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Making a Killing: The Economics of the Holocaust

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Principal, ladies and gentlemen, it is a great pleasure and privilege to be invited to deliver the fifth Holocaust memorial lecture in a year when the sixtieth anniversary of the liberation of the extermination camps at Maidanek and Auschwitz has prompted a wide public interest in the current history of the Holocaust. What I have chosen to talk about tonight is at the forefront of current debates about the nature and consequences of German anti-Semitism. One of the most important elements of the history that ended with Jewish genocide was the comprehensive economic spoliation of the Jewish populations of Germany, her allies and the occupied territories. That expropriation has provoked in recent years a spate of legal activity and historical research over the whole issue of restitution – its limits and its justification. This is not what I shall talk about chiefly tonight. My remarks are directed more at trying to understand the many separate processes and motives involved in the economic plunder of the Jews, for this is a narrative that has only recently attracted serious scholarly research. It is now possible to describe and explain the economics of the Holocaust with greater precision and understanding than was the case a decade ago.

The plundering of the Jewish population has a complex history. It was never a simple question of state-approved seizure. Like most other elements of anti-Semitism in the Third Reich, economic policy towards the Jews evolved in an unplanned way, moving forward step-by-step until it reached the radical threshold of expropriation and dispossession at the end of the 1930s. The early years of the regime were marked by a cautious expropriation. Jewish businesses and professions were subject to boycott from April 1933 under pressure from local party activists who daubed slogans on Jewish premises and discouraged non-Jews from patronising them; Jews were expelled from public office under the Civil Service Law of April 1933; thousands more were forced out of commercial life as the party put pressure on major businesses to 'aryanise' their management structure; Jews who left Germany were subject to a special 'flight tax' (first authorised in 1931 to avoid the transfer of funds abroad during the slump). But the regime did not authorise the closure or sale of Jewish businesses and German Jews continued to trade. This caution had a number of causes. Economic revival was the top priority in 1933-1935 and the closure of Jewish businesses would have adversely affected unemployment figures. Second, radical anti-Semitic policies might have damaged Germany's international economic position and invited retaliatory boycott. Unofficial boycott actions were taken in at least eight countries in 1933 in response to the boycott of German-Jewish businesses.

Instead the regime encouraged a policy of 'voluntary aryanisation' in the hope that isolation and intimidation would encourage Jewish owners to sell out to ethnic Germans. The degree of economic coercion in these transactions made them 'voluntary' only in the limited sense that they were sold by choice rather than state fiat. Two examples from recent studies of 'aryanisation' illustrate this reality. The Hermann Tietz department store in Cologne lost between 40 and 50% of its sales revenue in the first year of the regime as a result of the boycott of Jewish companies. The share value of the business plummeted from 24 million marks to 8 million. In the end the Jewish owners sold their share of the business for 800,000 marks to a consortium of German banks. In September 1934 they moved abroad. The Cologne municipal authorities announced publicly that the store was no longer regarded as Jewish and its name was altered to the Westdeutscher Kaufhof, under which title it still trades today. A second example comes from Munich. Here the famous Ballin furnishing company, with a reputation for fine craftsmanship, found its sales collapsing in 1933 once the local National Socialist mayor on his own authority denied the firm public contracts. The first premises were sold to a German clothing manufacturer, a party member who later made money producing SS uniforms; the factory was sold in 1936 to avoid bankruptcy, and in September 1937 what remained of the business was sold to another German buyer. The Jewish owners moved to the United States some time after 1939 with no capital left.[1]

In the course of 1938 economic conditions for Germany's Jews deteriorated suddenly and sharply. The change to official expropriation and compulsory liquidation followed growing pressure to identify and control Jewish assets which emerged in party circles from 1936 onwards and culminated in a series of decrees passed in 1938 that gave legislative force to what had up until then been a process of informal discrimination and impoverishment. In April 1938 Jews were compelled to register all their assets and portable wealth; in June a legal definition of a 'Jewish' business was drawn up to help in the process of identifying those firms where 'aryanisation' might be necessary; the same month Germans were banned from giving credit to Jewish firms; in November, following the Kristallnacht pogrom, a collective fine of one billion marks was imposed on the German-Jewish community for 'provoking' German violence and destruction and on December 3 1938 a decree ambiguously entitled 'The Deployment of Jewish Wealth' was published which permitted the authorities to begin a process of compulsory 'aryanisation' of businesses. This process had already begun in Austria when it was annexed to Germany in March 1938; in Vienna the great majority of Jewish firms, large and small, had been closed down or transferred to ethnic German ownership during the course of that year.

