

Export um jeden Preis: Die Deutsche Exportfoerderung von 1932–1938 [Export at any price: German promotion of exports from 1932–1938]. By *Michael Ebi*. Stuttgart: Franz Steiner, 2004. 268 pp. Figures, tables, bibliography, notes, index. Paper, €48.00. ISBN: 3-515-08597-1.

Reviewed by Adam Tooze

It has long been an established fact that in the aftermath of the Great Depression Germany adopted a variety of schemes for manipulating its balance of trade. Hjalmar Schacht, acting as Hitler's president of the Reichsbank, earned his reputation as the dark wizard of international finance for the way that he coupled debt default and exchange controls with opportunistic export subsidies. But despite the obvious importance of the topic, Michael Ebi's book, representing his Ph.D. thesis, is the first in-depth investigation of export promotion in the Third Reich.

When Hitler took power in January 1933, the mountainous level of unemployment was not the only economic problem facing Germany. Though reparations had effectively been abandoned in June 1932, Germany labored under billions of dollars of foreign debt. Roughly one billion Reichsmarks were due every year in interest and repayments. Added to which, Germany faced a serious problem on its current account. In the course of the depression, imports of food and raw materials had fallen by 40 percent in real terms. A return to full employment was bound to necessitate a recovery in imports. An increase in exports was therefore vital. In 1933, however, goods "made in Germany" were not welcome abroad. International outrage at the mistreatment of the Jews did not help, but the fundamental problem was price competitiveness. In September 1931 Germany had chosen not to follow the devaluation of sterling. Instead, the precarious equilibrium of the balance of payments had been maintained by means of ever-tighter exchange controls.

In the spring of 1933, Roosevelt's devaluation of the dollar confronted Germany for the second time with the decision as to whether to maintain the value of the Reichsmark. Why did the Third Reich not devalue? The conventional view is that Hitler chose to preserve the parity of the Reichsmark for reasons of prestige. However, this

explanation is simplistic. As Ebi makes clear, the most important argument for resisting a devaluation was not for reasons of prestige, but was based on the confidence that, by adopting a variety of subsidy schemes, German exporters would receive the benefits of a devaluation while imposing the costs on Germany's foreign creditors rather than on German importers or debtors. The most well known of these schemes was the buyback system, which was adopted after the unilateral moratorium on Germany's long-term debts was announced in June 1933. Under this scheme, exporters who used their hard-currency earnings to purchase German dollar bonds at heavily discounted prices in New York were rewarded in Berlin by repayment in Reichsmarks at close to face value. However, as Ebi shows, this first generation of export-promotion schemes was not enough to revive Germany's flagging exports. By the early summer of 1934, the Reichsbank's foreign-exchange holdings had dwindled to less than a week's cover.

Meanwhile, Britain was threatening a trade war. One response to this crisis was the introduction of a draconian new system of import regulation. As Ebi shows, this was complemented by a new system of across-the-board export subsidy, financed not by defrauding foreign creditors but through an onerous tax on the domestic turnover of German industry. Though this export levy has caught the eye of one or two business historians, its overall impact on the German economy has not previously been appreciated. Assessed at between 1 percent and 9 percent of turnover and raising almost 700 million Reichsmarks in its first year, the export levy constituted a very considerable imposition on business profits. The impact on firms with below-average profit margins and little export business was particularly severe. Ebi not only provides the first systematic account of the acrimonious debate that preceded the introduction of this system. He also shows how it succeeded in halting the deterioration in the country's competitiveness, enabling Germany to partake in the worldwide recovery of international trade that began in 1936.

Unfortunately however, the impact of Ebi's pioneering research is diminished by the narrowness of his focus, which is remarkable even by the normal standards of German Ph.D.s. Focusing exclusively on the mechanisms of export promotion, Ebi ignores the wider political context in which they were situated. This is a serious shortcoming, not because it makes the book "too" technical, but because it leaves us

unable to understand how the system of trade promotion actually worked, or rather was allowed to work. What after all needs to be explained is why Germany's trading partners were willing to accept such a flagrant manipulation of the terms of trade. Though Ebi gives due weight to the threat of all-out trade war with Britain in the summer of 1934, he is strangely silent about the Anglo-German Payments Agreement of November 1934, which stabilized economic relations between Europe's two major economies. Nor does Ebi mention the contrasting behavior of the United States, which was the one major power that chose to challenge Germany's export-promotion system.

Furthermore, though Ebi's book purports to cover the entire period between 1932 and 1938, he is reticent about the second major crisis that hit the Nazi economy in the summer of 1936. As was the case in 1934, this one revolved around the balance of payments, and though the prolongation of the export subsidy was part of the solution, it was no longer enough. From early 1937 onward, export promotion and import control were supplemented by the rationing of key raw materials, most notably steel. Under these conditions, the export-subsidy system was effective in raising exports only because it was backed up by a deliberate decision at the highest level to give priority to exports, even over the demands of rearmament.

In conclusion, therefore, Ebi has produced an eye-opening study of an important topic, but one that, for lack of broader contextualization, provides a very partial account of the way in which export promotion helped to sustain Hitler's economic experiment.

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