as Gibbon's, on a much smaller time scale: what is remarkable about the Nazis is not that they were defeated but that they even managed to contend in the first place.

4triplezed says

Very long and dry at times but fascinating. For the non economist and lay history lover such as my self this really gave me the answers to a lot of questions I had had that were never been discussed in any depth in the many previous books and items I had read and the various documentaries I have seen about the Nazi economy.