Across the winter of 1938-39 thousands of Jewish-owned shops, trading companies and factories were either liquidated or sold to 'aryan' purchasers. Jewish private property, which had hitherto been exempt from the process of economic deprivation, was also now subject to registration and compulsory sale. In Cologne the number of registered Jewish-owned businesses declined from 1,100 in November 1938 to almost none by February 1939. Most were simply closed down. A fraction was transferred to 'aryan' hands, but only 23% of formerly Jewish retail outlets remained open.[2] In total around 100,000 Jewish businesses were either closed down or sold voluntarily or under compulsion by the end of 1939. The state was particularly interested in getting its hands on Jewish-owned securities, precious metals, and jewellery. In January 1939 Jews were required to bring these valuables to the municipal pawn shops across Germany. Here they were given a nominal sum in return, but confiscation was made legally binding. The legislation was, like so much anti-Semitic law-making, obsessed with providing exact guidelines. German Jews were permitted to keep their wedding rings, one silver watch, a four-piece silver cutlery setting per person, and a silver napkin ring each. Otherwise all goods made of precious or semi-precious metal were taken to the Central Pawn Office in Berlin and then melted down by the Degussa company. The best pieces of jewellery were kept to one side and sold to dealers in Switzerland in exchange for industrial diamonds.[3]

This process was repeated across occupied Europe in the years from 1939 onwards. Again a 'legal' framework was established for compulsory expropriation of Jewish assets and the collection and sale of Jewish valuables. Once again some monetary compensation might be given, though not in cases where Jewish owners were absent or had fled abroad, or where Jewish owners could be shown to have been involved in some infraction or other of the detailed regulations. Attempts to conceal valuables carried the threat of the death penalty. The scale of the expropriations outside Germany was enormous. Some sense of that scale can be gleaned from the story of the so-called 'Rosenberg staff' headed by the National Socialist party culture expert, Alfred Rosenberg. The activity of this staff consisted chiefly in identifying pieces that were to be sent back to the Reich where they would be displayed in galleries and museums devoted to European art. In France the organisation focused principally on Jewish-owned art, including the large Rothschild collection. In all 29 large collections were taken over, totalling 21,000 objects – which filled 4,170 crates for shipment to Germany. The grand total of objects expropriated reached 61,000, some of which were confiscated and taken back to Germany, some of which were sold on the open market to the benefit of the occupying power. [4] These transactions were repeated all over occupied Europe. Jewish businesses, property, wealth and household goods became the objects of a European-wide auction. Precious metals, jewels and foreign currency were used directly for the German war effort; major Jewish undertakings were placed in most cases under German trustees or agents who exploited them for the war effort pending a final decision on sale. The dimensions of this expropriation are only now being revealed by the careful historical reconstruction of what were often veiled or camouflaged transactions. The Dutch historian Gerard Aalders, for example, has identified at least 19 different forms of looting Jewish assets in the Netherlands.[5]

After 1941 the economic expropriation fused directly with the process of mass extermination of Europe's Jewish populations. In the Soviet Union, following the invasion in June 1941, the seizure of Jewish property was virtually simultaneous with killing, whether the portable but usually trivial items taken from the victims as they were stripped and searched before their murder, or other property that was registered, distributed and, in some cases, shipped back to Germany a matter of hours or days after the victims had been killed. These seizures were not the product of random looting – though no doubt that also occurred – but systematic robbery. The valuables seized were boxed up and sent back to the Booty Office of the Reich Treasury in Berlin. They included all forms of cash, even small coins, banknotes, bonds, but particularly gold and jewellery. One consignment sent in January 1942 consisted of 150 chests and boxes containing 32,446 items taken from murder victims. These included 60 kilograms of gold, 1,822 US dollars, 2,850 silver teaspoons, 527 serviette rings, 1,141 coffee spoons, 5,000 men's watches, 15.5 kilograms of wedding rings; and so on. The gold was initially melted down and used as dental metal for members of the SS. The goods taken from Jewish homes were defined legally as the property of 'heirless Jews', and thus forfeit to the state.[6]

The concept of the 'heirless Jew' was also exploited in Germany. In most cases any heirs had long ago fled abroad or were subject to deportation orders which, again according to German law, constituted the abandonment of property. The fate of one Jewish family in Munich was typical. The two elderly survivors of the Braun family owned large properties in Munich which they were forced to sell in 1941 under the terms of the 1939 legislation on Jewish wealth. A contract was drawn up to grant them 220,000 RM for the buildings (from which was to be deducted a compulsory fee of 11,000 RM for the 'aryanisation' trustee, and 45,000 RM in wealth tax). The contract was finally approved by the authorities in January 1942, but by that date the two owners had been deported. One was killed in the transport to Kovno, where the first group of deported German and Austrian Jews were murdered on arrival without instructions from Berlin. The other was sent to Theresienstadt concentration camp where she died. Under legislation only finally approved in November 1941 the buildings were then taken over by the state with no requirement to pay any compensation. It did the state little good in the end: the buildings were destroyed by bombing later in the war and the area is now a road in present-day Munich. [7]

