

Luftverkehr zwischen Markt und Macht (1919-1937): Lufthansa, Verkehrsflug und der Kampf ums Monopol [Air Transportation between Market and Power: Lufthansa, Aviation and the Struggle for a Monopoly]. *By Albert Fischer*. Stuttgart: Franz Steiner Verlag, 2003. 366 pp. Tables, figures, bibliography, notes, appendix, index. Paper, €64. ISBN 3-515-08277-8.

Reviewed by Christopher Kopper

Albert Fischer's study of the German aviation market between 1919 and 1937 is a highly readable contribution to the history of civilian aviation and the creation of the German flag carrier, Lufthansa. Despite its abundance of facts and narrative complexity, Fischer's book is easy to read and well organized. His study of the close relations between the German government and the civilian aviation industry is based on unpublished materials culled from a number of federal, state, and business archives. Although historians like Lutz Budrass have done substantial research on the relation between civilian and military aviation policies, no systematic monograph on the German aviation market in the 1920s and 1930s has been written before the publication of this book.

The narrative is largely taken up with Lufthansa's struggle to establish a monopoly in commercial aviation in Germany. Lufthansa's rise to market power took place in a highly regulated business environment. As a consequence of the Versailles Treaty of 1919 and the dismantling of the German air force, civilian aviation remained the only way to maintain a German air fleet. The Federal Ministry of Transportation actively sponsored commercial aviation and bore the responsibility for mergers and realignments in the German airline industry. After the bankruptcy of Germany's main aircraft manufacturer, Junkers, in 1925, the government decided to combine the two major players under a new corporate name, Lufthansa.

Fischer's meticulous research reveals considerable governmental involvement in the highly regulated and heavily subsidized German aviation market during the interwar period. The main objective of the German government was not to create a friendly environment for healthy competition, but to establish one powerful national airline with sufficient means to stimulate research and development in aviation. High federal

subsidies at this time were meant to foster an industry that would otherwise have been strangled by the high costs of aviation. Although a few Lufthansa shares were distributed to private shareholders, the government dominated Lufthansa's supervisory board and appointed all its senior managers. Because of its position as the main provider of funds, the government exerted tight control over Lufthansa's schedules and, above all, over its fleet. Lufthansa was politically obliged to follow the army's recommendations regarding its fleet policy. The new Lufthansa aircraft served as prototypes for future bomber planes. Fischer points out convincingly that the relations between the German armed forces and Lufthansa cannot be interpreted simply as either a principal-agent problem or as evidence of the primacy of the military, but rather as a convergence of mutual interests.

Fischer analyzes the evolution of German aviation policy and the interplay between federal and state transportation agencies in considerable detail. Because of its overarching interest in establishing an economically strong and technologically innovative airline in a nascent and highly vulnerable market, the German government was strictly opposed to allowing any real competitors to gain entry to the aviation field. Both the administrative elite and the academic advisors on transportation considered the prospect of competition between carriers as economically ruinous and technologically counterproductive, claiming that a monopoly in aviation was determined by technological and economic factors. A heated conflict between the Federal Ministry of Transportation and the state (*Länder*) governments of Bavaria and Saxony ended with the states being forced to accede to the federal position, which meant accepting that Lufthansa's demands overrode the transportation needs of the states.

But German aviation policy was not unique among the major nations and therefore did not necessarily indicate militarization of transportation or a general trend toward state capitalism. Despite its monopolistic tendencies and the strong links between military and civilian aviation, the high levels of subsidies were not exceptional, nor were they without international precedents. In the United States, for example, airlines would not have survived without the indirect subsidies of the Postal Service, which covered most of their operating expenses. Both the Ministry of Transportation and the Transportation Committee of the German Parliament (*Reichstag*) became increasingly critical of the waste and lack of accountability that characterized Lufthansa at the onset of

the Great Depression. Although the company continued to depend on subsidies in the 1930s, there was growing evidence that its management was moving toward a more commercial orientation.

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