

H-Net Reviews

in the Humanities & Social Sciences

Neil Gregor. *Daimler-Benz in the Third Reich*. New Haven: Yale University Press, 1998. xii + 276 pp. \$30.00 (cloth), ISBN 978-0-300-07243-3.

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Published on H-Business (May, 1999)

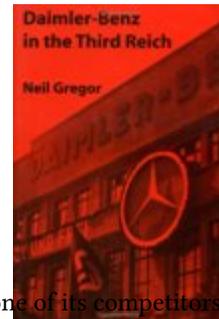
Neil Gregor has written the best history to date of Daimler-Benz (DBAG) under the Nazi regime. It is an interesting work with much informative detail. Gregor did extensive research in the Mercedes-Benz archive and public repositories such as the Federal Archives (Bundesarchiv) in Koblenz and the Central Office of the State Justice Administrations (Zentrale Stelle der Landesjustizverwaltungen) in Ludwigsburg. He consulted the right sources and bases his work overwhelmingly on the personal papers of Wilhelm Kissel and Wilhelm Haspel, the men who led the management board of the company during the Nazi years. The conclusions that Gregor reaches are credible. However, his analysis is not without weaknesses.

Gregor's major finding is that Daimler-Benz pursued its own corporate self-interest throughout the period of Nazi rule. He shows clearly that—except for the period from the failure of Operation Barbarossa (the Nazi invasion of the Soviet Union) in December 1941, to the defeat at Stalingrad in February 1943—the company consistently anticipated a short war. Consequently, it attempted to retain a core of consumer products to facilitate the transition to a peacetime economy. It struggled to continue production of passenger automobiles even after the war began so as to maintain the production lines devoted to them. It especially fought to protect its cadre of skilled workers who were needed to produce cars at the level of quality that management thought necessary to preserve the aura of the Mercedes-Benz name. When the company consented to build the three liter Opel Blitz truck in 1944, it did so to position itself for the post-war market. Already, the management of DBAG expected that the war would be over in the foreseeable future and that Germany would lose. It anticipated a large market for trucks due to the need to rebuild Germany's heavily bombed cities. It

also agreed to build the product of one of its competitors in order to learn about Opel's manufacturing procedures.

Gregor demonstrates that DBAG was reluctant to invest in additional plants to fill military contracts due to its fear of being left with excess capacity after the end of the war. He contends that the company used labor, including slave labor, as a substitute for capital investment. This reduced the burden on its balance sheet and led to the barbaric exploitation of its employees, especially those from Eastern Europe who worked for the company against their will. Put differently, Daimler-Benz used slave labor only to survive in the short-term. It could rid itself of these laborers easily after the war, and it could use them to produce military aircraft engines and other war related products while conserving its skilled German workforce, concentrated in its plants in western Germany, for the resumption of peacetime production.

Gregor demonstrates that the failure of the German armed forces before Moscow in December 1941 marked an increase in the brutalization of DBAG's workers. At this point, the company concluded that a long war was in the offing and resolved to increase military output, without, however, burdening itself with capital that would be superfluous to peacetime needs. It increased output by driving its employees harder and demanding more foreigners and slaves from the government. Gregor is careful to point out that the influx of foreigners did not alter the company's basic reliance on skilled labor. As a corollary to this, Gregor shows that Daimler-Benz never developed a strategy for seizing factories in the areas conquered by the Wehrmacht. Rather, it was interested in the skilled labor available from its competitors in occupied France and took responsibility for factories in Austria and the East, in large measure, to keep them out of



the hands of competitors like BMW. In short, the DBAG was not a co-conspirator in a grand imperialist enterprise.