Because so much more is now known about the extent of German traffic in expropriated or stolen Jewish property, some attempt has been made to estimate the aggregate value of what was taken. Some smaller figures are known with a greater or lesser degree of certainty – for example $400 million of gold was deposited in Swiss banks by German officials between 1939 and 1945, a large share looted from murdered Jews, and an estimated 7-8 billion marks' worth of Jewish property was taken from German Jews as a result of the 'aryanisation' laws. But global estimates, as Sidney Zabludoff has recently argued, are difficult to make. There are still large gaps, property can be valued very differently by former owners or state officials, and the items of lesser value – furnishings, clothing, pots and pans – many of which were sold off in auctions or sales or, in the east, simply taken by non-Jewish neighbours, cannot easily be represented statistically, though they meant a great deal to the families whose daily household goods were despoiled and looted. Though an aggregate figure somewhere between $9 billion and $14 billion has been advanced, no economic historian would regard such an estimate as historically useful. [8] Nor, in the end, was expropriation confined only to identifiable physical assets. Jews who were the victims of discrimination and victimisation lost earnings, educational opportunities, and professional standing. When German accountants estimated the value of 'aryanised' property they refused to include the notional value of 'goodwill' in their calculation on the grounds that in Germany the Jews had no goodwill. Jews who were compelled into forced labour supplied their work with no other remuneration than an anaemic diet and the kicks and abuse of their supervisors. All of these forms of expropriation belong properly to any calculation of the aggregate loss to the Jewish victims of the Holocaust.

There are more important questions than the statistical scale of the loss, above all the simple question: why did it happen? The obvious answer – robbing Jews reflected the greed or envy of the perpetrators because Jews were regarded as corrupt and wealthy – helps very little in understanding what happened in the Germany of the 1930s and 1940s. Expropriation was linked, first and foremost, to ideological perception. In radical nationalist circles in the Weimar era Jews were regarded as a threat, subverting 'honest' trade, taking over German assets into alien hands. National wealth belonged, according to this crude view of economics, to the German *Volk*. The initial National Socialist Party programme of 1920 committed the movement to removing 'alien' ownership. Later in the 1930s National Socialist economists developed the idea that all wealth was only held on trust from the German people. Jews could not, *ipso facto*, be trusted with such a responsibility. Whether the Jew was a capitalist or a Bolshevik, he represented in the world-view of National Socialism a standing challenge to the interests of sturdy, small-scale German business. A Germanised economy was therefore regarded as a fundamental foundation for the future economic health of the nation.

Of course, there were economic motives as well. Some of the radical racist rhetoric about 'Jewish capital' appealed to Germans impoverished by the 1923 hyperinflation, or small businessmen who went bankrupt in the slump after 1929. Some at least of the popular collaboration with 'aryanisation' in the 1930s stemmed from notions of economic revenge on the stereotypical Jewish businessman. But the role of popular economic envy must be treated with caution. The regime was reluctant to endorse the popular Jewish boycott launched by the SA and local party enthusiasts in the spring of 1933. Until at least 1935 fear that anti-Jewish actions would jeopardise German foreign trade, or damage the economic revival at home, inhibited the shift to a policy of open economic victimisation. There was even anxiety in government circles that any policy of expropriation of German Jews might be construed as a more general assault on the principle of private property, and hence 'Bolshevik' in appearance.[9]

This situation changed sharply in 1936 with the coming of the Second Four Year Plan which introduced a policy of greater economic self-sufficiency and accelerated rearmament, both of which did give the regime real economic needs. It was during the months leading up to the announcement of the Plan that the German Central Bank and the Reich Statistical Office were asked to supply their estimates of aggregate Jewish wealth in Germany (which varied between 20 billion and 2.5-3 billion marks). After the Plan was introduced measures were taken to prevent any further outflow of Jewish assets, and to force the release of precious metals and foreign assets into state hands to help fund essential payments for overseas raw materials. Not all of the funds subsequently sequestrated were Jewish, but the policy was aimed with particular severity at Jews. When Jewish property had to be compulsorily registered, it was with the object of securing access to the remaining stocks of gold, silver, platinum and of foreign currency or bonds in Jewish hands. Jewish industrial holdings were also coveted by the regime, which played an important part in ensuring that prominent Jewish owners (the Rothschilds in Vienna for example) released their material assets into state hands. The German economic war effort was also directly fuelled by Jewish wealth seized in the conquered areas, though there also existed a more profound economic irrationalism in the treatment of Jewish populations, who were killed rather than used for labour, and whose material possessions were boxed up, shipped and stored in many cases with no economic purpose that could benefit Germany's immediate war needs. These factors illustrate the limits of any explanation based entirely on economics. Economic persecution had both utilitarian and ideological imperatives, but the killing and destruction has to be understood in the context of the war against the Jews not, as Götz Aly has recently argued, in terms of profit or loss to the economic planning priorities of the Reich.[10]

The problem of ascribing motives to the Hitler regime has been compounded in recent years with realisation that anti-Semitic policy and economic expropriation in particular, was not a uniquely German phenomenon. The image of the 'Jew' as usurper or thief was stock-in-trade for anti-Semites all over Europe. In Poland hundreds of thousands of Polish Jews had been impoverished by state discrimination or popular hostility before war came in 1939; in Hungary in 1944, when it was decided to send Hungarian Jews to their death in the German camps, the government organised a systematic expropriation of all Jewish wealth to make sure that the assets were not simply looted by the Magyar population. In Italy, following Mussolini's decision to implement his own brand of anti-Semitic legislation in 1938, an office for expropriation was set up in Rome in January 1939. The office took property, shares, cash and jewellery from Jewish owners, a total value by 1945 of 1.8 billion lire. As late as 1954 the Vicenza branch of the Banca di

Roma still had expropriated gold, coins and jewels worth an estimated 500 million lire.[11] Some of these expropriations owed something to the German example, but some not.

There were also many other forms of expropriation. The National Socialist regime seized the assets of non-Jewish Germans too. The steel magnate Fritz Thyssen, an early supporter who became disillusioned with Hitler, fled to Switzerland after the outbreak of war in September 1939. His vast industrial fortune was taken over by the state on legal grounds that dated back to the emergency powers of 1933 and the right to expropriate the possessions of communists. Outside Germany the loss of wealth, businesses and even personal possessions was a widespread phenomenon. In the USSR under Stalin literally millions of peasants, craftsmen, small businessmen and traders had their assets transferred to social control and, in cases where they manifested political resistance, all their personal possessions seized as well. The Jewish populations of the western Soviet Union were in fact dispossessed twice, first by Soviet communism in the 1920s and 1930s, then by the invading German authorities. Expropriation was then extended to the communist states of Eastern Europe after the war. In Hungary the new regime refused to return Jewish wealth, on the grounds that it now all belonged to the people as a whole, and fewer than twenty Hungarian Jews out of the 400,000 who had inhabited Hungary before 1944 got any of their goods returned. [12]

To state-sponsored expropriation might be added the loss and destruction inflicted by the campaigns of the Second World War. Wartime losses from bombing, artillery fire, the displacement of populations and widespread robbery meant that in 1945 a great many Europeans had lost everything they had owned, big or small. Overall perhaps as many as 50-60 million Europeans were dispossessed between the 1920s and the 1940s, almost all of them without compensation. This is an area of research on the wartime era that has not yet had the attention it deserves. The violation of private property through expropriation, theft or destruction was a widely shared experience with its own grim social history. The difference in the Jewish case is, of course, central to the narrative of the Holocaust. The Jews were killed systematically and at state initiative, setting their expropriation apart from that of other groups. The question of why they should be killed after they had been stripped of everything else is still the key question in explaining the mass murder. Economic policies alone might have left

German Jews and those of occupied Europe impoverished and destitute but not dead.

It is the distinctive nature of the Jewish expropriation that makes the recent arguments about the nature or level of economic restitution so complex. The Allied powers after 1945 had many of the same problems the historian now has in understanding what had been done to the Jewish people, and who was entitled to whatever compensation might be paid or whatever property might be handed back. Most of the victims were dead, which meant that restitution could only occur after searching for survivors, or, in many cases, made restitution itself impossible. In France and Italy unclaimed properties and artworks filled up bank deposit boxes and museums into the 1950s. Many remain unclaimed. The problem for the Allies was the legal issue. In Germany, where the entire regime was deemed to be criminal at the Nuremberg Trials, the issue was simpler. But were Italian laws also 'criminal' in intent? Or those of Vichy France? Even where these non-German forms of expropriation could be regarded as illegal, the burden of proof of ownership lay with the petitioning party, not with the state that took the assets in the first place. The aftermath of the economic Holocaust was messy, legalistic and occasionally unjust. Surviving victims were not as ill-served as they had been by the Third Reich, but they were not privileged in the long struggle to get back some part of what had been lost.