In his introduction, Gregor raises a number of issues that he hopes to illuminate by looking at Daimler-Benz during the war. He attempts to shed light on why the West German economy recovered so strongly after the war. He deprecates the Zero Hour (Stunde Null) myth, contending that the same companies that dominated German manufacturing before the war dominated it afterwards. He claims that Daimler-Benz came out of the war with comparatively little damage. Consequently, it was well positioned to resume operations in the peacetime market. Based on his description of the rationalization of production processes during the 1920s and again during the 1930s, combined with the additional changes required by the war, he concludes that the rapid post-war recovery was due to these earlier advances, not to a post-war miracle. The key, for Gregor, was continuity. As far as he goes, Gregor is correct. Yet, the recovery of the post-war West German economy was the result of other factors as well, some of them much more important than the improvements that he discusses. Shortly after the war, Ludwig Erhard realized that the obstacle confronting the west German economy was not so much a lack of goods or the means to produce them, as an excess of government regulation and the threat of the destruction of the surviving production apparatus by the Allies seeking reparations. It can be argued that the single most important factor in the West German recovery, and the factor that distinguished events in the west from what happened in the east, was Erhard's almost complete abolition of state restrictions (Zwangswirtschaft) on domestic economic activity in June 1948. Without this step, no managerial or technological advances would have sufficed to restore West Germany to prosperity.

Gregor also addresses the modernization debate triggered by Rainer Zittelmann. Zittelmann contends that modernization is a value free concept. Therefore, it is conceivable that even the Nazis, however loathsome their policies may have been, contributed to the modernization of German society. Gregor rejects this claim. He demonstrates that Nazi policies did not assist the modernization of German industry with a detailed discussion of DBAG's introduction of new machines and new management techniques. He correctly points out that these changes conformed to pan-European trends. He especially emphasizes how the war accelerated the change in the way that Daimler-Benz compensated its employees. The company shifted from a socially oriented system that

took into account the worker's family status and age to one based on pay for production. While Gregor implicitly criticizes this trend on moral grounds, he does show that management sought to conform more closely to market signals in valuing the output of its workforce. In the opinion of this reviewer, the entire discussion of the modernization debate could have been omitted. Clearly, Zittelmann and the other German scholars who have followed him have missed the point. Modernization is a culture bound concept with no universal meaning. From an economic standpoint, what produces the largest volume of goods demanded by consumers at the least cost is the best. The machines that equip factories, contrary to the fantasies of many German engineers, need not be the newest. The standard of measurement is the satisfaction of consumer wants, not an arbitrary definition of modernity.

Gregor also discusses the issue of Blitzkrieg economics. This concept, developed by the United States Strategic Bombing Survey, Nicholas Kaldor, one of its members, and Alan Milward, holds that low German armaments production before February 1942 was due to a lack of demand on the part of the Wehrmacht. According to this interpretation, Hitler planned a series of short, sharp wars that would conquer economically valuable areas in Europe while placing little burden on the German population. Hitler allegedly based this strategy on the mistaken belief that Germany had lost World War I due to a failure of morale among the German civilian population, the "stab in the back." Gregor rejects the Blitzkrieg economics interpretation and the notion that the economic history of Germany during World War II can be conveniently divided into two halves: one before and one after Albert Speer. Instead he agrees with Rolf-Dieter Mueller, that the low production of the early war years was the result of bureaucratic confusion on the part of the German military. He notes that the expansion of armaments production began before Speer was appointed minister of armaments and munitions. He also contends that overall economic reform, the elimination of confusion caused by the military, was more important in increasing production than changes on the shop floor. He agrees with Richard Overy that Hitler planned for a big long war.

Why Gregor addressed this problem is not clear. The Blitzkrieg economics debate was settled over a decade ago. Milward has abandoned his earlier position and, ironically, Mueller and other authors, including this reviewer, have shown the serious flaws in Overy's alternative explanation. It is clear from an examination of

the relevant German documents that Hitler planned a big short war, fully in the tradition of Frederick the Great, Moltke the Elder, and Schlieffen. In addition, Gregor presents no evidence to show that reform of the government economic administration was more important than changes to production processes in improving efficiency. Here Overly and this reviewer, using evidence from the United States Strategic Bombing Survey and other sources, demonstrate that efficiency gains on the factory floor were very significant. Gregor is on safer ground when he contends that bureaucratic political competition replaced the market in steering the Nazi economy. This reviewer's own research concerning the German National Railway confirms his finding. Indeed, if one takes a market oriented approach, rather than Gregor's Marxist one, one would not be surprised that Daimler-Benz pursued its own interests even in this changed environment. This is precisely what both neo-classical and Austrian theory would have us anticipate.