Some sense of just how difficult could be the task of giving back what had been stolen was conveyed in Ronald Zweig's recent book about *The Gold Train*, which tells the story of the fate of the wealth and possessions expropriated from Hungarian Jews in 1944. The resulting loot was packed onto a train in 1945 heading west, some of it ending up in French hands, some in American. The French government finally returned 29 crates of material in 1948 under pressure from the communist Hungarian regime, which kept it, making no effort to return it to what was now left of the Hungarian Jewish community or the Jewish church. The Americans got the so-called 'Auschwitz' loot, including 207 cases and sacks. It was held under guard in Austria, where servicemen pilfered what they could before it was shipped back to New York. Here the loot was sold to help fund refugee organisations. The golden objects were melted down, supplying 300 kilograms of gold. The better jewellery was sold to New York dealers. Most of the furs, carpets and rugs had spoiled during their long journey from Hungarian homes to New York warehouse. The rest was auctioned (including 100,000 men's watches at $2.00 each) or sent for scrap. The whole operation netted only $2.1 million, of which $220,000 were taken to cover the costs of the refugee organisations that set the sale up, and, hard though it is to believe under the circumstances, US Customs took $125,000 in fees. The net proceeds of the sale provided no more than 1.9 per cent of the funds of the Joint Refugee Committee.[13]

This story is a reminder that for many of the survivors, loss continued. Valuables or goods were lost, looted, squandered, devalued or confiscated. Much of the material was regarded by the Allies as 'ownerless'. Only in the past twenty years has more international effort been devoted to providing monetary compensation to those family remnants left over from the genocide or to understanding how wide was the circle of complicit Europeans who profited at Jewish expense. The evident truth is that for the Jewish populations of Europe compensation is an ambiguous legacy. The real cost of the destruction of Jewish lives and livelihoods, social, psychological as well as economic has no monetary equivalent.

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[1] Details on Tietz in B. Bopf *"Arisierung in Köln: Die wirtschaftliche Existenzvernichtung der Juden 1933-1945* (Cologne, 2004), pp. 89-91; on Ballin, T. Mahl 'Die "Arisierung" der Hofmöbelfabrik Ballin in München' in A. Baumann, A. Heusler (eds) *München arisiert: Entrechtung und Enteignung der Juden in der NS-Zeit* (Munich, 2004), pp. 54-69.
[2] Bopf, *"Arisierung" in Köln*, pp. 217-18, 229
[3] H. McQueen, 'The Conversion of Looted Jewish Assets to Run the German War Machine', *Holocaust and Genocide Studies*, 18 (2004), pp. 29-30.
[4] H. Feliciano 'The Great Culture Robbery: the Plunder of Jewish-Owned Art' in A. Beker (ed) *The Plunder of Jewish Property during the Holocaust* (London, 2001), pp. 167-89.
[5] G. Aalders *Nazi Looting: The Plunder of Dutch Jewry during the Second World War* (Oxford, 2004) ch. 1.
[6] M. Dean 'Jewish Property Seized in the Occupied Soviet Union in 1941 and 1942: the Records of the *Reichshauptkasse Beutestelle*', *Holocaust and Genocide Studies*, 14 (2000), pp. 85-89.
[7] U. Haerendel 'Der Schutzlosigkeit preisgegeben. Die Zwangsveräusserung jüdischen Immobilienbesitzes und die Vertreibung der Juden aus ihren Wohnungen' in Baumann/Heusler, *München arisiert*, pp. 112-14.
[8] S. J. Zabludoff 'Estimating Jewish Wealth' in Beker (ed), *The Plunder of Jewish Property*, pp. 48-64.
[9] See for example Bundesarchiv-Berlin R2501/6789 Reichsbank memorandum, 'Wie wirken die bis jetzt getroffenen Massnahmen zur Regelung der Judenfrage auf die Wirtschaft aus?' n.d. (but spring 1936).
[10] See for example G. Aly *Hitlers Volksstaat: Raub, Rassenkrieg und nationaler Sozialismus* (Frankfurt-am-Main, 2005.
[11] F. Moroni 'Italy: Aspects of the Unbeautiful Life' in Beker (ed), *The Plunder of Jewish Property*, pp. 304-10.
[12] R. Zweig *The Gold Train: The Destruction of the Jews and the Second World War's Most Terrible Robbery* (London, 2002), p. 190.
[13] Zweig, *Gold Train*, pp. 185-207.