Gregor also makes a series of claims concerning the company's policies towards its workers that are equally difficult to accept. He contends that DBAG's rationalization of production methods was primarily a social control effort intended to prevent conflict during the 1920s, when, as he puts it, "capitalism was becoming increasingly crisis-prone." However, if viewed from a different perspective, the Depression in Germany, to which he alludes, could just as easily be seen as the crisis of a heavily regulated, partially socialized economy in which the market already played a limited role. Daimler-Benz's rationalization measures could be seen simply as efforts to reduce operating costs in the face of government mandated pay increases and serious competition in the automobile market. Gregor bemoans the fact that the company took advantage of the Depression to reduce wages. Yet, if viewed from a market perspective, it could also be contended that this was precisely what management should have done since the workers' remuneration was excessive in comparison to the value that they added to the company's products. Gregor goes further and contends that all of the productivity gains registered both between the wars and during the war came at the expense of the worker. He offers no detailed economic analysis to support this claim. At the same time, he ignores the very serious argument made by Knut Borchardt that industrial wages in Germany were too high during the 1920s, hurting German competitiveness and weakening corporate finances. Unintentionally, by showing how Daimler-Benz reacted to the challenge of the Depression and the war, Gregor provides evidence that Ludwig von Mises's the-

ory of how companies react to market signals is correct. The analysis provided by Gregor also lends credence to the argument that the Third Reich was not the product of a capitalist conspiracy.

Surprisingly, in light of his discussion of historiographical issues in his introduction, Gregor overlooks literature that is directly relevant to his thesis. In the latter part of his book, he repeatedly discusses the effects of Allied bombing on Daimler-Benz and the more general effects of the air offensive. He concludes that the impact of Allied bombing was limited. However, he states that it did have an important effect on the attitudes of the DBAG's management and that production was hampered by transportation difficulties. He makes the latter statements without having consulted the relevant literature, most especially the report on the transportation bombing produced by the U.S. Strategic Bombing Survey and this reviewer's 1988 study. Had he consulted these works, Gregor would have gained a clearer picture of how production could have declined so dramatically without the loss of many machine tools. The dispersal that he discusses in great detail actually made Daimler-Benz and German industry in general much more vulnerable to the disruption of transportation by bombing.

More importantly, Gregor does not discuss adequately three books that directly address his subject. He mentions Bernard Bellon's *Mercedes-Benz in Peace and War* briefly in just two footnotes. Bellon's last chapter in particular provides information on DBAG's use of slave and forced labor that is a very useful supplement to Gregor's discussion. Gregor also makes only a brief comment in a note on Hans Pohl's official history of the company during the war. Pohl's work suffers from very serious flaws and Gregor would have done well to have exposed them and to have shown how his own work is superior. Finally, Gregor only mentions briefly in a note *Das Daimler-Benz Buch* published by a Marxist collective in Hamburg. While this book offers a distorted interpretation, it does provide valuable detail concerning labor conditions in the company's plants.

Finally, this reader at least would have welcomed a few tables summarizing the output of selected products, corporate operating results, and the corporate balance sheet. If Daimler-Benz actually pursued its self-interest, as Gregor indeed shows, and since it was a private company, having the latter two in particular would have been very helpful.

Neil Gregor has written an interesting book that can be read with profit while ignoring its theoretical under-

pinnings. Ironically, Daimler-Benz comes off surprisingly well in his account. He shows that DBAG was not a Nazi company, it merely pursued its narrow corporate interest. Gregor's most serious criticism of the company, which he never states explicitly, is that it did indeed protect its own interests when it should have displayed more civil courage and served the common good. Yet, this implied criticism is itself the product of a misunderstanding of how private enterprise functions, of how self-

interest can prevent the excesses of regimes which, like the Nazis, pursue the common good (*Gemeinwohl*) with monstrous results.

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Citation: Alfred C. Mierzejewski. Review of Gregor, Neil, *Daimler-Benz in the Third Reich*. H-Business, H-Net Reviews. May, 1999.

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